The Cross-Harbour (Holdings) Limited

(Stock Code : 32)

2019 ANNUAL REPORT

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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

Registered Office

25th Floor, China Resources Building
26 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2161 1888
Fax: (852) 2802 2080
Website: www.crossharbour.com.hk
Email: investors@crossharbour.com.hk

External Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Registrar & Transfer Office

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

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 presenting the annual results of the Group for the year ended 31 December 2019.

Performance

The Group reported a profit attributable to shareholders of HK$727.3 million for the year ended 31 December 2019, representing an increase of 62.6% as compared with HK$447.4 million in 2018. The performance of the treasury segment was satisfactory as compared with last year. The net fair value loss of financial assets measured at FVPL in 2018 was HK$391.7 million, and it was reduced to HK$45.6 million in 2019. Earnings per share were HK$1.95 against HK$1.20 for 2018.

Final Dividend

A fourth and final dividend of HK$0.24 per share has been proposed and, if approved by the Shareholders, will result in total dividends of HK$0.42 per share for the year, representing an increase of 5.0% when compared with the previous year. Total dividends paid and proposed for the year will be HK$156.5 million.

Business Review and Outlook

2019 was a year full of challenges. The global economic growth had further slowdown in 2019. Faced with many uncertainties, global markets went through the ups and downs of the Sino-U.S. trade dispute, Brexit event risk, and transition of US interest rate cycle. The U.S. yield curve has even become inverted at some points which triggered recession concerns. Hong Kong's external demand was depressed, export of goods and services were dropped in real terms. Hong Kong economy was not only affected by external markets but also hit by internal factors, leading to the first negative growth in ten years. The local social unrest lasted for more than 6 months and was regarded as the major cause for the downturn. The GDP growth in the first half of 2019 dropped sharply to 0.5% from 4.1% of first half of 2018. It further shrank by 2.8% and 2.9% year on year in the third and fourth quarters of 2019 respectively. Both domestic consumer sentiment and business sentiment were dampened. Hong Kong retail sales dropped by 19.4% in December 2019 and continued to decline by 21.4% in January 2020. It tumbled for 12th straight month. The unemployment rate in Hong Kong was kept stable at 2.8% in the first half of 2019, and began to creep up to 3.3% in the second half of 2019.

Looking ahead, global economy will remain volatile in the first half of 2020 although some uncertainty for 2020 might have been removed, e.g. the first phase of the trade agreement has been reached by China and U.S. and UK has formally left the European Union at the end of January. IMF expects the global economic growth to be below that of the level of 2019 (2.9%). Rising global trade conflicts, Europe's struggling economy, and global outbreak of coronavirus will have negative impacts to the Hong Kong economy. The social unrest is gradually calming down. But it has not yet fully stopped and will continue to be a key uncertainty. Nevertheless, both the Mainland China and Hong Kong Governments are expected to be proactive in implementing fiscal and monetary policies to support enterprises and citizens in the midst of headwinds. Taking the above factors into consideration, the downside pressures remain notable and Hong Kong may still be under a difficult situation for an extended period.

Chairman's Statement

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools and it maintained a stable performance in the year. The throughput increased as compared with the previous year as a result of continuing efforts by the management in implementing a series of service and quality enhancement programs.

The availability of sizeable training sites remains a pivotal factor for the operation of designated driving school in addition to the supply of qualified driving instructors. The operations of the driving centres at Ap Lei Chau, Siu Lek Yuen and Kwun Tong, in particular, are subject to the availability of government land due to the extensive land requirement for off-street driving training. The tenancy for operating the Ap Lei Chau Driving School, the Siu Lek Yuen Driving School and the Kwun Tong Driving School will last until June 2020, February 2023 and July 2023 respectively. AHG completed the construction works and training range of the New Kwun Tong Driving School ("NKT") in second half of 2019, and also started student enrolment and training since August 2019. Moreover, in view of the rising rentals and the need to enhance the stability of the sales outlets in the long run, two shop spaces were acquired during the year. As a measure to improve the cost structure in the long run, AHG is at present holding eight properties for use as driving training centre, sales outlets and classrooms.

Facing the difficult environment of Hong Kong in the coming year, we expect that the driving training market would continue to shrink in 2020. AHG will continue to adopt effective sales strategy and to deploy continuous efforts in market segmentation and penetration to maintain our leading market position. The negative impact from recent coronavirus outbreak could not be underestimated. It is expected that overall performance of the first half of 2020 would be affected. The Management will keep close monitoring on the progress and take further actions to safeguard our customers and staff and ensure business continuity.

Electronic Toll Operation

Autotoll (BVI) Limited ("Autotoll"), a jointly controlled entity, 50% owned by The Autopass Company Limited (a 70% owned subsidiary), provides electronic toll collection ("ETC") facilities in Hong Kong covering twelve different toll roads and tunnels. There are sixty-one auto-toll lanes in operation at present. Despite increasing difficulty in acquiring new subscribers, net growth in tag subscription was recorded during the year. It was partly contributed by the first issue of motorcycle tags since January 2019. Excluding the growth in motorcycle tag, the net growth of tag decreased as compared to last year and this trend is expected to continue in the coming year as the number of terminated tags will increase under the negative impacts of uncertain economic outlook and competitions from other alternatives of electronic payment facility available in the market. To tackle the competitions, extensive customers acquisition programs as well as customers retention programs will be continued as marketing strategies in the coming years.

In July 2019, Transport Department published a Smart Mobility Roadmap for Hong Kong, which sets out the vision and specific initiatives to be pursued in the next five years. It echoes the Smart City Blueprint for Hong Kong promulgated by the Innovation and Technology Bureau in 2017. One of the six major target achievements of Blueprint is "Smart Mobility", an important component of smart city development for achieving a fully integrated, efficient, reliable, sustainable and safe multimodal transport system. The concept of Smart Mobility goes beyond the application of intelligent transport system ("ITS"), which is not limited to the scope of transport infrastructure, but could be collating more real-time data to shed light on transport planning and management and embracing new vehicle technologies to improve road safety and traffic efficiency.

In-vehicle Units ("IVU") and Free-flow Tolling System ("FFTS") are key Smart Mobility initiatives in the Roadmap under the key dimensions "Smart Transport Infrastructure". An IVU is a tag enabled with radio frequency identification technology for a vehicle to receive real-time traffic information and used to facilitate the new electronic tolling system FFTS. FFTS will be implemented by phases at government tolled tunnels and roads and eventually replace the current ETC system.

In view of this, further expansion of non-ETC business is crucial to the continued viability of Autotoll. Taking into account of its experience and performance in the past ITS projects, Autotoll was awarded the first "Smart Mobility" project to install 550 traffic detectors on selected strategic routes to provide real-time traffic information in last year. Autotoll also had experience in a FFTS trial project in the past, which enhance its competitiveness in the bidding of tenders of FFTS contracts. Management will keep paying attention to the development of Smart City in order to expand its business in Smart Mobility projects and associated internet of things businesses.

Tunnel Operations

Western Harbour Tunnel Company Limited ("WHTCL"), a 50% owned associate, operates the Western Harbour Tunnel ("WHT") under a 30 years' franchise. The performance of the WHTCL in the year was further improved as a result of increase in toll revenue. WHTCL has implemented its tenth toll increase with effect from 1 June 2019 and the average toll per vehicle increased from HK$73.5 in the last corresponding year to HK$78.9. The average daily throughput of the WHT slightly increased by 1% to 69,778 vehicle journeys as compared with the last corresponding year. WHT's market share was maintained at around 27% for the year despite its toll increase during the year.

The social unrest since June 2019 with repeated protests and demonstrations, led to closure of some trunk roads and tunnels, in particularly during weekends. The total road traffic was reduced. This had impact to WHT's revenue in second half of the year. The total road traffic would further dropped in the first half of 2020 because economic activities of Hong Kong is being deeply suppressed by both of coronavirus outbreak in 2020 and non-stop social unrest.

Construction of a carriageway connecting Nga Cheung Road to southbound toll plaza of WHT is expected to be completed in 2020, this new road will make access easier to the tunnel from West Kowloon area. The continuing development of West Kowloon Cultural District and opening of various arts and cultural venues will further attract more traffic to West Kowloon area and contribute to WHT's traffic in the future. The opening of the Cenral-Wanchai bypass in February 2019 connected WHT with the Island Eastern Corridor. It makes the travelling from Island East to the tunnel quicker and easier. Route 4 was also rerouted through the new underground tunnel to the bypass relieving traffic around Gloucester Road and Connaught Road. As a result the traffic at WHT's Central exit becomes smoother. The Government is planning to improve the junction from Man Cheung Street underpass and Rumsey Street flyover, and works would be completed in 2020. All these traffic improvement projects in Hong Kong Island can further improve WHT's traffic. 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.

Due to the coronavirus outbreak, it might be difficult to maintain the throughput in the coming months at the same level as compared with last year. Toll revenue and overall performance of the first half of 2020 would be affected significantly. The Management has taken a series of actions to protect the operations and the health of its staff. To ensure tunnel operation continuity, it conducted a drill to practice required procedures in case certain operations need to be temporarily suspended. We will closely monitor the development and take further measures to minimize the impacts to our tunnel operation.

Treasury Management Business

The Group's investment objective is to increase the value of its treasury investment business, and ultimately to enhance returns for its shareholders. In making investment or divestment decisions on individual financial instrument, the Company considers not only past financial performance such as the financial health and dividend policy, but also the business prospect in the form of capital appreciation, dividend/interest income and trading gains, prevailing market sentiments on different sectors of the investment markets as well as macroeconomic outlook for each individual investment. As the performance of the investments depends to a large extent on the performances of the relevant financial markets, which are subject to rapid and unpredictable changes, the Company will continue to adopt a prudent investment strategy by maintaining a diversified investment portfolio and cautious approach in assessing the performance of the investments, so as to make timely and appropriate adjustments to its investments holding with a view to generating favourable returns for its shareholders and minimizing risks. In the future, the Company will continue to diversify its investments (including but not limited to listed equities, bonds and unlisted funds) embedded with new growth drivers in the new era of globalization. In view of this, the Company has increased investments in interest-bearing instruments and reduced the investments in listed equities during the year, as a proactive strategy to generate recurring income and thus enhance returns on the Group's investment portfolio in the coming years.

Chairman's Statement

The Hang Seng Index ("HSI") recorded the lowest point in January at 24,589 points, and then bounced back to the highest point in April at 30,280 points in the wake of favourable report on the progress of the trade negotiation between China and US. The HSI dropped back to 25,000 level in August because the negotiation broken down in May and increased bearish sentiment arose from the slowdown in China's economy and local social unrest. At the end of the year, HSI rebounded back and ended at 28,190 points as the investment sentiment improved due to the turnaround of trade negotiation and listing of some large corporation in the fourth quarter. Under this volatile market and global slowdown, the Group's listed equity investments and unlisted fund investments recorded decrease in fair values at the end of 2019. However, the Group's listed debt investments recorded increases in fair value at the end of the year as a result of ongoing lower rates environment.

To stabilize economic growth, the fiscal and monetary policies of major economies is expected to become more proactive. China and US might not escalate the trade dispute in full although there might be some unresolved differences, including intellectual property rights and technology transfer. Nevertheless, the uncertainties from global coronavirus outbreak, global political disputes, US presidential election, and rise of populism and geopolitical risk will have significant impacts to global and the Greater China financial markets in 2020. Taking into consideration of the adverse impact of current coronavirus development to financial markets, the value of Group's investment portfolio would be expected to fluctuate notably. 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 investments in the near term. The Company will continue to adopt a cautious approach in assessing the performance of its portfolio of investments from time to time.

Looking Forward

The global economy continues to be affected by elevated uncertainties over the past few years, and volatility of financial markets is likely to rise significantly. In coming year, the coronavirus outbreak will continue to plague Hong Kong for a period of time. We have put all necessary measures in places to ensure the safety of our staff and customers, and continuity of our operations. The Group will continue its prudent long-term growth strategy and at same time, remain vigilant in responding to the challenges ahead 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, 20 March 2020

The Group presents the key performance indicators, environmental policies, compliance with laws and regulations, and key relation with stakeholders, for motoring school operation, electronic toll operation and tunnel operation in this section. The Group operates motoring school operation through a 70% own subsidiary, while the electronic toll operation is operated by a 50% owned jointly controlled entity and the tunnel operation (Western Harbour Tunnel) is operated by a 50% owned associate.

Motoring School Operation

An increase of 5% in tuition fees income was recorded in current year as compared to the previous year, as a result of a 4% 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 2019, Alpha Hero Group ("AHG") had a team of around 390 driving instructors and a fleet of around 580 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 every 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, instant messaging apps 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 14.7% (2018: 15.7%). 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, 88 training sessions involving 1,097 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.

Operation Review

Electronic Toll Operation ("ETC")

The total number of tags in circulation was 354,571 as at 31 December 2019 (2018: 342,346), representing an increase of 3.6% from the year before. Autotoll's penetration rate on licensed vehicles was about 44% on average. The overall usage of auto-toll facilities in all twelve toll roads and tunnels remained about 50%. The number of daily transactions handled by Autotoll was about 412,000 with toll amount of approximately HK$10.8 million. The number of subscribers for the Global Positioning System at the end of the year was about 13,200, the same as 2018.

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. In addition, Autotoll has obtained ISO 27001 accreditation for its information security management system.

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 38.2% (2018: 31.3%). 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 supplier of ETC tags and central clearing system since commencement of business.

Tunnel Operation

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 June 2019, WHTCL has implemented its tenth 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, motor tricycles and extra axle remain unchanged. Toll increases for single and double decked buses are HK$10 and HK$15 respectively.

The eighteenth toll gazettal took effect on 31 July 2019 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 June 2019 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 May 2020.

Tunnel Usage

Throughput for the year was 25,469,064 vehicle journeys (2018: 25,214,599 vehicle journeys). The average daily throughput stood at 69,778 vehicle journeys (2018: 69,081 vehicle journeys), representing an increase of 1.0 % from the previous year. Market share increased from 26.6% in 2018 to 27.3% in 2019.

	Traffic Mix	
	2019	2018
Private Cars	**77.4%**	77.9%
Goods Vehicles	**14.4%**	13.9%
Buses	**8.2%**	8.2%
	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 77.9% to 77.4% and goods vehicle category increased from 13.9% to 14.4% while usage by buses category remain unchanged at 8.2%. The average net toll per vehicle increased from HK$73.5 in 2018 to HK$78.9 in 2019 due to toll increase effective from 1 June 2019.

Accidents

The traffic accident occurrence rate in 2019 increased by 26.2% as compared to 2018.

	Occurrence Rate per million vehicle trips	
	2019	2018
Fatal Accidents	**0.04**	0.00
Traffic Accidents (Personal Injury)	**0.12**	0.40
Traffic Accidents (Damage Only)	**2.20**	1.47
TOTAL:	**2.36**	1.87

Breakdowns

The occurrence rate of breakdowns in 2019 increased by 6.9% and the average time taken to attend the scene was maintained at within two minutes.

	2019	2018
Total Breakdowns (occurrence rate per million vehicle trips)	**6.99**	6.54
Daily Average Breakdowns	**0.48**	0.45

Escorts

	Number of trips	
	2019	2018
Dangerous Goods & Abnormal Goods	**609**	799

Operation Review

Infringements

The number of infringements per million vehicle trips increased by 18.9% in 2019.

	Number of Events Per million vehicle trips	
	2019	2018
Total Infringements Reported	**471**	396
Prosecutions	**58.1**	53.0

Maintenance

Throughout the year 2019, 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 2019 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 organised throughout the year to foster a collaborative working environment. Staff turnover for the year was 29.0% (2018: 16.1%). The turnover comprises mainly resignation of front-line and technical staff due to keen competition for tunnel workers and talents with the operation of new highway and tunnels in 2018/2019 as well as shortage of labour 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, 20 March 2020

Commentary on Annual Results

(I) Review of 2019 Results

The Group's profit attributable to shareholders for the year ended 31 December 2019 was HK$727.3 million (2018: HK$447.4 million). The increment was mainly due to decrease in net fair value loss on financial assets measured at fair value through profit or loss (FVPL) from HK$391.7 million in 2018 to HK$45.6 million in 2019. Excluding the net fair value loss on financial assets measured at FVPL and related tax credit of HK$60.9 million in 2018, the Group's profit would be HK$772.9 million for the year ended 31 December 2019 and HK$778.2 million for the year ended 31 December 2018.

The overall performance of motoring school operation, tunnel operation and electronic toll collection operation for the year remained stable and a slight decrease in total profit contributions to the Group was recorded. The increased profit contribution of tunnel operation and electronic toll collection operation was offset by the decreased profit contribution of motoring school operation for the year.

In addition to the net fair value loss on financial assets measured at FVPL, taking into account of net fair value loss on financial assets measured at fair value through other comprehensive income ("FVOCI") recognised in the fair value reserve, dividend income from listed equity securities, interest income from listed debt securities and interest-bearing instruments measured at amortised cost, and impairment losses on financial assets, the performance of treasury investments segment was satisfactory.

The Group's revenue was HK$695.9 million for the year, increased by HK$55.0 million or 8.6% as compared to HK$640.9 million recorded in 2018. It was contributed by revenue increased in both the motoring school operation and treasury investments segment.

Performance of the treasury investments segment in the year:—

The net fair value loss on financial assets measured at FVPL was reduced from HK$391.7 million in 2018 to HK$45.6 million in 2019. It was mainly attributable to fair value loss on E-House (China) Enterprise Holdings Limited (Stock Code: 2048) of HK$83.9 million, fair value loss on China Evergrande Group (Stock Code: 3333) of HK$49.4 million and fair value loss on China Dili Group (Stock Code: 1387) of HK$34.4 million, partially offset by fair value gain on Oshidori International Holdings Limited (Stock Code: 622) of HK$126.1 million.

The financial assets measured at fair value through other comprehensive income (FVOCI) recorded a net fair value loss of HK$130.3 million in the fair value reserve for the year ended 31 December 2019 (2018: gain of HK$265.1 million). The loss was mainly attributable to fair value loss on Evergrande Health Industry Group Limited (Stock Code: 708) of HK$137.3 million (2018: gain of HK$391.2 million).

Dividend income from listed equity securities amounted to HK$45.3 million, decreased by HK$65.6 million as compared to HK$110.9 million recorded in the previous year. The dividend was mainly received from Tai United Holding Limited, amounted to HK$30.0 million, which was decreased from HK$71.5 million received in 2018. Interest income from listed debt securities amounted to HK$100.8 million, increased by HK$56.9 million as compared to HK$43.9 million recorded in the previous year, as a result of full year impact of purchase made during the year 2018.

Interest income derived from interest-bearing instruments measured at amortised cost amounted to HK$44.3 million, increased by HK$38.9 million as compared to HK$5.4 million recorded in the previous year, as a result of additional interest income from new loans granted during the year. Interest income on bank deposits amounted to HK$31.5 million as compared to HK$31.1 million in the previous year.

The impairment loss on financial assets amounted to HK$17.8 million, increased by HK$11.8 million as compared to HK$6.0 million in previous year.

Performance of other reportable segments in the year:—

The motoring school operations recorded an increase in revenue of 5.9% to HK$456.7 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. However, the increment in revenue was offset by an increase in operating expenses resulting from additional rental payments on Siu Lek Yuen Driving School upon tenancy renewal and the newly awarded tenancy for the New Kwun Tong Driving School. Profit before tax from the motoring school operations for the year amounted to HK$141.5 million, a decrease of 12.2% as compared to the HK$161.2 million recorded in the previous year.

The Group's share of profits of associates increased by 1.2% to HK$616.5 million as compared to HK$609.0 million in 2018, due to increased profit sharing from Western Harbour Tunnel operation outweighed the loss of profit sharing from Tate's Cairn Tunnel operation. The Tate's Cairn Tunnel franchise expired in July 2018. An increase in profit contribution from Western Harbour Tunnel Company Limited ("WHTCL") during the year was attributable to a 8.4% increase in toll revenue as an aggregate result of an increase in throughput and the implementation of a toll increase effective from 1 June 2019. After accounting for the amortisation of fair value in excess of net book value of WHTCL as at the completion dates of the acquisitions in 2008, profit contributions from WHTCL for the year were HK$615.9 million as compared to HK$552.6 million recorded in the previous year.

The Group's share of profits of a joint venture, Autotoll (BVI) Limited, which operates an electronic toll collection ("ETC") system and provides telematics services and intelligent transport system solutions, was HK$16.2 million for the year against HK$14.9 million recorded in the previous year, representing an increase of HK$1.3 million or 8.7% as a result of an increase in administration fee income of ETC operation and increase in income from provision of intelligent transport system solutions, partially offset by an increase in operating expenses incurred for coping with increasing competitions with other service providers.

(II) Treasury Investments and Significant Investments Held

As at 31 December 2019, the Group maintained an investment portfolio with a carrying amount of HK$4,792.0 million (31 December 2018: HK$4,593.7 million). The portfolio composed of HK$1,910.2 million listed equity securities (31 December 2018: HK$2,380.7 million), HK$982.1 million listed debt securities (31 December 2018: HK$956.4 million), HK$1,057.4 million unlisted fund investments (31 December 2018: HK$1,056.3 million), and HK$842.3 million interest-bearing instruments (31 December 2018: HK$200.3 million). 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 2019, these facilities were not utilized by the Group.

The movements in the investment portfolio held by the Group during the year

	1 January 2019	Addition during the year	Disposal/ Capital reduction during the year	Fair value change recorded in OCI (FVOCI)	Fair value change in profit and loss (FVPL)/ ECL	31 December 2019
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Financial assets measured at FVOCI						
– Listed equity securities	633.8	–	–	(141.1)	–	492.7
– Listed debt securities	446.5	141.2	–	10.8	3.0	601.5
Financial assets measured at FVPL						
– Listed equity securities	1,746.9	–	(309.0)	–	(20.4)	1,417.5
– Listed debt securities	509.9	–	(156.2)	–	26.9	380.6
– Unlisted fund investments	1,056.3	76.4	(23.2)	–	(52.1)	1,057.4
Financial assets measured at amortised cost						
– Interest-bearing instruments	200.3	765.0	(102.2)	–	(20.8)	842.3
	4,593.7	982.6	(590.6)	(130.3)	(63.4)	4,792.0

The aggregate value of the investment portfolio increased by HK$198.3 million during the year. Financial assets purchased during the year totalled HK$982.6 million, including HK$141.2 million listed debt securities, HK$76.4 million unlisted fund investments and HK$765.0 million interest-bearing instruments. Financial assets disposed of during the year totaled HK$590.6 million, including HK$309.0 million listed equity securities, HK$156.2 million listed debt securities, HK$23.2 million unlisted fund investments and HK$102.2 million interest-bearing instruments. Other movements of the investment portfolio during the year included net fair value loss on financial assets measured at FVOCI of HK$130.3 million, net fair value loss on financial assets measured at FVPL of HK$45.6 million and impairment loss on financial assets of HK$17.8 million.

Significant investments of individual fair value of 5% or above of the Group's total assets

(i) China Evergrande Group (Stock Code: 3333) ("China Evergrande")

China Evergrande is one of the largest property developers in China and a conglomerate with exposure in various sectors including financial, cultural tourism, healthcare and high-tech industries. As at 31 December 2019, the Group held 22,902,000 shares in China Evergrande and recorded a fair value of HK$494.7 million in respect of its holding in 0.17% of the shares of such investment, which exceeded the purchase cost of HK$125.7 million for such investment and represented 6.0% of the Group's total assets and 10.3% of the aggregate fair value of the Group's portfolio of investments. In terms of performance, a fair value loss of HK$49.4 million on such investment was recognised in profit or loss for the year 2019, as compared to a fair value loss of HK$102.2 million recorded in 2018. No dividend income was received from such investment for the year (2018: HK$37.6 million).

(ii) Evergrande Health Industry Group Limited (Stock Code: 708) ("Evergrande Health")

The principal business activities of Evergrande Health are healthcare businesses in China as well as the investment in high technology new energy vehicle manufacture. As at 31 December 2019, the Group held 54,255,000 shares in Evergrande Health and recorded a fair value of HK$421.6 million in respect of its holding in 0.63% of the shares of such investment, which exceeded the purchase cost of HK$62.2 million for such investment and represented 5.1% of the Group's total assets and 8.8% of the aggregate fair value of the Group's portfolio of investments. In terms of performance, a fair value loss of HK$137.3 million on such investment was recorded in the fair value reserve as at 31 December 2019, as compared to a fair value gain of HK$391.2 million recorded in 2018.

In view of the extensiveness of business activities of both of the two significant investments above, the future prospects of such investments will be subject to the impacts of various factors, including but not limited to political, economic, technology and financial, on the performance of individual business segments.

Other than the two significant investments abovementioned, the carrying amount of each of the financial assets of the Group's portfolio of investments represented less than 5% of the Group's total assets as at 31 December 2019. Other financial assets composed of other listed equity securities, listed debt securities, unlisted fund investments and interest-bearing instruments (accounting for 20.7%, 20.5%, 22.1% and 17.6% of the carrying amount of the Group's portfolio of investments respectively).

Apart from the two significant investments mentioned above, the other listed equity securities held by the Group at 31 December 2019 comprised a total of 19 listed equity securities with an aggregate fair value of HK$994.0 million (accounting for 12.1% of the Group's total assets) covering various industry sectors including finance, property, natural resources, industrial and infrastructure, and retail.

For listed debt securities held by the Group at 31 December 2019 comprised a total of 7 listed bonds issued by Hong Kong listed companies or its subsidiary primarily operating in the PRC real estate sector with an aggregate fair value of HK$982.1 million (accounting for 12.0% of the Group's total assets) with coupon rates ranging from 6.35% to 11% per annum.

The Group also invested in various unlisted fund investments with different focuses on industry sectors, regions and asset types, in order to achieve investment objectives of reducing investment concentration risk and to enhance returns for its shareholders. At 31 December 2019, the Group held a total of 10 unlisted fund investments with an aggregate fair value of HK$1,057.4 million (accounting for 12.9% of the Group's total assets) and their underlying investments include listed and unlisted equity instruments, structured financing products and venture capital deals in various regions not limited to the PRC and Hong Kong, covering various industry sectors including biopharmaceuticals, biotechnology, healthcare and related services, technology and e-Commerce.

The Group also held a total of 8 interest-bearing instruments at 31 December 2019 with an aggregate amount of HK$842.3 million (accounting for 10.3% of the Group's total assets) and bearing interest ranging from 7% to 12% per annum, maturing in 2020 and generating an aggregate interest income of HK$44.3 million for the year.

The Group's investment objective is to increase the value of its treasury investment business so as to enhance returns for its shareholders. Through a prudent strategy of maintaining an appropriate mix of different types of investment instruments in its portfolio comprising listed equity securities providing liquidity and capital appreciation, listed debt securities and interest-bearing instruments providing stable and recurring interest income and unlisted fund investments providing higher growth with a medium to long term horizon, the Group seeks not only to enhance its source of revenue in order to mitigate the risks of losing income from any one particular source, but also to achieve consistent risk adjusted returns by maximising total yields and capital appreciation and minimising risks in its investment portfolio.

The future prospects of the Group's listed equity securities investment portfolio other than the two significant investments (which have already been discussed above) and unlisted fund investments will be subject to various factors, including but not limited to political, economic, technology, financial and risk factors that are specific to individual industry sectors of the investments and will therefore vary from one investment to another depending on the general market conditions as well as the prospects of the relevant industry. The future prospects of the Group's listed debt securities are exposed to interest rate risk through the impact of rate change on their fair values. However, the Group will benefit from a portfolio constructed of different kinds of investments aiming to, on average, yield higher long-term returns and lower the risk associated with any individual investment.

Investment category of significant aggregate fair value

Of the portfolio of investments held by the Group as at 31 December 2019, a significant portion comprises a portfolio of investments in listed companies under the property category with an aggregate fair value of HK$1,605.2 million (composed of HK$623.1 million listed equity securities and HK$982.1 million listed debt securities) accounting for about 33.5% of the aggregate fair value of the Group's portfolio of investments.

In terms of performance, interest and dividend income derived from such portion of investments for the year amounted to HK$100.8 million and HK$6.7 million respectively. Further, a net fair value loss of HK$96.9 million and an increase in the fair value reserve in the amount of HK$10.7 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 the PRC, Hong Kong and UK.

(III) Liquidity and Financial Resources

As at 31 December 2019, the Group had bank balances and deposits in the amount of HK$1,926.9 million. The Group did not have any debts outstanding as at 31 December 2019 and 2018. 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 page 116.

(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 operation. Further information on the segment details is provided in note 2(b) to the consolidated financial statements.

(V) Employees

The Group has 602 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 for the year amounted to HK$284.3 million.

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

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. The Company targets to maintain a steady return to its shareholders and at the same time a strong balance sheet in pursuing investment opportunities in the future. At present, the Company maintains to pay dividend four times (quarterly) a year. 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 Company is inevitably exposed to risks in achieving its business objectives and the Board strives to mitigate such risks to acceptable level through the design, implementation and monitoring of effective risk management and internal control systems.

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 training centres.

Management Discussion and Analysis

In respect of tunnel operation operated by an associate, hazard risk includes outages due to fire, natural disaster, terrorism, as well as loss of electricity supply. These risks cannot be completely eliminated or managed due to their uncontrollable nature, however, insurance cover, contingency plans and procedures, wherever applicable are well and readily in place to mitigate the impacts on operation and revenue to the extent possible. In addition, hazard risk exposure has been accounted for during the design stage of tunnel construction. There are also macro factors including political and social instability, economic downturn and change in public policy that may tend to trigger broader implications affecting many different companies.

For electronic toll operation jointly operated with a joint venture partner, 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 and investment business is mainly the price volatility of the listed equity investments and unlisted investment funds that the Group holds, which in turn will be affected by various factors in addition to the business risk associated with individual equity investments and underlying investment of the unlisted funds. 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, credit risk, liquidity risk and currency risk. Exposure to such risk may be reduced by maintaining a diversified portfolio of listed equity investments and unlisted diversified funds in different industries/sectors.

The credit risk facing the Group's listed debt investments and interest bearing instruments can be affected by a number of economic, financial and business factors, such as changes in economic and business environment, fluctuation of interest rate, deterioration of employment condition and volatility of financial markets. Maintaining an investment portfolio with an acceptable level of risk and exposure as well as closely monitoring not only the risk of individual debt and interest bearing instruments but also risk in the entire portfolio to reduce or mitigate concentrations are measures to mitigate unexpected losses in the event of defaults.

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

Hong Kong, 20 March 2020

Executive Director / Senior Manager

Cheung Chung Kiu, aged 55, 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 chairman of the Nomination Committee of the Company. He also holds directorships in certain other members of the Group. Mr. Cheung has a wide range of experience in investment and business management, including over 25 years of experience in property development and investment mainly in Hong Kong and the PRC as well as in other mature cities globally, including London and Sydney. He is chairman and managing director of Y. T. Realty Group Limited ("Y. T. Realty") and chairman of C C Land Holdings Limited ("C C Land"). He was the founder of Planetree International Development Limited (formerly known as Yugang International Limited, "Planetree") and served as an executive director and chairman of its board of directors until 30 April 2019. Y. T. Realty, C C Land and Planetree are public listed companies in Hong Kong. He is a director of Windsor Dynasty Limited and Rose Dynamics Limited, which are companies disclosed in the section headed "Other Persons' Interests and Short Positions" on page 49.

Yeung Hin Chung, John, SBS, OBE, JP, aged 73, 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 73, 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 an executive director of Y. T. Realty, a non-executive director of Shengjing Bank Co., Ltd., a public listed company in Hong Kong, and served as an executive director and managing director of Planetree until 30 April 2019.

Wong Chi Keung, aged 64, 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 58, 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.

Tung Wai Lan, Iris, aged 54, 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.

Directors and Senior Management

Independent Non-executive Director

Ng Kwok Fu, aged 48, 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 Y. T. Realty, and served as an independent non-executive director of Planetree until 30 April 2019.

Luk Yu King, James, aged 65, 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 15 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 Y. T. Realty, and served as an independent non-executive director of Planetree until 30 April 2019.

Leung Yu Ming, Steven, aged 60, 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 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, a public listed company in Hong Kong, Y. T. Realty and C C Land, and served as an independent non-executive director of Planetree until 30 April 2019.

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 2019 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 executive directors who are senior management of the Company); (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.

Inside Information *(continued)*

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 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 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 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.

The Board *(continued)*

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 16 and 17.

The Company embraces the benefits of having a diverse board and directs that the review of board composition be a collective effort of the board and the nomination committee. The appointment or re-appointment of a director shall first be considered by the nomination committee with reference to the policies adopted by the Company governing the nomination and diversity of board members. Recommendations of the nomination committee will then be put forth at the next board meeting for directors' consideration and approval.

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. Regularly 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.

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

The Board *(continued)*

Attendance at board and general meetings *(continued)*

Notes:

1 Mr. Ng Kwok Fu was appointed for a term commencing 21 May 2018 and ending at the close of the annual general meeting in 2021.

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.

During the year, the chairman convened a meeting with the independent non-executive directors without the presence of other directors.

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.

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.

The Board *(continued)*

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 by company secretarial department is open to all directors. Stocked with the Company's corporate communications and governance policies and 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; and each director received appropriate training with an emphasis on the roles, functions and duties of a listed company director.

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 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 in a timely manner and, 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.

Corporate Governance Report

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.

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 November 2019 and an additional meeting in March 2020 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.

Accountability and Audit *(continued)*

Risk management and internal control *(continued)*

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 pages 18 and 19.

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.

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. 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 it, 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 once during the year with perfect attendance.

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

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 91.

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.

Board Committees *(continued)*

The nomination committee *(continued)*

This committee supports the board in formulating and implementing the policy for the nomination of directors; in assessing the independence of independent non-executive directors and in advising on directors' appointment or re-appointment and the management of board succession. Its primary role is to recruit, screen and recommend board candidates for election by shareholders to ensure that the right mix of talent, skills and experience, as well as diversity on the board, is retained.

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

The following policy has been adopted by the nomination committee to assist it in fulfilling its duties and responsibilities as provided in its terms of reference. The policy may be amended from time to time by the committee as provided therein.

Recommended candidates

The committee shall consider any and all candidates recommended as nominees for directors to it by any directors or shareholders; provided that in the case of shareholder recommendations, such recommendations comply with all applicable notice requirements set forth in the Company's articles of association, the procedures for a shareholder's nomination to be properly brought before a general meeting, and the Listing Rules. The committee may also consider, in its sole discretion, any and all candidates recommended as nominees for directors to it by any source.

Desired qualifications, qualities and skills

The committee shall endeavour to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, to provide the commitment to enhancing shareholder value, practical insights and diverse perspectives. Candidates will also be assessed in the context of the then-current composition of the board, the operating requirements of the Company and the long-term interests of all shareholders. In conducting this assessment, the committee will, in connection with its assessment and recommendation of director candidates, consider diversity (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience and skills) and such other factors as it deems appropriate given the then-current and anticipated future needs of the board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the board. The committee may also consider such other factors as it may deem are in the best interests of the Company and its shareholders. The above diversity perspectives, taking into account the Company's business model and needs, are set out in a board diversity policy which has been established by the Company to see that diversity on the board can be achieved.

Independence

The committee shall ensure that at least one-third of the board members (or such other number of the members of the board as prescribed by the Listing Rules from time to time) meet the definition of independent non-executive director. The committee shall annually assess each nominee for independent non-executive director by reviewing any potential conflicts of interest that he or she and their immediate family members (as defined in the Listing Rules) may have, based on the criteria for independence set forth in Rule 3.13 of the Listing Rules. A retiring independent non-executive director who has served the board for a period of nine consecutive years or more is eligible for nomination by the board to stand for re-election at a general meeting provided that he or she is still considered independent by the board.

Board Committees *(continued)*

The nomination committee *(continued)*

Nominee evaluation process

The committee will consider as a candidate any director who has indicated his or her willingness to stand for re-election and any other person who is recommended by any shareholders. The committee may also undertake its own search process for candidates and may retain the services of professional firms or other third parties to assist in identifying and evaluating potential nominees. The committee may use any process it deems appropriate for the purpose of evaluating candidates which is consistent with those set forth in its terms of reference, the Company's articles of association, the corporate governance policy and the policy described herein; provided that the process used for evaluating a nominee for each election or appointment of directors shall be substantially similar and under no circumstances shall the committee evaluate nominees recommended by a shareholder pursuant to a process that is substantially different than that used for other nominees for the same election or appointment of directors.

Nomination procedures

1. The secretary of the committee shall call a meeting of the committee, and invite nominations of candidates from board members, if any, for consideration by the committee prior to its meeting. The committee may also put forward candidates who are not nominated by board members.
2. For filling a casual vacancy, the committee shall make recommendations for the board's consideration and approval. For proposing candidates to stand for election at a general meeting, the committee shall make nominations to the board for its consideration and recommendation.
3. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the board to stand for election at the general meeting.
4. In order to provide information of the candidates nominated by the board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), and any other information, as required pursuant to applicable laws, rules and regulations, of the proposed candidates.
5. A shareholder can serve a notice to the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a director in accordance with the relevant procedures posted on the Company's website. The particulars of the candidates so proposed will be provided to all shareholders for information by way of announcement and/or supplementary circular.
6. A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the company secretary.
7. The board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.
8. Shareholder proposed resolutions shall take the same form as the resolutions proposed for the candidates recommended by 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.

Board Committees *(continued)*

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.

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, 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$3.3 million for services rendered to the Group, of which HK$2.8 million were audit fees and HK$0.5 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 23 and 24, 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 ensure 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; 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.

Board Committees *(continued)*

The audit committee *(continued)*

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 there was no conflict between internal audit and external audit, and the internal audit function was still adequately resourced and effective 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 2019 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. The following procedures governing the rights of shareholders are subject to the articles of association of the Company, the Companies Ordinance (Cap. 622) and applicable legislation and regulations.

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

Shareholders' Rights *(continued)*

Procedures to put forward proposals at general meeting

1. In addition to the right to request directors to call a general meeting, shareholders representing at least five per cent (5%) of the total voting rights of all the shareholders having a right to vote at general meetings may request the Company to circulate a resolution that may properly be moved and is proposed as a written resolution and further, to circulate a statement of not more than one thousand (1,000) words on the subject matter of the resolution. A shareholder may also request the Company to circulate, to shareholders entitled to receive notice of a general meeting, a statement of not more than one thousand (1,000) words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting provided that the power to request circulation is restricted to one statement each. The Company is required to circulate the statement if it has received requests to do so from shareholders representing at least two point five per cent (2.5%) of the total voting rights of all the shareholders who have a relevant right to vote; or 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.

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, indicating willingness to be elected and consent to publication of his or her personal information, must be signed by that person being proposed for election.

   Note: In order to give shareholders sufficient time to consider the election of the proposed person as a director without adjourning the meeting, the shareholder making the proposal is urged to submit 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 the registered office of the Company or via investors@crossharbour.com.hk. The company secretarial or investor relations personnel will, where appropriate, forward the relevant enquiries to the board or the board committee(s). For enquiries concerning shareholdings and related matters, they should call or visit the Company's registrar and transfer office.

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.

Environmental, Social and Governance Report

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 provides an update of the environmental and social performances of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2019 and covers the Group's operations, including those primarily engaged in driving school operation (the "Motoring Group"). There is no significant change in the scope of this report from that of last report.

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). CR Property - China Resources Building has also received a Wastewi$e Certificate in "Excellence Level" from the Environmental Campaign Committee in recognition of its effort on waste reduction. 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. During the year, we continued to support the building's annual recycling programme with a view to building an environmental responsible culture with our landlord. As a result, 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.

A. ENVIRONMENTAL *(continued)*

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.

Major variations of the KPIs

Owning to the increase of vehicle fleet size (from 344 units in 2018 to 394 units in 2019), the emission of nitrogen oxides (*A1.1*) had increased by 14.4% from 1712 kg in 2018 to 1959 kg in 2019, and the particular matter (*A1.1*) by 14.8% from 162 kg in 2018 to 186 kg in 2019. The greenhouse gas ("GHG") emissions from mobile combustion sources (*A1.2*, Scope 1) had increased by 2.2% from 1591.50 tonnes in 2018 to 1627.14 tonnes in 2019. The total hazardous waste produced (*A1.3*) had also increased by 8.2% from 4.40 tonnes in 2018 to 4.76 tonnes in 2019.

By replacing all LPG mosquito killer units with electrical mosquito killer units, the energy consumption from stationary combustion sources (*A2.1*) had dropped from 6 kWh in 2018 to 0 kWh in 2019. The greenhouse gas ("GHG") emissions from stationary combustion sources (*A1.2*, Scope 1) had also dropped from 1.30 tonnes in 2018 to 0 tonnes in 2019.

By replacing several old commercial vehicles with more eco-friendly new models, the Hydrofluorocarbons ("HFC") and perfluorocarbons ("PFC") emissions for refrigeration/air-conditioning (*A1.2*, Scope 1) were reduced by 41.8% from 29.50 tonnes in 2018 to 17.16 tonnes in 2019.

Owing to the addition of town training centres and sales outlets, the GHG emissions generated from purchased electricity (*A1.2*, Scope 2) had increased by 33.8% from 694.71 tonnes in 2018 to 929.78 tonnes in 2019. Likewise, the energy consumption from electricity sources (*A2.1*) had increased by 8.3% from 1261 kWh in 2018 to 1366 kWh in 2019. However, by taking various electricity saving efforts, the intensity of energy consumption from electricity sources (*A2.1*) had only increased by 4.8% from 2435 kWh/employee in 2018 to 2553 kWh/employee in 2019. The annual water consumed (*A2.2*) had increased by 10.4% from 18306 m^3 in 2018 to 20209 m^3 in 2019.

The GHG emissions generated from paper waste disposed at landfills (*A1.2*, Scope 3) had increased by 9.8% from 28.70 tonnes in 2018 to 31.52 tonnes in 2019. The reason was that more paper was consumed in 2019 due to special business development projects, such as the development of new driving courses and their applications for accreditation under the Quality Framework and the subsequent inclusion under the list of reimbursable courses of Continue Education Fund.

The GHG emissions generated from business air travel by employees (*A1.2*, Scope 3) had increased by 163.8% from 7.66 tonnes in 2018 to 20.21 tonnes in 2019, as a result of the training programme conducted in Japan for the development of driving instructors.

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		2018	2019
A1.1 emission types and respective data	Emissions data from gaseous fuel consumption	Emission	Emission
	• nitrogen oxides (NO_x)	negligible	negligible
	• sulphur ox ides (SO_x)	negligible	negligible
	Emissions data from vehicles		
	• nitrogen oxides (NO_x)	1712 kg	1959 kg
	• sulphur oxides (SO_x)	9 kg	9 kg
	• Particulate Matter (PM)	162 kg	186 kg

A. ENVIRONMENTAL *(continued)*

KPI		2018		2019	
A1.2 GHG emissions	Scope 1 – Direct emissions or removals from sources	Emission	Intensity	Emission	Intensity
	• from stationary combustion sources	1.30 tonnes		0 tonnes	
	• from mobile combustion sources	1591.50 tonnes		1627.14 tonnes	
	• HFC and PFC emissions for refrigeration/air-conditioning	29.50 tonnes		17.16 tonnes	
	(Scope 1) Sub-total:	1622.25 tonnes (68.8%)	3.13 tonnes/ employee	1644.30 tonnes (62.4%)	3.07 tonnes/ employee
	Scope 2 – Energy indirect emissions				
	• from the generation of purchased electricity	694.71 tonnes		929.78 tonnes	
	(Scope 2) Sub-total:	694.71 tonnes (29.5%)	1.34 tonnes/ employee	929.78 tonnes (35.3%)	1.74 tonnes/ employee
	Scope 3 – Other indirect emissions				
	• from paper waste disposed at landfills	28.70 tonnes		31.52 tonnes	
	• from electricity used for processing fresh water and sewage by government departments	8.95 tonnes		9.89 tonnes	
	• from business air travel by employees	7.66 tonnes		20.21 tonnes	
	(Scope 3) Sub-total:	41.81 tonnes (1.8%)	0.08 tonnes/ employee	61.62 tonnes (2.3%)	0.12 tonnes/ employee
	(Scope 1 + Scope 2 + Scope 3) Total GHG emissions:	2358.77 tonnes	4.55 tonnes/ employee	2635.71 tonnes	4.93 tonnes/ employee
KPI		Annual hazardous waste	Intensity	Annual hazardous waste	Intensity
A1.3 hazardous waste	Total hazardous waste produced:	4.40 tonnes	0.01 tonnes/ employee	4.76 tonnes	<0.01 tonnes/ employee
KPI		Annual non-hazardous waste	Intensity	Annual non-hazardous waste	Intensity
A1.4 non-hazardous waste	Total non-hazardous waste produced:	323.04 tonnes	0.62 tonnes/ employee	325.28 tonnes	0.61 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 and smart lighting 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 lights are turned off before leaving the room. 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.

A. ENVIRONMENTAL *(continued)*

	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.
A1.6 hazardous and non-hazardous waste handling and reduction	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. 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. • Use green stationery such as refillable ball pens and mechanical pencils where applicable. • 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)*

A2: Use of Resources
Policies
√ 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.

KPI	Source of energy consumption	2018		2019	
		Energy consumed	Intensity	Energy consumed	Intensity
A2.1 energy consumption	Electricity	1261 kWh ('000s)	2435 kWh/ employee	1366 kWh ('000s)	2553 kWh/ employee
	Stationary combustion	6 kWh ('000s)	12 kWh/ employee	0 kWh ('000s)	0 kWh/ employee
	Mobile combustion	6054 kWh ('000s)	11687 kWh/ employee	6185 kWh ('000s)	11561 kWh/ employee
	Total energy consumed:	7321 kWh ('000s)	14134 kWh/ employee	7551 kWh ('000s)	14114 kWh/ employee
KPI		Water consumed	Intensity	Water consumed	Intensity
A2.2 water consumption	Annual water consumed:	18306 m^3	35 m^3/ employee	20209 m^3	38 m^3/ employee

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 the use of staircase instead of elevators for inter-floor traffic. • Encourage staff participation in energy saving campaigns. 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.

	2018		2019	
KPI	Total packaging material used	Intensity	Total packaging material used	Intensity
A2.5 packaging material for finished products	N/A	N/A	N/A	N/A

A. ENVIRONMENTAL *(continued)*

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.	
KPI	
A3.1 significant impacts of activities on the environment and natural resources and specific actions	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

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.

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 2019.

Principal Activities

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are set out in note 10 to the financial statements on pages 95 and 96.

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 pages 84 and 85.

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 15, provides a comprehensive review of the performance of the Group for the year ended 31 December 2019 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). CR Property - China Resources Building has also received a Wastewi$e Certificate in "Excellence Level" from the Environmental Campaign Committee in recognition of its effort on waste reduction. 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. During the year, we continued to support the building's annual recycling programme with a view to building an environmental responsible culture with our landlord. As a result, 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.

Business Review *(continued)*

Environmental policies and performance *(continued)*

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 2019 are set out in the consolidated statement of profit or loss on page 56 and note 20(b) to the financial statements on page 110 respectively.

The first, second and third quarterly interim dividends each of HK$0.06 per share (2018: HK$0.06 per share) were paid on 9 July 2019, 18 September 2019 and 27 December 2019 respectively. The directors recommend the payment of a final dividend of HK$0.24 per share (2018: HK$0.22 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2019 of HK$0.42 per share (2018: HK$0.40 per share), representing a total distribution of approximately HK$156.5 million (2018: HK$149.1 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 5 June 2020 to shareholders registered at the close of business on 26 May 2020. The register of members and transfer books of the Company will be closed from 22 May 2020 to 26 May 2020, both days inclusive, for determining entitlement to the final dividend.

Donations

Donations made by the Group during the year amounted to HK$4,432,000 (2018: HK$725,000).

Property, Plant and Equipment

Movements during the year are set out in note 9 to the financial statements on pages 92 to 94.

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 110.

Reserves

Movements in reserves during the year are set out in the consolidated statement of changes in equity on page 60.

Distributability of Reserves

At 31 December 2019, 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$3,722,559,000 (2018: HK$3,865,970,000). After the end of the reporting period, the directors proposed a final dividend of HK$0.24 per share (2018: HK$0.22 per share), amounting to HK$89,445,000 (2018: HK$81,991,000) (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 125.

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. Yeung Hin Chung, John, Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven retire from office by rotation at the forthcoming annual general meeting. Mr. Luk and Mr. Leung also cease to hold the office of independent non-executive director at the close of the forthcoming annual general meeting according to their terms 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

Save as disclosed in this annual report, 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 purposes 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 2019:

Name	Capacity	No. of shares	Total no. of shares	% of shares in issue
Cheung Chung Kiu	Interest of controlled corporation	84,225,621	84,225,621	22.60%
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. The above interests represent long positions.
2. Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 84,225,621 shares in the Company by virtue of his indirect control of Rose Dynamics Limited ("Rose Dynamics") which owned those shares. Rose Dynamics was a wholly owned subsidiary of Windsor Dynasty Limited ("Windsor Dynasty"), a company wholly owned by Mr. C.K. Cheung.

Save as disclosed herein, as at 31 December 2019, 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 20 March 2020)	:	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
(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

Equity-linked Agreements *(continued)*

Share option scheme *(continued)*

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 2019, 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
Windsor Dynasty	Interest of controlled corporation	84,225,621	22.60%
Rose Dynamics	Beneficial owner	84,225,621	22.60%

Note: Each parcel of 84,225,621 shares represents a long position and Rose Dynamics' direct interest in the Company. Windsor Dynasty was deemed to be interested in those shares by virtue of its direct control of Rose Dynamics.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 31 December 2019, 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 47.

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 2019 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$1.1 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 2019. No forfeited contribution was utilised during the year.

Retirement Schemes *(continued)*

(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$6.5 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 10 to 15.

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, 20 March 2020

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 56 to 124 which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 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">Valuation of financial assets measured at FVPL – unlisted fund investments</th></tr>
<tr><td colspan="2">Refer to note 13 to the financial statements and the accounting policy in note 1(g) on pages 70 and 71.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2019 the Group's unlisted fund investments comprised unquoted investment funds with a carrying value of HK$1,057.4 million. These investments are carried at fair value through profit or loss (FVPL).

As set out in the financial statements, the underlying funds have been valued based on valuations performed by the fund managers, investment advisors or administrators of the underlying funds as at 31 December 2019.

We identified the valuation of these unquoted investments as a key audit matter because of the significance of these investments to the Group's total assets as at 31 December 2019 and the significance of changes in fair value of these investments to the Group's profit before taxation and because the valuation of these investments is an area of judgement and estimation which increases the risk of error or potential bias.</td><td>Our audit procedures to assess the valuation of investments in unlisted fund investments included the following:

• Obtaining independent confirmations from the fund managers, investment advisors or administrators of the underlying funds to confirm the existence and these parties' valuation of the Group's investments in underlying funds;

• Obtaining information on the latest available valuation from the fund managers, investment advisors or administrators of the underlying funds and comparing such valuations to the valuations adopted by the Group's management for financial reporting;

• Obtaining the most recent audited financial statements for the underlying funds, where applicable, and assessing whether the audit had been carried out by a reputable auditor, whether the opinion was unqualified and whether the basis of preparation was appropriate;

• Comparing the net asset value of each fund as reported in the most recently available audited financial statements to the underlying fund managers' original estimates of the investment valuation and assessing whether this has resulted in any material valuation adjustment;

• Obtaining the most recent fund performance reports, on a sample basis, and interviewing the fund managers, to obtain information on the underlying investments of the funds, such as nature and timing of investments, percentage of ownership, any change in portfolio since the last audited financial statements, performance during the period and factors driving the performance.

• With the involvement of our valuation specialists, discussing with the fund managers, on a sample basis, the valuation methodology adopted by the fund managers, as well as the key assumptions adopted on valuation of the selected investments with greater valuation risks, and assessing the valuation methodology adopted with reference to our understanding of the nature and timing of the underlying investments obtained as described above, industry practice, and the requirements of prevailing accounting standards.</td></tr>
</table>

Revenue recognition: Motoring school operations	
Refer to note 2 to the consolidated financial statements and the accounting policy in note 1(s) on page 81.	
The Key Audit Matter	**How the matter was addressed in our audit**

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 contract liabilities 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.
 	
Given the significance of the amounts to the Group’s total revenue, the high volume of transactions and the risk of overstatement of revenue, we identified the recognition of revenue from motoring school operations as a key audit matter.
	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 meet the other specific risk-based criteria.

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

20 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018* $'000
Revenue from contracts with customers within the scope of HKFRS 15	2(a)	**470,129**	447,861
Revenue from other sources	2(a)	**49,221**	112,731
Interest revenue from debt securities at FVPL	2(a)	**57,822**	11,769
Other interest revenue	2(a)	**118,765**	68,576
Total revenue		**695,937**	640,937
Other revenue	3	**26**	26
Other net losses	3	**(45,375)**	(390,724)
Direct costs and operating expenses		**(214,295)**	(199,420)
Selling and marketing expenses		**(32,366)**	(29,282)
Administrative and corporate expenses		**(218,629)**	(176,681)
Impairment losses on financial assets	21(a)	**(17,779)**	(5,970)
Profit/(loss) from operations		**167,519**	(161,114)
Finance costs	4(a)	**(4,576)**	(52)
Share of profits of associates	11	**616,536**	609,028
Share of profits of a joint venture	12	**16,154**	14,895
Profit before taxation	4	**795,633**	462,757
Income tax	5(a)	**(24,706)**	32,710
Profit for the year		**770,927**	495,467
Attributable to:			
Equity shareholders of the Company		**727,306**	447,391
Non-controlling interests		**43,621**	48,076
Profit for the year		**770,927**	495,467
Earnings per share	8		
Basic and diluted		**$1.95**	$1.20

* *The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).*

The notes on pages 64 to 124 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 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018* $'000
Profit for the year		**770,927**	495,467
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
– Financial assets measured at fair value through other comprehensive income (non-recycling)			
– changes in fair value of equity securities recognised during the year		**(141,052)**	306,473
Items that may be reclassified subsequently to profit or loss:			
– Financial assets measured at fair value through other comprehensive income (recycling)			
– net changes in fair value of debt securities recognised during the year		**10,714**	(41,413)
– Share of other comprehensive income of a joint venture:			
– Exchange differences on translation of financial statements of overseas subsidiary in joint venture		**(130)**	(166)
		(130,468)	264,894
Total comprehensive income for the year		**640,459**	760,361
Attributable to:			
Equity shareholders of the Company		**596,877**	712,335
Non-controlling interests		**43,582**	48,026
Total comprehensive income for the year		**640,459**	760,361

* *The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).*

There is no tax effect relating to the above components of other comprehensive income.

The notes on pages 64 to 124 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019 $'000	2019 $'000	2018* $'000	2018* $'000
Non-current assets					
Property, plant and equipment	9		**414,193**		197,589
Interests in associates	11		**714,835**		1,211,607
Interest in a joint venture	12		**108,949**		97,925
Other financial assets	13		**2,312,796**		2,543,087
Deposits for acquisition of tangible assets			**6,240**		932
Deferred tax assets	19(b)		**4,964**		2,285
			3,561,977		4,053,425
Current assets					
Inventories		**712**		950	
Other financial assets	13	**2,479,236**		2,050,590	
Trade and other receivables	14	**101,341**		80,894	
Amount due from a joint venture	12(c)	**9,000**		9,000	
Taxation recoverable	19(a)	**5,597**		9,560	
Dividend receivable		**105,356**		86,500	
Bank deposits and cash	15(a)	**1,926,867**		1,499,006	
		4,628,109		3,736,500	
Current liabilities					
Trade and other payables	16	**108,581**		103,137	
Contract liabilities	17	**363,011**		312,426	
Lease liabilities	18	**55,192**		—	
Taxation payable	19(a)	**39,430**		18,570	
Dividends payable		**646**		1,212	
Loan from an associate		**—**		300,674	
		566,860		736,019	

Consolidated Statement of Financial Position

At 31 December 2019
(Expressed in Hong Kong dollars)

		2019		2018*	
	Note	**$'000**	**$'000**	$'000	$'000
Net current assets			**4,061,249**		3,000,481
Total assets less current liabilities			**7,623,226**		7,053,906
Non-current liabilities					
Lease liabilities	18		**116,481**		—
Deferred tax liabilities	19(b)		**3,924**		4,939
			120,405		4,939
NET ASSETS			**7,502,821**		7,048,967
CAPITAL AND RESERVES	20				
Share capital			**1,629,461**		1,629,461
Reserves			**5,714,479**		5,266,677
Total equity attributable to equity shareholders of the Company			**7,343,940**		6,896,138
Non-controlling interests			**158,881**		152,829
TOTAL EQUITY			**7,502,821**		7,048,967

Approved and authorised for issue by the board of directors on 20 March 2020.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

* *The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).*

The notes on pages 64 to 124 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company								
		Share capital $'000	Capital reserve $'000	Fair value reserve (recycling) $'000	Fair value reserve (non-recycling) $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2018		1,629,461	1,984	10,389	306,985	88	4,376,518	6,325,425	141,541	6,466,966
Changes in equity for 2018:										
Profit for the year		–	–	–	–	–	447,391	447,391	48,076	495,467
Other comprehensive income		–	–	(41,413)	306,473	(116)	–	264,944	(50)	264,894
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		–	–	–	(74,197)	–	74,197	–	–	–
Total comprehensive income		–	–	(41,413)	232,276	(116)	521,588	712,335	48,026	760,361
Dividends approved in respect of the previous year	20(b)	–	–	–	–	–	(74,538)	(74,538)	–	(74,538)
Non-controlling interest's share of dividends		–	–	–	–	–	–	–	(36,738)	(36,738)
Dividends declared in respect of the current year	20(b)	–	–	–	–	–	(67,084)	(67,084)	–	(67,084)
Balance at 31 December 2018 and 1 January 2019*		1,629,461	1,984	(31,024)	539,261	(28)	4,756,484	6,896,138	152,829	7,048,967
Balance at 31 December 2018 and 1 January 2019*		1,629,461	1,984	(31,024)	539,261	(28)	4,756,484	6,896,138	152,829	7,048,967
Changes in equity for 2019:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**727,306**	**727,306**	**43,621**	**770,927**
Other comprehensive income		**–**	**–**	**10,714**	**(141,052)**	**(91)**	**–**	**(130,429)**	**(39)**	**(130,468)**
Total comprehensive income		**–**	**–**	**10,714**	**(141,052)**	**(91)**	**727,306**	**596,877**	**43,582**	**640,459**
Dividends approved in respect of the previous year	20(b)	**–**	**–**	**–**	**–**	**–**	**(81,991)**	**(81,991)**	**–**	**(81,991)**
Non-controlling interest's share of dividends		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37,530)**	**(37,530)**
Dividends declared in respect of the current year	20(b)	**–**	**–**	**–**	**–**	**–**	**(67,084)**	**(67,084)**	**–**	**(67,084)**
Balance at 31 December 2019		**1,629,461**	**1,984**	**(20,310)**	**398,209**	**(119)**	**5,334,715**	**7,343,940**	**158,881**	**7,502,821**

* *The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).*

The notes on pages 64 to 124 part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2019 $'000	2018* $'000	2018* $'000
Operating activities					
Profit before taxation		**795,633**		462,757	
Adjustments for:					
Dividend income from equity securities at FVOCI (non-recycling)	4(b)	**(3,018)**		(3,186)	
Dividend income from equity securities at FVPL	4(b)	**(42,314)**		(107,745)	
Depreciation	4(b)	**103,796**		41,309	
Finance costs	4(a)	**4,576**		52	
Interest income		**(176,613)**		(80,371)	
Share of profits of associates		**(616,536)**		(609,028)	
Share of profits of a joint venture		**(16,154)**		(14,895)	
Net gains on sale of property, plant and equipment	3	**(175)**		(969)	
Net fair value loss on financial assets at FVPL	3	**45,550**		391,693	
Impairment losses on financial assets		**17,779**		5,970	
Operating profit before changes in working capital		**112,524**		85,587	
Decrease/(increase) in inventories		**238**		(142)	
Increase in trade and other receivables		**(1,823)**		(5,041)	
Increase in amount due from a joint venture		**–**		(9,000)	
Increase in contract liabilities		**50,585**		312,426	
Increase in trade and other payables		**5,444**		2,755	
Decrease in course fee received in advance		**–**		(299,976)	
Cash generated from operations		**166,968**		86,609	
Hong Kong Profits Tax paid		**(3,577)**		(27,673)	
Net cash generated from operating activities			**163,391**		58,936

Consolidated Cash Flow Statement

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2019 $'000	2018* $'000	2018* $'000
Investing activities					
(Increase)/decrease in deposits with banks with original maturity over three months		**(23,161)**		57,872	
Payments for the purchase of property, plant and equipment		**(92,687)**		(74,781)	
Proceeds from sale of property, plant and equipment		**273**		1,661	
(Increase)/decrease in deposits for acquisition of tangible assets		**(5,308)**		10,844	
Payments for purchase of debt securities at FVOCI (recycling)		**(141,236)**		(288,458)	
Payments for purchase of other financial assets at FVPL		**(76,409)**		(2,275,030)	
Proceeds from sale of equity securities at FVOCI (non-recycling)		**–**		163,584	
Proceeds from repayment of nterest-bearing instruments		**110,000**		–	
Proceeds from sale of equity securities at FVPL		**308,992**		–	
Proceeds from maturity of debt securities at FVPL		**156,188**		–	
Proceeds from distribution from unlisted funds at FVPL		**23,193**		41,325	
Receipt of repayment of loan to a joint venture		**–**		10,130	
Payment for investment in interest-bearing instruments		**(765,000)**		(202,249)	
Additional loans from an associate		**–**		27,808	
Dividend income from equity securities at FVOCI (non-recycling)		**3,018**		3,186	
Dividend income from equity securities at FVPL		**42,314**		107,745	
Dividends received from associates		**793,804**		745,486	
Dividends received from a joint venture		**5,000**		5,000	
Interest received		**150,213**		59,687	
Net cash generated from/ (used in) investing activities			**489,194**		(1,606,190)

Consolidated Cash Flow Statement

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

		2019		2018*	
	Note	**$'000**	**$'000**	$'000	$'000
Financing activities					
Interest element of lease rentals paid	15(b)	**(4,526)**		—	
Capital element of lease rentals paid	15(b)	**(56,138)**		—	
Other finance charges		**(50)**		(52)	
Dividends paid	15(b)	**(149,641)**		(144,010)	
Dividends paid to non-controlling interests		**(37,530)**		(36,738)	
Net cash used in financing activities			**(247,885)**		(180,800)
Net increase/(decrease) in cash and cash equivalents			**404,700**		(1,728,054)
Cash and cash equivalents at 1 January			**1,289,988**		3,018,042
Cash and cash equivalents at 31 December	15(a)		**1,694,688**		1,289,988

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of $33,368,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 15(b)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

The notes on pages 64 to 124 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 2019 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 for debt and equity securities that are stated at their fair value (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 27.

1 Significant accounting policies *(continued)*

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases - incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements brought forward from HKAS 17 are substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(A) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

1 Significant accounting policies *(continued)*

(c) Changes in accounting policies *(continued)*

(B) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 22(a). For an explanation of how the Group applies lease accounting, see note 1(i)(i).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.0%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

1 Significant accounting policies *(continued)*

(c) Changes in accounting policies *(continued)*

(B) Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 22(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 $'000
Operating lease commitments at 31 December 2018	123,784
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(4,267)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	116,429
	235,946
Less: total future interest expenses	(11,571)
Total lease liabilities recognised at 1 January 2019	224,375

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

At the date of the initial application of HKFRS 16 (i.e. 1 January 2019), the Group recognised $224,375,000 right-of-use assets, $55,443,000 lease liabilities (current) and $168,932,000 lease liabilities (non-current).

(C) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

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(n).

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)(ii)), 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). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. 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)(ii)). 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 any other 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)(ii)), 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.

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.

1 Significant accounting policies *(continued)*

(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)(ii)).

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 policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 21(f). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(s)(vi)).

– fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

1 Significant accounting policies *(continued)*

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

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss in accordance with the policy set out in notes 1(s)(iii) and 1(s)(iv).

Fair value measurement of unlisted fund investments

The Fair value of unlisted fund investments are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the Group's management. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis. The fair value of the unlisted fund investments predominately consists of portfolio valuations provided by the investment managers of the underlying funds as at the year-end date, subject to valuation adjustments made by the Group, if deemed necessary. As at 31 December 2018 and 2019, all of the Group's unlisted fund investments have been valued based on the valuations provided by the managers of the underlying funds without adjustments.

(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)(ii)):

– interests in leasehold land and building where the Group is the registered owner of the property interest (see note 1(i));

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered under of the property interest (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(u)).

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.

1 Significant accounting policies *(continued)*

(h) Property, plant and equipment *(continued)*

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 is depreciated over the unexpired term of lease.

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the building's 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.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

1 Significant accounting policies *(continued)*

(i) Leased assets *(continued)*

(i) As a lessee (continued)

(A) Policy applicable from 1 January 2019 *(continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, an arrangement, comprising a transaction or a series of transactions, was or contained a lease if the Group determined that the arrangement conveyed 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 was made based on an evaluation of the substance of the arrangement and was regardless of whether the arrangement took the legal form of a lease.

– Classification of assets leased to the Group

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

1 Significant accounting policies *(continued)*

(i) Leased assets *(continued)*

(i) As a lessee (continued)

(B) Policy applicable prior to 1 January 2019 *(continued)*

– Assets acquired under finance leases

Where the Group acquired 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 were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses were accounted for in accordance with the accounting policy as set out in note 1(j). Finance charges implicit in the lease payments were 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 were charged to profit or loss in the accounting period in which they were incurred.

– Operating lease charges

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

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

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to third parties); and

– debt securities measured at FVOCI (recycling).

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and unlisted fund investments, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls for fixed-rate financial assets and trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

1 Significant accounting policies *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

1 Significant accounting policies *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with notes 1(s)(v) and 1(s)(vi) are calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties 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 into bankruptcy or other financial reorganisation;

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 Significant accounting policies *(continued)*

(j) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current 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, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets; and

– investments in subsidiaries, associates and joint ventures in the Group's consolidated 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).

– 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 other 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 measurable) 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. An impairment loss in respect of goodwill is not reversed.

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)).

1 Significant accounting policies *(continued)*

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(s)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration the amount is presented as a contract asset (see note 1(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(j)(i)).

(n) 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.

1 Significant accounting policies *(continued)*

(o) 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. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i).

(p) 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.

(q) 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.

1 Significant accounting policies *(continued)*

(q) Income tax *(continued)*

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.

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.

(r) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group 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) Provisions and contingent liabilities *(continued)*

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are 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. Variable lease payments that do not depend on an index or a rate 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) The portion of change in fair value of debt securities at FVPL, arising from interest earned, is recognised as interest revenue from debt securities at FVPL, which is calculated using the effective interest method.

(vi) Other interest revenue is recognised as it accrues using the effective interest method.

(vii) Gain or loss on disposal of investments in debt and equity securities other than investments in subsidiaries, associates and joint ventures is recognised, on the trade date.

(viii) Consultancy and management fee income from tunnel operations and electronic toll operations are recognised at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

1 Significant accounting policies *(continued)*

(t) 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. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. 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.

(u) 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.

(v) 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.

1 Significant accounting policies *(continued)*

(v) Related parties *(continued)*

(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.

(w) 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:

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	2019 $'000	2018 $'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Course fee from motoring school operation	**454,729**	431,138
– Management fee from tunnel operations	**2,500**	2,500
– Consultancy fee and management fee from electronic toll operations	**12,900**	13,800
– Others	**–**	423
	470,129	447,861
Revenue from other sources		
– Dividend income from equity instruments	**45,332**	110,931
– Others	**3,889**	1,800
	49,221	112,731
Interest revenue from debt securities at FVPL	**57,822**	11,769
Other interest revenue		
– Interest income from financial assets at FVOCI	**42,962**	32,116
– Interest income from interest-bearing instruments	**44,271**	5,374
– Interest income from bank	**31,532**	31,086
	118,765	68,576
Total revenue	**695,937**	640,937

2 Revenue and segment reporting *(continued)*

(a) Revenue *(continued)*

(ii) The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts under HKFRS 15, such that it does not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, as (i) such unsatisfied performance obligation is part of a contract that has an original expected duration of one year or less; or (ii) the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date in accordance with the practical expedient in HKFRS 15.B16.

(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 and lease liabilities attributable to the sales activities, the accruals of the individual segments, 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 2019 and 2018 is set out below.

	Motoring school operations		Tunnel operations		Electronic toll operations		Treasury		Total	
	2019	2018*	**2019**	2018*	**2019**	2018*	**2019**	2018*	**2019**	2018*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from contracts with customers within the scope of HKFRS 15	**454,729**	431,448	**2,500**	2,500	**12,900**	13,800	**–**	–	**470,129**	447,748
Dividend income from equity instruments	**–**	–	**–**	–	**–**	–	**45,332**	110,931	**45,332**	110,931
Interest revenue	**10,616**	8,579	**–**	–	**45**	1	**165,926**	71,765	**176,587**	80,345
Reportable segment revenue	**465,345**	440,027	**2,500**	2,500	**12,945**	13,801	**211,258**	182,696	**692,048**	639,024
Reportable segment profit before tax	**141,546**	161,216	**619,036**	611,527	**28,867**	28,471	**144,136**	(214,653)	**933,585**	586,561
Finance costs	**(4,144)**	–	**–**	–	**–**	–	**(382)**	(52)	**(4,526)**	(52)
Depreciation	**(77,867)**	(23,684)	**–**	–	**–**	–	**–**	–	**(77,867)**	(23,684)
Share of profits of associates	**–**	–	**616,536**	609,028	**–**	**–**	–	**–**	**616,536**	609,028
Share of profits of a joint venture	**–**	–	**–**	–	**16,154**	14,895	**–**	–	**16,154**	14,895
Income tax	**(22,831)**	(26,388)	**–**	–	**(1,875)**	(1,846)	**–**	60,944	**(24,706)**	32,710
Reportable segment assets	**1,014,021**	765,563	**714,835**	1,211,607	**125,783**	114,043	**6,290,874**	5,646,724	**8,145,513**	7,737,937
Interest in a joint venture	**–**	–	**–**	–	**108,949**	97,925	**–**	–	**108,949**	97,925
Interest in associates	**–**	–	**714,835**	1,211,607	**–**	–	**–**	–	**714,835**	1,211,607
Additions to non-current segment assets	**85,816**	64,968	**–**	–	**–**	–	**–**	–	**85,816**	64,968
Reportable segment liabilities	**607,616**	378,473	**–**	300,674	**2,575**	695	**646**	1,212	**610,837**	681,054

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

2 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	2019 $'000	2018* $'000
Revenue		
Reportable segment revenue	**692,048**	639,024
Unallocated head office and corporate revenue	**3,889**	1,913
Consolidated revenue	**695,937**	640,937
Profit		
Reportable segment profit derived from the Group's external customers	**933,585**	586,561
Other revenue	**26**	26
Unallocated head office and corporate income and expenses	**(137,978)**	(123,830)
Consolidated profit before taxation	**795,633**	462,757
Assets		
Reportable segment assets	**8,145,513**	7,737,937
Unallocated head office and corporate assets	**44,573**	51,988
Consolidated total assets	**8,190,086**	7,789,925
Liabilities		
Reportable segment liabilities	**610,837**	681,054
Unallocated head office and corporate liabilities	**76,428**	59,904
Consolidated total liabilities	**687,265**	740,958

* *The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).*

(iii) Geographic 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 losses

	2019 $'000	2018 $'000
Other revenue		
Interest income from loan to an associate	**26**	26
Other net losses		
Change in fair value of financial assets at FVPL		
– Unlisted fund investments	**(52,046)**	17,403
– Debt securities	**26,940**	(18,862)
– Equity securities	**(20,444)**	(390,234)
	(45,550)	(391,693)
Net gains on sale of property, plant and equipment	**175**	969
	(45,375)	(390,724)

4 Profit before taxation

	2019 $'000	2018* $'000
Profit before taxation is arrived at after charging:		
(a) Finance costs		
Interest on lease liabilities (note 15(b))	**4,526**	—
Other borrowing costs	**50**	52
	4,576	52

* *The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).*

4 Profit before taxation *(continued)*

	2019 $'000	2018 $'000
(b) Other items		
Auditor's remuneration		
– audit services	**2,799**	2,502
– other services	**464**	450
Contributions to defined contribution retirement scheme	**7,596**	6,929
Cost of inventories consumed	**9,999**	10,180
Depreciation (note 9)		
– Owned property, plant and equipment #	**42,041**	41,309
– Right-of-use assets #	**61,755**	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 #	**—**	33,368
Net foreign exchange losses	**956**	577
Salaries, wages and other benefits	**276,700**	258,602
and after crediting:		
Dividend income from equity instruments at FVOCI	**3,018**	3,186
Dividend income from equity instruments at FVPL	**42,314**	107,745

\# *The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).*

5 Income tax in the consolidated statement of profit or loss

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

	2019 $'000	2018 $'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**29,004**	29,427
Over-provision in respect of prior years	**(604)**	(668)
	28,400	28,759
Deferred tax		
Origination and reversal of temporary differences (note 19)	**(3,694)**	(61,469)
	24,706	(32,710)

5 Income tax in the consolidated statement of profit or loss *(continued)*

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

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first $2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

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

	2019 **$'000**	2018 $'000
Profit before taxation	**795,633**	462,757
Notional tax on profit before taxation	**131,115**	76,190
Tax effect of non-deductible expenses	**27,028**	11,503
Tax effect of non-taxable income	**(166,647)**	(169,382)
Tax effect of unused tax losses not recognised	**34,112**	50,007
Tax effect of recognition of unused tax losses previously not recognised	**(298)**	(360)
Over-provision in prior years	**(604)**	(668)
Actual tax expense/(credit)	**24,706**	(32,710)

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
2019					
Executive directors					
Cheung Chung Kiu	**–**	**–**	**22,000**	**2**	**22,002**
Yeung Hin Chung, John	**–**	**5,830**	**8,000**	**18**	**13,848**
Yuen Wing Shing	**–**	**5,830**	**6,500**	**18**	**12,348**
Wong Chi Keung	**–**	**–**	**2,500**	**2**	**2,502**
Leung Wai Fai	**–**	**–**	**4,000**	**2**	**4,002**
Tung Wai Lan, Iris	**–**	**4,650**	**6,500**	**18**	**11,168**
Independent non-executive directors					
Luk Yu King, James	**500**	**–**	**–**	**–**	**500**
Ng Kwok Fu	**385**	**–**	**–**	**–**	**385**
Leung Yu Ming, Steven	**385**	**–**	**–**	**–**	**385**
	1,270	**16,310**	**49,500**	**60**	**67,140**
2018					
Executive directors					
Cheung Chung Kiu	–	–	22,000	2	22,002
Yeung Hin Chung, John	–	5,560	7,800	18	13,378
Yuen Wing Shing	–	5,560	5,000	18	10,578
Wong Chi Keung	–	–	2,500	2	2,502
Leung Wai Fai	–	–	4,000	2	4,002
Tung Wai Lan, Iris	–	4,260	6,200	18	10,478
Independent non-executive directors					
Luk Yu King, James	490	–	–	–	490
Ng Kwok Fu	370	–	–	–	370
Leung Yu Ming, Steven	370	–	–	–	370
	1,230	15,380	47,500	60	64,170

7 Individuals with highest emoluments

Of the 5 individuals with the highest emoluments for the year ended 31 December 2019 and 2018, all of them are directors during the year whose emoluments are disclosed in note 6.

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $727,306,000 (2018: $447,391,000) and the weighted average of 372,688,000 (2018: 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.

9 Property, plant and equipment

(a) Reconciliation of carrying amounts

	Ownership interests in leasehold land and buildings held for own use carried at cost $'000	Other properties leased for own use carried at cost $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Yacht $'000	Leasehold improvements $'000	Sub-total $'000	Interests in leasehold land held for own use $'000	Total $'000
Cost:									
At 1 January 2018	146,866	–	33,625	140,911	121,844	9,445	452,691	38,286	490,977
Additions	43,255	–	11,097	13,875	46	6,508	74,781	–	74,781
Disposals	(54)	–	(1,300)	(5,283)	(139)	(1,556)	(8,332)	–	(8,332)
At 31 December 2018	190,067	–	43,422	149,503	121,751	14,397	519,140	38,286	557,426
Impact on initial application of HKFRS 16*	–	224,375	–	–	–	–	224,375	–	224,375
At 1 January 2019	**190,067**	**224,375**	**43,422**	**149,503**	**121,751**	**14,397**	**743,515**	**38,286**	**781,801**
Additions	**24,417**	**3,436**	**3,800**	**15,591**	**1,736**	**6,101**	**55,081**	**41,042**	**96,123**
Disposals	**–**	**–**	**(49)**	**(1,719)**	**(175)**	**–**	**(1,943)**	**–**	**(1,943)**
At 31 December 2019	**214,484**	**227,811**	**47,173**	**163,375**	**123,312**	**20,498**	**796,653**	**79,328**	**875,981**
Accumulated depreciation:									
At 1 January 2018	90,487	–	29,862	95,803	85,716	7,530	309,398	16,770	326,168
Charge for the year	2,929	–	2,814	17,606	14,928	2,303	40,580	729	41,309
Written back on disposals	(54)	–	(995)	(4,925)	(110)	(1,556)	(7,640)	–	(7,640)
At 31 December 2018	93,362	–	31,681	108,484	100,534	8,277	342,338	17,499	359,837
At 1 January 2019	**93,362**	**–**	**31,681**	**108,484**	**100,534**	**8,277**	**342,338**	**17,499**	**359,837**
Charge for the year	**3,388**	**57,600**	**3,770**	**19,105**	**15,110**	**4,056**	**103,029**	**767**	**103,796**
Written back on disposals	**–**	**–**	**(49)**	**(1,621)**	**(175)**	**–**	**(1,845)**	**–**	**(1,845)**
At 31 December 2019	**96,750**	**57,600**	**35,402**	**125,968**	**115,469**	**12,333**	**443,522**	**18,266**	**461,788**
Net book value:									
At 31 December 2019	**117,734**	**170,211**	**11,771**	**37,407**	**7,843**	**8,165**	**353,131**	**61,062**	**414,193**
At 31 December 2018	96,705	–	11,741	41,019	21,217	6,120	176,802	20,787	197,589

9 Property, plant and equipment *(continued)*

(a) Reconciliation of carrying amounts *(continued)*

Interest in leasehold land situated in Hong Kong held for own use at 31 December 2019 and 2018 are under medium-term leases.

* *The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	**31 December 2019 $'000**	1 January 2019 $'000
Ownership interests in leasehold land and buildings held for own use, carried at cost in Hong Kong, with remaining lease term of:			
– between 10 and 50 years		**117,734**	96,705
Interest in leasehold land held for own use with remaining lease term of:			
– between 10 and 50 years		**61,062**	20,787
	(i)	**178,796**	117,492
Other properties leased for own use, carried at depreciated cost	(ii)	**170,211**	224,375
		349,007	341,867

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 $'000	2018* $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**3,388**	2,929
Interest in leasehold land	**767**	729
Other properties leased for own use	**57,600**	—
	61,755	3,658
Interest on lease liabilities (note 4(a))	**4,526**	—
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**1,155**	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*	**—**	33,368

* *The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).*

9 Property, plant and equipment *(continued)*

(b) Right-of-use assets *(continued)*

During the year, additions to right-of-use assets were $68,895,000. This amount included the purchase of leasehold properties of $65,459,000, and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 15(c) and 18 respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds land and several commercial buildings for its ordinary course of business. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its driving schools, services centres and offices through tenancy agreements. The leases typically run for an initial period of 1 to 5 years.

(Expressed in Hong Kong dollars)

10 Investments 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**	**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	50,000 shares of US$1 each	70%	–	70%	Investment holding
Bigstar Limited	British Virgin Islands	1 share of US$1	100%	–	100%	Securities investment
Clear Path Limited	British Virgin Islands	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	1 share of US$1	100%	–	100%	Securities investment
High Fortune Group Limited	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Join Harbour Limited	British Virgin Islands	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
HKSM Siu Lek Yuen Driving School Limited	Hong Kong	1 share	70%	–	70%	Designated driving school
HKSM Yuen Long Driving School Limited	Hong Kong	2 shares	70%	–	70%	Designated driving school
The Hong Kong School of Motoring Limited	Hong Kong	2,000,000 shares	70%	–	70%	Investment holding
Newcheer Limited	British Virgin Islands	1 share of US$1	100%	–	100%	Securities investment
NKT Driving School Limited	Hong Kong	1 share	70%	–	70%	Designated driving school
Smart Chance Global Limited	British Virgin Islands	1 share of US$1	100%	–	100%	Holding of a yacht
Capital Choice Limited	Hong Kong	1 share	100%	–	100%	Money lending
The Autopass Company Limited	Hong Kong	70,000 "A" shares 30,000 "B" shares	100% –	100% –	– –	Investment holding and provision of consultancy services
Aquatic Assets Limited	British Virgin Islands	1 share	100%	–	100%	Debenture holding

10 Investments 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.

	2019 $'000	2018* $'000
Gross amounts of AHL group's		
Current assets	**635,344**	606,222
Non-current assets	**389,609**	170,372
Current liabilities	**(495,034)**	(373,534)
Non-current liabilities	**(112,485)**	(4,939)
Net assets	**417,434**	398,121
NCI percentage	**30%**	30%
Carrying amount of NCI	**125,230**	119,436
Revenue	**467,271**	440,027
Profit for the year	**118,714**	134,828
Total comprehensive income	**118,714**	134,828
NCI percentage	**30%**	30%
Profit allocated to NCI	**35,614**	40,448
Dividend paid to NCI	**29,820**	32,130
Cash flows from operating activities	**256,787**	172,341
Cash flows from investing activities	**(98,000)**	(149,033)
Cash flows from financing activities	**(154,032)**	(107,100)

* *AHL group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of $205,271,000 relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated.*

11 Interest in associates

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

Name of associate	Form of business structure	Place of incorporation	Particulars of issued and fully paid up share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: 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%	Winding up in progress	30 June

11 Interest in associates *(continued)*

(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 2019.

(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. The franchise expired on 11 July 2018. TCTCL applied for members' voluntary winding up on 29 May 2019 and was dissolved on 27 February 2020.

(e) 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	**2019**	2018*
		$'000	$'000
Gross amounts of the associate's			
Revenue			
Toll revenue		**2,009,013**	1,852,788
Other revenue	(i)	**59,653**	52,651
		2,068,666	1,905,439
Other income		**26,996**	4,105
Expenditure			
Operating and administrative expenses		**(119,743)**	(106,982)
Rates and government rent		**(74,974)**	(70,026)
Amortisation and depreciation	(ii)	**(401,519)**	(384,409)
Operating profit before finance charges		**1,499,426**	1,348,127
Interest on shareholders' loans		**(52)**	(51)
Profit before taxation		**1,499,374**	1,348,076
Income tax	(iii)	**(248,793)**	(224,088)
Profit and total comprehensive income		**1,250,581**	1,123,988
Group's effective interest		**50%**	50%
Group's share of total comprehensive income		**625,291**	561,994
Fair value adjustments		**(9,359)**	(9,359)
		615,932	552,635
Dividend received from the associate		**798,500**	709,500

11 Interest in associates *(continued)*

	Note	2019 $'000	2018* $'000
Gross amounts of the associate's			
Current assets		**761,366**	421,786
Non-current assets		**1,581,855**	1,982,725
Current liabilities	(iv)	**(733,651)**	(382,872)
Non-current liabilities		**(252,725)**	(318,375)
Equity		**1,356,845**	1,703,264
Reconciled to the Group's interest in associates			
Gross amounts of net assets of the associate		**1,356,845**	1,703,264
Group's effective interest		**50%**	50%
Group's share of net assets of the associate		**678,423**	851,632
Fair value adjustments		**33,371**	42,730
Amount due from the associate	(v)	**417**	417
Loan to and interest receivable from the associate	(vi)	**2,624**	2,598
Carrying amount in the consolidated financial statements		**714,835**	897,377

* *WHTCL has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).*

Notes:

(i) Other revenue includes income from telecommunications network providers and outdoor advertising site rental.

(ii) 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.

(iii) Taxation includes the current and deferred income tax for the year. The provision for Hong Kong Profits Tax for 2019 is calculated at 8.25% on assessable profits up to $2,000,000 and 16.5% on any part of assessable profits over $2,000,000 for the year (2018: 8.25% on assessable profits up to $2,000,000 and 16.5% on any part of assessable profits over $2,000,000 for the year).

(iv) Current liabilities include current tax liabilities of $452.4 million (2018: $141.4 million).

(v) 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.

(vi) The loan to the associate is unsecured and bears interest at a rate of 1% (2018: 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 2019 amounted to $0.02 million (2018: $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.

11 Interest in associates *(continued)*

(f) 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:

	2019	2018
	$'000	$'000
Gross amounts of the associate's		
Revenue	**2,998**	296,746
Profit and total comprehensive income	**1,529**	180,397
Group's effective interest	**39.5%**	39.5%
Group's share of total comprehensive income	**604**	71,257
Fair value adjustments	**–**	(14,864)
	604	56,393
Dividend received from the associate	**14,160**	43,486
Gross amounts of the associate's		
Current assets	**–**	804,938
Current liabilities	**–**	(9,419)
Equity	**–**	795,519
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	**–**	795,519
Group's effective interest	**–**	39.5%
Group's share of net assets of the associate	**–**	314,230
Carrying amount in the consolidated financial statements	**–**	314,230

12 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:

Name of associate	Form of business structure	Place of incorporation	Particulars of issued and fully paid up share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: 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	31 December

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

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

	2019 **$'000**	2018* $'000
Share of net assets	**96,449**	85,425
Loan to a joint venture	**12,500**	12,500
Carrying amount in the consolidated financial statements	**108,949**	97,925
Amounts of the Group's share of the joint venture's		
– Profit from continuing operations	**16,154**	14,895
– Other comprehensive income	**(130)**	(166)
– Total comprehensive income	**16,024**	14,729

* *The joint venture has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).*

Note: The loan to a joint venture is unsecured, interest free and not expected to be recoverable within the next twelve months.

(c) The amount due from a joint venture is unsecured, interest-free and has no fixed terms of repayment.

13 Other financial assets

	Notes	31 December 2019 $'000	31 December 2018 $'000
Non-current			
Financial assets designated at FVOCI (non-recycling)			
– Equity securities listed in Hong Kong			
• Evergrande Health*	(i)	**421,561**	558,827
• Others*	(ii)	**71,171**	74,957
		492,732	633,784
Financial assets measured at FVOCI (recycling)			
– Debt securities listed in Hong Kong*	(iii)	**138,940**	—
– Debt securities listed outside Hong Kong*		**462,493**	446,478
		601,433	446,478
Financial assets measured at FVPL			
– Unlisted fund investments		**1,057,440**	1,056,270
– Debt securities listed outside Hong Kong*		**99,596**	354,381
– Equity securities listed outside Hong Kong*		**61,595**	52,174
		1,218,631	1,462,825
		2,312,796	2,543,087
Current			
Financial assets measured at amortised cost			
– Secured, interest-bearing instruments	(iv)	**200,000**	102,249
– Unsecured, interest-bearing instruments	(v)	**665,000**	100,000
Less: loss allowance	21(a)	**(22,711)**	(1,926)
		842,289	200,323
Financial assets measured at FVPL			
– Debt securities listed outside Hong Kong*		**281,042**	155,505
– Equity securities listed in Hong Kong*	(vi)	**1,355,905**	1,694,762
		1,636,947	1,850,267
		2,479,236	2,050,590
Total		**4,792,032**	4,593,677

* *Fair value measured using unadjusted quoted price in active markets. Details of fair value measurement of financial assets are set out in note 21(f).*

13 Other financial assets *(continued)*

Notes:

(i) The amount represents 54,255,000 shares (approximately 0.63% shareholdings) of Evergrande Health Industry Group Limited ("Evergrande Health"), which is listed in Hong Kong and principally engaged in healthcare business as well as investment in high technology new energy vehicle manufacture. The Group designated this investment at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the year (2018: Nil). No shares from such investments were disposed of during the current year. In 2018, the Group sold some of its shares at a consideration of $163,585,280, being the fair value as at the date of disposal in order to balance the overall investment portfolio and to reduce concentration risk.

(ii) The amount mainly represents the Group's investment in several blue-chips stocks listed in Hong Kong. The Group designated these investments at FVOCI (non-recycling), as they are held for strategic purposes. Dividends amounted to $3,018,000 (2018: $3,186,000) were received during the year. None of these investments were sold during the year (2018: Nil).

(iii) During the year ended 31 December 2019, the Group has acquired listed debt securities issued by an indirectly wholly-owned subsidiary of C C Land Holdings Limited, a connected party of the Group. The carrying value of the investment at 31 December 2019 is $138,940,000.

(iv) The balance as at 31 December 2019 represents an investment in an interest-bearing instrument of $200,000,000 which is fully secured by financial instruments with sufficient fair value to cover the principal amount. The instrument is interest-bearing at 11% per annum and will mature in 2020.

The balance as at 31 December 2018 represented an investment in an interest-bearing instrument which is fully secured by a property and personal guarantee, interest-bearing at 15% per annum. The Group did not have the right to sell or re-pledge the property and personal guarantee held as collateral in the absence of default by the borrower. The balance was repaid during the current year.

(v) The balance as at 31 December 2019 represents seven (2018: one) interest-bearing instruments which are unsecured, interest-bearing from 7% to 12% per annum (2018: 7% per annum) and with maturity of 6 to 12 months.

(vi) Equity securities listed in Hong Kong and classified at FVPL include equity investments in China Evergrande Group, a property developer in China. As at 31 December 2019, the fair value of such investments amounted to $494,683,000 (2018: $684,975,000), and a decrease in fair value of $49,430,000 (2018: $102,235,000) was recognised in profit or loss for the year.

14 Trade and other receivables

	2019	2018
	$'000	$'000
Trade receivables	**6,666**	3,330
Other receivables	**45,764**	26,443
	52,430	29,773
Deposits and prepayments	**48,911**	51,121
	101,341	80,894

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is $2,757,000 (2018: $3,040,000). Apart from these, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

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:

	2019	2018
	$'000	$'000
Within 1 month	**5,933**	2,556
1 to 2 months	**231**	343
2 to 3 months	**231**	332
Over 3 months	**271**	99
	6,666	3,330

15 Bank deposits and cash

(a) Cash and cash equivalents comprise

	2019	2018
	$'000	$'000
Deposits with banks and other financial institutions	**1,550,173**	1,194,208
Cash at bank and in hand	**376,694**	304,798
Bank deposits and cash in the consolidated statement of financial position	**1,926,867**	1,499,006
Less: Deposits with original maturity over three months	**(232,179)**	(209,018)
Cash and cash equivalents in the consolidated cash flow statement	**1,694,688**	1,289,988

At 31 December 2019, a bank account in a financial institution with the amount of $9,350,000 (2018: $9,306,000) served as a security against treasury facilities granted to the Group. During the year, the Group did not utilise any of such facilities.

15 Bank deposits and cash *(continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Dividends payable $'000	Lease liabilities $'000	Total $'000
At 31 December 2018	1,212	—	1,212
Impact on initial application of HKFRS 16 (note 1(c))	—	224,375	224,375
At 1 January 2019	**1,212**	**224,375**	**225,587**
Changes from financing cash flows:			
Interest element of lease rentals paid	**–**	**(4,526)**	**(4,526)**
Capital element of lease rentals paid	**–**	**(56,138)**	**(56,138)**
Dividends paid	**(149,641)**	**–**	**(149,641)**
Total changes from financing cash flows	**(149,641)**	**(60,664)**	**(210,305)**
Other changes:			
Increase in lease liabilities from entering into new leases during the period	**–**	**3,436**	**3,436**
Interest expenses (note 4(a))	**–**	**4,526**	**4,526**
Dividends approval in respect of the previous years (note 20(b)(ii))	**81,991**	**–**	**81,991**
Dividends declared in respect of the current year (note 20(b)(i))	**67,084**	**–**	**67,084**
Total other changes	**149,075**	**7,962**	**157,037**
At 31 December 2019	**646**	**171,673**	**172,319**

15 Bank deposits and cash *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Dividends payable $'000	Lease liabilities $'000	Total $'000
At 1 January 2018	3,600	—	3,600
Changes from financing cash flows:			
Dividends paid	(144,010)	—	(144,010)
Total changes from financing cash flows	(144,010)	—	(144,010)
Other changes:			
Dividends approval in respect of the previous years (note 20(b)(ii))	74,538	—	74,538
Dividends declared in respect of the current year (note 20(b)(i))	67,084	—	67,084
Total other changes	141,622	—	141,622
At 31 December 2018	1,212	—	1,212

(c) Total cash outflow for leases

Cash outflows included in the cash flow statement for leases comprise the following:

	2019 $'000	2018* $'000
Within operating cash flows	**1,155**	33,368
Within investing cash flows	**65,459**	43,255
Within financing cash flows	**60,664**	—
	127,278	76,623

* As explained in the note to consolidated cash flow statement, the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 $'000	2018 $'000
Lease rentals paid	**61,819**	33,368
Purchase of leasehold property	**65,459**	43,255
	127,278	76,623

16 Trade and other payables

	2019 $'000	2018 $'000
Trade payables	**5,696**	3,689
Other payables and accruals	**102,885**	99,448
	108,581	103,137

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:

	2019 $'000	2018 $'000
Within 1 month	**2,024**	1,044
1 month to 3 months	**661**	413
Over 3 months but within 6 months	**3,011**	2,232
	5,696	3,689

17 Contract liabilities

	31 December 2019 $'000	31 December 2018 $'000
Course fee received in advance	**363,011**	312,426

Notes:

The revenue recognised during the year that was included in the contract liabilities balance at the beginning of the period amounted to $237,126,000 (2018: $235,234,000).

When the Group receives the prepayments for course fees before commencement of motoring courses, this gives rise to contract liabilities at the start of a contract, until the completion of the relevant training lessons at which time related revenue is recognised. The Group typically receives the amounts in full before relevant courses commence.

All the amount of receipts in advance of performance are expected to be substantially recognised as income within twelve months from the reporting date.

18 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019*		31 December 2018*	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**55,192**	**58,613**	55,443	59,930	–	–
After 1 year but within 2 years	**53,206**	**55,532**	53,919	57,283	–	–
After 2 years but within 5 years	**63,275**	**67,774**	115,013	118,733	–	–
	116,481	**123,306**	168,932	176,016	–	–
	171,673	**181,919**	224,375	235,946	–	–
Less: total future interest expenses		**(10,246)**		(11,571)		–
Present value of lease liabilities		**171,673**		224,375		–

* *The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).*

19 Income tax in the consolidated statement of financial position

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

	2019 $'000	2018 $'000
Provision for Hong Kong Profits Tax for the year	**29,004**	29,427
Provisional Profits Tax paid	**(3,578)**	(27,385)
	25,426	2,042
Balance of Profits Tax provision relating to prior years	**8,407**	6,968
	33,833	9,010
Taxation recoverable recognised in the consolidated statement of financial position	**(5,597)**	(9,560)
Taxation payable recognised in the consolidated statement of financial position	**39,430**	18,570
	33,833	9,010

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 on equity securities $'000	Tax losses recognised $'000	Depreciation allowances in excess of the related depreciation $'000	Total $'000
Deferred tax arising from:				
At 1 January 2018	106,611	(45,666)	3,178	64,123
Credited to profit or loss	(20,038)	(40,907)	(524)	(61,469)
At 31 December 2018	86,573	(86,573)	2,654	2,654
At 1 January 2019	**86,573**	**(86,573)**	**2,654**	**2,654**
(Credited)/charged to profit or loss	**(25,686)**	**25,686**	**(3,694)**	**(3,694)**
At 31 December 2019	**60,887**	**(60,887)**	**(1,040)**	**(1,040)**

	2019 $'000	2018 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(4,964)**	(2,285)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**3,924**	4,939
	(1,040)	2,654

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $760,711,000 (2018: $555,780,000) 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 2018	1,629,461	3,249,636	4,879,097
Changes in equity for 2018:			
Dividends approved in respect of the previous year (note 20(b))	–	(74,538)	(74,538)
Profit and total comprehensive income for the year	–	757,956	757,956
Dividends declared in respect of the current year (note 20(b))	–	(67,084)	(67,084)
Balance at 31 December 2018 and 1 January 2019*	1,629,461	3,865,970	5,495,431
Changes in equity for 2019:			
Dividends approved in respect of the previous year (note 20(b))	**–**	**(81,991)**	**(81,991)**
Profit and total comprehensive income for the year	**–**	**5,664**	**5,664**
Dividends declared in respect of the current year (note 20(b))	**–**	**(67,084)**	**(67,084)**
Balance at 31 December 2019	**1,629,461**	**3,722,559**	**5,352,020**

* *The Group, including the Company, has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 January 2019. See notes 1(c) and 25.*

20 Capital, reserves and dividends *(continued)*

(b) Dividends

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

	2019 $'000	2018 $'000
Interim dividends declared of $0.18 per share (2018: $0.18 per share)	**67,084**	67,084
Final dividend proposed after the end of the reporting period $0.24 per share (2018: $0.22 per share)	**89,445**	81,991
	156,529	149,075

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:

	2019 $'000	2018 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.22 per share (2018: $0.20 per share)	**81,991**	74,538

(c) Share capital

Issued share capital

	2019		2018	
	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

The capital reserve has been set up and are dealt with in accordance with the accounting policies adopted for subsidiaries in note 1(d).

(ii) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 1(g)).

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see 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(t).

(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 2019, 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.

20 Capital, reserves and dividends *(continued)*

(e) Capital management *(continued)*

The adjusted capital at 31 December 2019 and 2018 was as follows:

	2019	2018
	$'000	$'000
Total equity	**7,502,821**	7,048,967
Less: proposed dividend (note 20(b))	**(89,445)**	(81,991)
	7,413,376	6,966,976

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, debt securities, investment in interest-bearing instruments at amortised cost, and trade and other receivables. Management monitors the Group's credit risk exposure on an ongoing basis.

Bank deposits

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. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as at 31 December 2019 and 2018.

Loans to associates and a joint venture

With respect to loans to associates and a joint venture, management reviews the financial position of the borrowers on an ongoing basis.

Such associates and joint venture are considered to have sound financial position and the identified impairment loss was immaterial as at 31 December 2019 and 2018. The maximum exposure to credit risk at the end of the reporting period are disclosed in notes 11(e) and 12(b) respectively.

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

(a) Credit risk *(continued)*

Debt securities

All of the Group's debt securities measured at FVOCI of $601,433,000 (2018: $446,478,000) at 31 December 2019 represent listed debt securities which are graded a credit rating of B by a major credit rating agency. Management assessed the credit risk of each of the Group's investment in debt securities with reference to the grading by market credit rating agencies, where available, and default probability analysis performed by external agencies. As at the end of the reporting period, no significant increase in credit risk was identified since the initial recognition of each investment, based on changes in credit rating since the investments were made, and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses.

The Group estimated credit loss based on the respective 12 months default risk rate as at 31 December 2019 for the issuer of each listed debt securities, which are obtained from external agencies. The loss allowance for investment in debt securities measured at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in other comprehensive income.

Movement in the loss allowance for debt securities measured at FVOCI during the year is as follows:

	2019	2018
	$'000	$'000
Balance at 1 January	**4,044**	—
(Decrease)/increase in loss allowance recognised in profit or loss during the year	**(3,005)**	4,044
Balance at 31 December	**1,039**	4,044

The decrease in credit loss was mainly due to decrease in default risk compared to last year.

As at 31 December 2019, the Group also held listed debt securities measured at FVPL of $380,638,000 (2018: $509,886,000). The Group is exposed to market price risk arising from the instruments, as a result of a change in credit quality of the issuers. As at 31 December 2019, an increase/decrease of 5% in the fair value of such securities would have increased/decreased the Group's profit after tax (and retained profits) by $19,032,000 (2018: $24,211,000). Debt securities at FVPL are not subject to ECL assessment.

Investment in secured interest-bearing instruments at amortised cost

As at 31 December 2019, the investment in secured interest-bearing instruments at amortised cost represents an unquoted interest-bearing instrument. The Group has obtained security in the form of financial instruments which can be called upon if the counterparty is in default under the terms of the agreement. The Group considers the credit risk arising from the investment in secured interest-bearing instruments as at 31 December 2019 is significantly mitigated by the fair value of the financial instruments at 31 December 2019. The maximum exposure to credit risk at the end of the reporting period, without taking into account the security is disclosed in note 13. Credit loss on the investment is considered insignificant.

As at 31 December 2018, the investment in secured interest-bearing instruments at amortised cost represents an unquoted interest-bearing instrument which was secured by a property and personal guarantee that could be called upon if the counterparty is in default under the terms of the agreement. The credit risk was significantly mitigated by the property and personal guarantee held as collateral, with reference to the estimated market value of the property and the value of the personal guarantee. The balance was repaid during the current year.

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

(a) Credit risk *(continued)*

Investment in unsecured interest-bearing instruments at amortised cost

As at 31 December 2019, the investment in unsecured interest-bearing instruments at amortised cost as disclosed in note 13 represents seven (2018: one) unquoted interest-bearing instruments. Management assessed the credit risk of the instrument holders based on their past history of making repayments (including interest payment), financial position of the instrument holders, and with reference to the relevant default probability analysis available in similar market. As at the end of the reporting period, no significant increase in credit risk was identified since the initial recognition of the investment. Due to the short duration of the instruments, which maturity is 6 to 12 months, the loss allowance recognised during the period was measured at an amount equal to lifetime ECLs.

Loss allowance of $20,784,000 (2018: $1,926,000) is recognised in profit or loss during the year. The increase in loss allowance was contributed by interest-bearing instruments purchased during the year.

The Group invests in interest-bearing instruments with short term duration, in order to manage the associated credit risk.

Trade and other receivables

Credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Trade receivables are due within one month from the date of billing while further credit may be granted to individual debtors when appropriate. Normally, the Group does not obtain collateral from debtors.

The Group applies the HKFRS 9 simplified approach under which credit losses on trade and other receivables are measured at an amount equal to the lifetime expected credit losses. The identified impairment loss was immaterial as at 31 December 2019. The maximum exposure to credit risk at the end of the reporting period equals the respective carrying amount as at 31 December 2019 as disclosed in note 14.

(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 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 lease liabilities as disclosed in note 18.

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 interest income from floating rate income-earning financial assets, and the impact of rate changes on the fair value of fixed rate instruments at FVOCI and at FVPL. The Group invests in interest-bearing instruments and listed debt securities with fixed coupon rate. The Group manages its interest rate risk regularly by monitoring the interest rate profile of its investments. The Group did not enter into any interest rate swaps instrument during 2018 and 2019.

The following table details the interest rate profile of the Group's interest-bearing financial assets at the end of the reporting period.

		2019		2018	
	Fixed/floating	**Effective interest rate**	**$'000**	Effective interest rate	$'000
Bank deposits and cash	Floating	**0.01% - 0.36%**	**324,532**	0.01% - 1.33%	269,344
Bank deposits and cash	Fixed	**2.00% - 3.00%**	**1,550,173**	1.99% - 2.66%	1,194,208
Debt securities measured at FVOCI	Fixed	**4.83% - 12.25%**	**601,433**	7.89% - 12.20%	446,478
Interest-bearing instruments	Fixed	**7.00% - 12.00%**	**865,000**	7.00% - 15.00%	202,249
Debt securities measured at FVPL	Fixed	**4.54% - 8.36%**	**380,638**	8.11% - 22.90%	509,886

Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have:

(i) increased/decreased the Group's profit after tax and retained profits by approximately $811,000 (2018: $673,000) in response to the impact of general increase/decrease in interest rate on interest income from bank deposits and cash at floating rate;

(ii) decreased/increased the Group's profit after tax and retained profits by approximately $875,000 (2018: $1,927,000) in response to the impact of general increase/decrease in interest rate on the fair value of debt securities at FVPL; and

(iii) decreased/increased the other components of consolidated equity by approximately $3,673,000 (2018: $3,619,000) in response to the impact of general increase/decrease in interest rates on the fair value of debt securities measured at FVOCI.

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 exposure 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) 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 2018.

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

(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.

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)	
	2019	2018
	Australian dollars $'000	Australian dollars $'000
Bank deposits and cash	**6,955**	6,996

At 31 December 2019, it is estimated that a general increase of one percentage point in foreign exchange rates arising from recognised assets or liabilities denominated in currencies other than United States dollars and Hong Kong dollars would have an insignificant impact on the Group's earnings for the year.

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

(e) Equity price risk

As at 31 December 2019, the Group has investment in listed equity securities and unlisted fund investments of $1,910,232,000 (2018: $2,380,720,000), and $1,057,440,000 (2018: $1,056,270,000), respectively. The Group is exposed to market price risk arising from these investments. The fair value gain/(loss) for the Group's investments in listed equity securities and unlisted fund investments in 2019 were $161,496,000 loss (2018: $83,761,000 loss), and $52,046,000 loss (2018: $17,403,000 gain) respectively.

The Group's decisions to buy or sell the listed investments are based on daily monitoring of the performance of individual securities as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

As at 31 December 2019, the Group's unlisted fund investments (note 13) comprised mainly several investments in private equity funds. The Group managed the equity price risk through diversification of investment portfolio. The underlying investments held by these funds include listed and unlisted equity instruments, structured financing products and venture capital deals in various regions not limited to the People's Republic of China ("PRC") and Hong Kong, covering various industry sectors, including biopharmaceuticals, biotechnology, healthcare and related services, technology and e-Commerce. The fair values of these investments are affected by the market conditions in the abovementioned sectors, the overall capital market conditions, as well as the performance of individual investees of each of these funds. The investments held in the portfolio may be realised only after several years and their fair values may change significantly.

At 31 December 2019, it is estimated that an increase/decrease of 5% (2018: 5%) in the fair value of the Group's listed and unlisted equity 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:

	2019			2018		
		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%**	**116,642**	**24,637**	5%	131,829	31,689
Decrease	**(5)%**	**(116,642)**	**(24,637)**	(5)%	(131,829)	(31,689)

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 all other variables remain constant. The analysis is performed on the same basis for 2018.

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.

	Fair value at 31 December	**Fair value measurements as at 31 December 2019 categorised into**			Fair value at 31 December	Fair value measurements as at 31 December 2018 categorised into		
	2019	**Level 1**	**Level 2**	**Level 3**	2018	Level 1	Level 2	Level 3
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Recurring fair value measurements								
Assets								
Financial assets measured at FVOCI (non-recycling):								
– Equity securities listed in Hong Kong	**492,732**	**492,732**	**–**	**–**	633,784	633,784	–	–
Financial assets measured at FVOCI (recycling):								
– Debt securities listed outside Hong Kong	**462,493**	**462,493**	**–**	**–**	446,478	446,478	–	–
– Debt securities listed in Hong Kong	**138,940**	**138,940**	**–**	**–**	–	–	–	–
Financial assets measured at FVPL:								
– Unlisted fund investments	**1,057,440**	**–**	**28,505**	**1,028,935**	1,056,270	–	33,212	1,023,058
– Equity securities listed in Hong Kong	**1,355,905**	**1,355,905**	**–**	**–**	1,694,762	1,694,762	–	–
– Equity securities listed outside Hong Kong	**61,595**	**61,595**	**–**	**–**	52,174	52,174	–	–
– Debt securities listed outside Hong Kong	**380,638**	**380,638**	**–**	**–**	509,886	509,886	–	–
	3,949,743	**2,892,303**	**28,505**	**1,028,935**	4,393,354	3,337,084	33,212	1,023,058

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)*

During the years ended 31 December 2018 and 2019, 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.

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.

The Group's unlisted financial assets measured at FVPL categorised in Level 3 comprise private equity funds. These private equity funds were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input. The fund managers estimated the fair value of underlying investments based on direct market quote for level 1 financial instruments. For other investments, the fund managers apply appropriate valuation techniques such as latest transaction price, discounted cash flow, or a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instruments or based on any available observable market data.

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

	2019 **$'000**	2018 $'000
Financial assets measured at FVPL:		
– Unlisted fund investments:		
At 1 January	**1,023,058**	—
Impact on initial application of HKFRS 9	**—**	368,252
Payment for purchase	**80,736**	671,945
Proceeds from distribution	**(23,193)**	(41,325)
Changes in fair value recognised in profit or loss during the period	**(51,666)**	24,186
At 31 December	**1,028,935**	1,023,058

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

(f) Fair value measurement *(continued)*

(ii) Fair value 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 2019 and 2018. 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.

	2019 Carrying amount $'000	2018 Carrying amount $'000
Loan to an associate	**2,624**	2,598
Loan from an associate	**–**	(300,674)
Loan to a joint venture	**12,500**	12,500

(g) Concentration risk

As at 31 December 2019, the Group held investments in ordinary shares and debt securities issued by China Evergrande Group and its subsidiaries, and their carrying value represented approximately 16% (2018: 21%) of the Group's total assets. These investments include investment in ordinary shares of China Evergrande Group (FVPL) of $494,683,000 (2018: $684,975,000), ordinary shares of Evergrande Health (FVOCI, non-recycling) of $421,561,000 (2018: $558,827,000), and investments in two (2018: two) tranches of debt securities issued by China Evergrande Group and its subsidiary of $167,981,000 (2018: $166,261,000) (FVOCI, recycling) and $199,563,000 (2018: $197,192,000) (FVPL) respectively. Evergrande Health is a subsidiary of China Evergrande Group, and both companies are listed in Hong Kong (see note 13).

As at 31 December 2019, the Group's investments in listed debt securities amounted to $982,071,000 (2018: $956,366,000) are issued by Hong Kong listed companies or their subsidiaries operated in the real estate sector in the PRC. The Group also held listed equity securities in the real estate sector amounted to $623,143,000 (2018: $1,378,131,000). The fair value of these investments may be affected by the economic condition of the PRC real estate sector, as well as equity price and interest rate movements as discussed in notes 21(c) and (e).

22 Commitments

(a) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	$'000
Within 1 year	40,035
After 1 year but within 5 years	83,749
	123,784

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(i), and the details regarding the Group's future lease payments are disclosed in note 18.

(b) Investment commitment

The Group makes capital commitments to various funds. At the end of the reporting period, the Group had the following outstanding commitments to make capital contributions to investment vehicles:

	2019	2018
	$'000	$'000
Private equity funds	**82,925**	160,076

23 Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

24 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, 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 2019 was $2.6 million (2018: $2.6 million).

The Group received interest income and management fee income from Western Harbour Tunnel Company Limited of $0.03 million (2018: $0.03 million) and $2.5 million (2018: $2.5 million) respectively.

(ii) The Group received a loan from an associate, Tate’s Cairn Tunnel Investment Holdings Company Limited (“TCTIH“). The balance of the loan at 31 December 2019 was Nil (2018: $300.7 million). The loan was distributed in specie by TCTIH as first and final distribution to the Group in the progress of members' voluntary winding up.

(iii) The Group received consultancy fees and management fee income from a joint venture of $12.6 million (2018: $12.6 million) and $0.3 million (2018: $1.2 million) respectively.

25 Company-level statement of financial position

	Note	2019 $'000	2018 $'000
Non-current assets			
Property, plant and equipment		**19,613**	3,477
Interest in subsidiaries		**5,514,091**	5,225,660
Amount due from associate		**417**	417
		5,534,121	5,229,554
Current assets			
Trade and other receivables		**1,672**	1,756
Cash and cash equivalents		**1,320,762**	913,965
		1,322,434	915,721
Current liabilities			
Trade and other payables		**62,600**	59,548
Dividends payable		**646**	1,212
		63,246	60,760
Net current assets		**1,259,188**	854,961
Total assets less current liabilities		**6,793,309**	6,084,515
Non-current liability			
Amounts due to subsidiaries		**1,441,289**	589,084
NET ASSETS		**5,352,020**	5,495,431
CAPITAL AND RESERVES	20(a)		
Share capital		**1,629,461**	1,629,461
Reserve		**3,722,559**	3,865,970
TOTAL EQUITY		**5,352,020**	5,495,431

Approved and authorised for issue by the board of directors on 20 March 2020.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

* *The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).*

26 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).

27 Accounting estimates and judgements

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

(a) 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.

(b) Determining the lease term

As explained in policy note 1(i), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five Year Summary

(Expressed in Hong Kong dollars)

	2015 $'000	2016 $'000	2017 $'000	2018 $'000	**2019** **$'000**
Consolidated statement of profit or loss					
Revenue	397,402	431,005	461,591	640,937	**695,937**
Profit attributable to equity shareholders of the Company for the year	619,808	410,426	1,180,048	447,391	**727,306**
Dividends payable to equity shareholders of the Company attributable to the year	130,441	130,441	141,622	149,075	**156,529**
Consolidated statement of financial position					
Property, plant and equipment	176,491	173,353	164,809	197,589	**414,193**
Interest in associates	1,785,632	1,566,234	1,355,539	1,211,607	**714,835**
Interest in a joint venture	77,377	89,604	98,326	97,925	**108,949**
Available-for-sale securities	917,193	676,116	1,177,266	—	**—**
Other financial assets	—	—	—	2,543,087	**2,312,796**
Deposits for acquisition of tangible assets	310	1,176	11,776	932	**6,240**
Deferred tax assets	2,170	1,810	2,030	2,285	**4,964**
Current assets	2,513,337	3,253,759	4,409,217	3,736,500	**4,628,109**
	5,472,510	5,762,052	7,218,963	7,789,925	**8,190,086**
Current liabilities	290,613	367,619	412,978	736,019	**566,860**
Deferred tax liabilities	4,167	5,770	66,153	4,939	**3,924**
Lease liabilities	—	—	—	—	**116,481**
Loan from an associate	252,879	279,384	272,866	—	**—**
NET ASSETS	4,924,851	5,109,279	6,466,966	7,048,967	**7,502,821**
Capital and reserves					
Share capital and other statutory capital reserves	1,629,461	1,629,461	1,629,461	1,629,461	**1,629,461**
Other reserves	3,174,395	3,350,249	4,695,964	5,266,677	**5,714,479**
Total equity attributable to equity shareholders of the Company	4,803,856	4,979,710	6,325,425	6,896,138	**7,343,940**
Non-controlling interests	120,995	129,569	141,541	152,829	**158,881**
TOTAL EQUITY	4,924,851	5,109,279	6,466,966	7,048,967	**7,502,821**