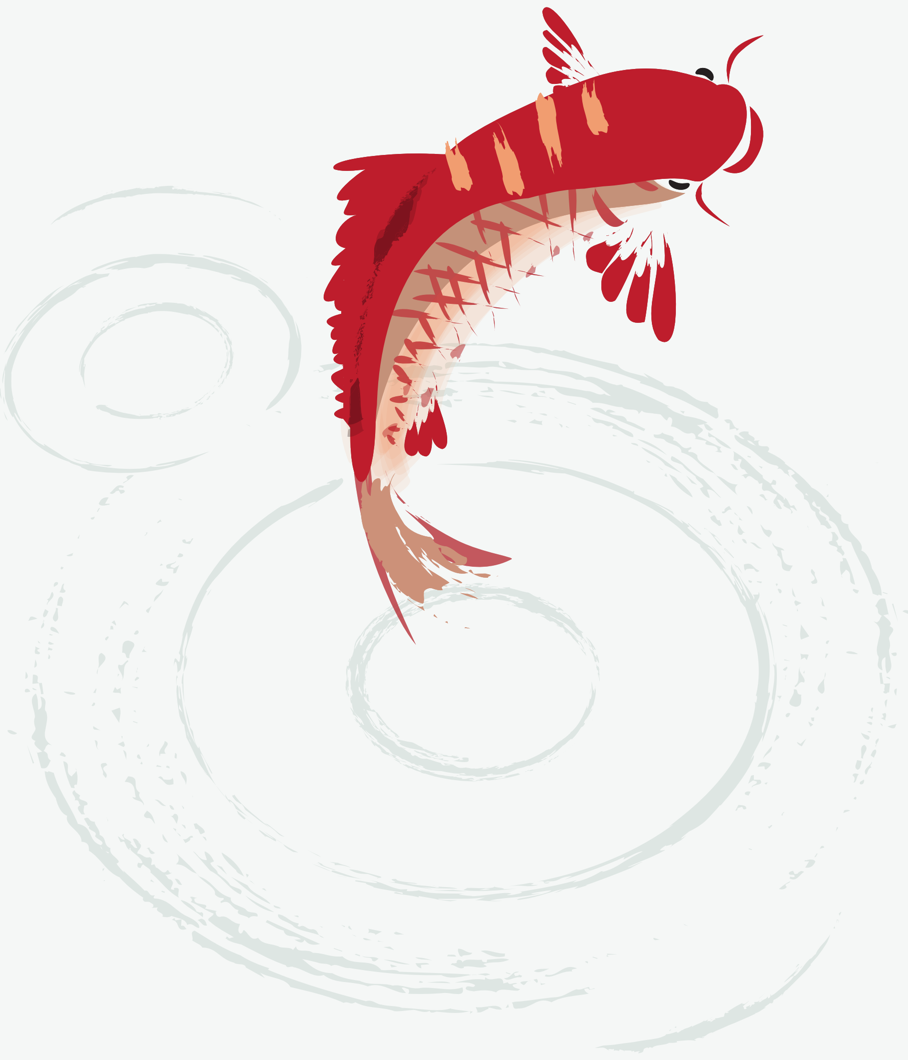
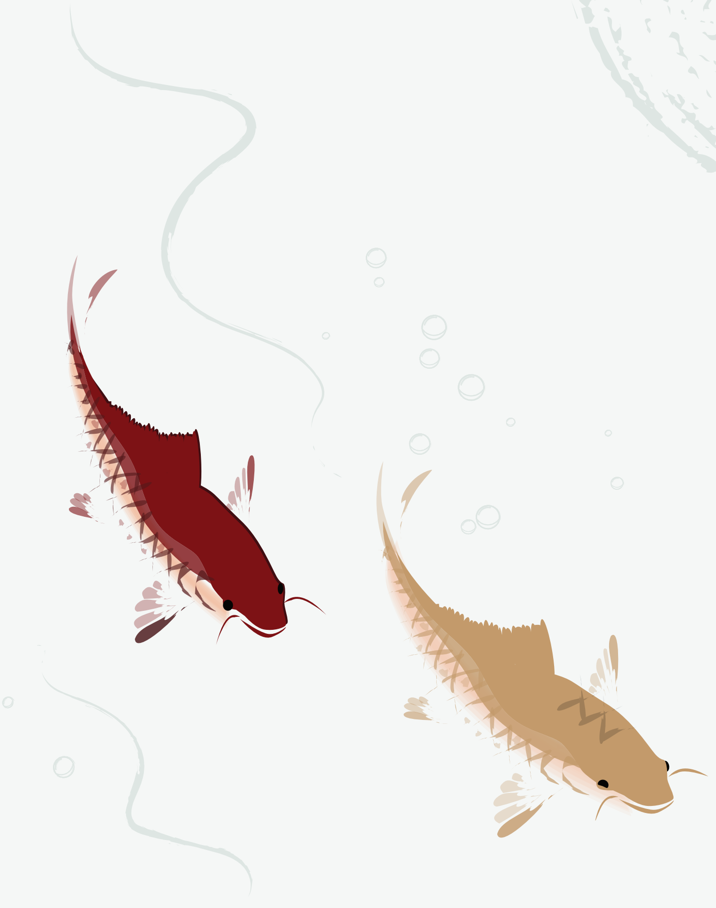
The Cross-Harbour (Holdings) Limited

(Stock Code : 32)



2020 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

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External Auditor

KPMG
Certified Public Accountants
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
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Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 32

On behalf of the board of directors, I am presenting the annual results of the Group for the year ended 31 December 2020.

Performance

The Group reported a profit attributable to shareholders of HK$725.2 million for the year ended 31 December 2020, representing a decrease of 0.3% as compared with HK$727.3 million in 2019. The slight decrease was due to the underperformance of tunnel operation, which offset the improved performance of other segments. Earnings per share were HK$1.95 (2019: HK$1.95).

Final Dividend

A fourth and final dividend of HK$0.24 per share has been proposed and, if approved by shareholders, will result in total dividends of HK$0.42 per share for the year, same as previous year. Total dividends paid and proposed for the year will be HK$156.5 million.

Business Review and Outlook

2020 was a very tough year that was clouded by the COVID-19 pandemic. The global economy experienced a deep recession in 2020. Hong Kong's economy was also very weak and fell into a deep recession in the year. The whole year GDP contraction reached 6.1% in 2020 which was more severe than the 2.5% during the global financial crisis in 2009. Because of social distancing measures, a wide range of economic and social activities were disrupted, and most of the industries are in depression. Amid the fourth wave of the COVID-19 outbreak in Hong Kong, the unemployment rate between November 2020 and January 2021 rose sharply to 7.0%, which was close to a 17-year high. Hong Kong's retail sales plunged by a record 24.3% during the year 2020 because widespread travel restrictions had kept tourists away, and local demand continued to be sluggish. Under the persistently tense relationship between China and the United States, and the various sanctions implemented by the United States, the local financial market sentiment was further affected.

The outlook for 2021 remains uncertain as the pandemic is not yet under control. The good news is that some vaccines have been developed and approved for use in major countries. It is expected that vaccines can be widely rolled out in 2021 and the lockdown measures may ease. Despite the conclusion of US election, the Sino-US relations is not likely to change significantly in 2021, and how the US policy will impact on Hong Kong remains unknown. In addition, as a result of massive monetary and fiscal support measures from central banks and governments worldwide, the financial market and the real economy has been disconnected; and the risk of asset price bubbles increased. Nevertheless, 2021 is the first year of China's 14th Five-Year Plan and the rise of economy in the Mainland may bring new opportunities to Hong Kong. Moreover, the Regional Comprehensive Economic Partnership Agreement (RCEP) between China and various countries in the East Asia Pacific region will strengthen regional cooperation, and that may also bring benefits to Hong Kong.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools and it has performed satisfactorily in the year. Operating income increased slightly because of the increase in contribution from the motorcycle training course, which fully offset the impact from the drop in number of driving lessons for non-motorcycle vehicles.

The availability of sizeable training sites remains a pivotal factor for the operation of designated driving schools in addition to the supply of qualified driving instructors. Due to the extensive land requirement for off-street driving training, the operations of the driving centres at Ap Lei Chau, Siu Lek Yuen and Kwun Tong are dependent on the availability of government land. 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 August 2021, February 2023 and July 2023 respectively.

In 2020, the Government implemented strict restrictions on social gatherings to reduce the risk of COVID-19 transmission. The Transport Department had suspended driving test appointment services and driving test services several times during the year. As a result, AHG had to suspend and reschedule the driving lessons many times throughout the year. This had significantly affected the number of new enrollments of the driving training courses and number of driving lessons delivered, in particular the non-motorcycle vehicles.

As Hong Kong economy was affected adversely by the COVID-19 and the fourth wave of outbreak has not yet been contained, we expect that the driving training market would still be slow in 2021. The operating environment of the Alpha Hero Group in the coming year is expected to be difficult and overall performance might not be improved. 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 Management will closely monitor the progress of the pandemic and take actions to safeguard our customers and staff so as to 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 ten different toll roads and tunnels. There are fifty-one auto-toll lanes in operation at present. Despite increasing difficulty in acquiring new subscribers, net growth in tag subscriptions still recorded during the year and it was contributed by the issuance of tags to private cars and motorcycles. The trend of decrease in net growth of tag subscription during the year is expected to continue in the coming year under the negative impacts of COVID-19 pandemic, and competitions from other alternatives electronic payment facilities available in the market. Moreover, the toll-free arrangements of the Lantau Link will further increase the number of terminated tags.

In July 2019, Transport Department published a Smart Mobility Roadmap for Hong Kong, which set 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 December 2017. Smart City Blueprint 2.0 was released in December 2020 and contained more than 130 smart city initiatives. One of the six major target achievements of the 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 dimension "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 will be implemented by phases at all government tolled tunnels and roads and eventually replace the current ETC system.

In view of this, Autotoll has been expanding its capability and businesses beyond ETC. Riding on its experience and success in the past ITS projects, Autotoll was the first company to be awarded a "Smart Mobility" project, which was to install 550 traffic detectors on selected strategic routes to provide real-time traffic information. Autotoll was also awarded the contract for a FFTS trial project in 2018. This had enhanced its competitiveness in the bidding of tenders of FFTS contracts. Management will be alert to the development of Smart City, and would endeavor to capture suitable opportunities 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 affected negatively by the COVID-19 pandemic. The average daily throughput decreased by 29.1 % to 49,442 vehicle journeys as compared to 69,778 vehicle journeys in the last year. But because of a toll increase implemented in 2019, the average toll per vehicle increased from HK$78.9 in the last year to HK$82.3 in the current year, WHT's market share was also dropped to 21.8% in 2020 (2019: 27.3%).

Subsequent to the outbreak of COVID-19, the Government implemented stringent social distancing measures and "work from home" has been widely adopted. As a result, total cross-harbour tunnel market reduced and WHT's traffic was negatively impacted in 2020. Due to the fourth wave of COVID-19 starting from late November 2020, the restriction on public gatherings and others social distancing measures were further tightened. This unfavorable condition is expected to persist in the coming months.

The planned connecting roads leading to WHT has not yet fully materialized. Because of the COVID-19 pandemic, the major progress of other development projects, including Central-Kowloon Route, Express Rail Link and West Kowloon Cultural District, had also been deferred. The road traffic to West Kowloon area was affected in 2020. It is anticipated that when the developments resumed and are put in operation, they could create additional vehicular traffic as well as demand for cross harbour services at the WHT. 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. When the MTR's Shatin to Central Link (cross harbour section) is completed, demand for cross harbour road transport might be reduced.

Given the uncertainties surrounding the fourth wave of COVID-19, it might be difficult to have a full recovery of road traffic in the first half of 2021. In addition to the current precautionary measures, the Management has strengthened the hygiene and operational arrangements to protect the health of its staff. To ensure tunnel operation continuity, regular drills are conducted to practice the procedures in case certain operations need to be temporarily suspended. We will closely monitor the development of COVID-19 and take further measures to minimize the impact to our tunnel operation.

Treasury Management Business

The Group's investment objective is to increase the value of its treasury management 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 prospects 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 achieving consistent risk adjusted returns for its shareholders. In the future, the Company will continue to diversify its investments (including but not limited to equity securities, debt securities and unlisted funds) embedded with new growth drivers in the new era of globalization. The Company has increased investments in unlisted funds and debt securities and reduced investments in listed equity securities and interest-bearing instruments 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 investment sentiment of the financial market was hard hit by the outbreak of COVID-19 in the first quarter of 2020. The Hang Seng Index ("HSI") plunged to 21,696 in March, the lowest level in 2020. Supported by unprecedented policies and measures rolled out by the governments and central banks across the world, the breakthrough in vaccine development, and anticipated economic recovery with the distribution of vaccines, the market risk appetite and sentiment improved. The HSI closed at 27,164 at the end of December 2020, dropped slightly by 3.6% compared to the end of December 2019. Under this high level of volatility in the market, the Group's unlisted fund investments recorded net fair value gain while the Group's equity and debt securities recorded net fair value loss in the profit and loss account during the year. A listed company of the Group's investment in equity securities announced its new developments in the new energy vehicle industry, as result of positive market response, the market value of this investment increased significantly in 2020 and thus the Group recorded an unrealized fair value gain in reserve for the year.

Given the shortage of vaccines and uncertainties in vaccine inoculation process, restrictions on social activities and travel by governments are not expected to significantly relax in the first half of 2021. The timetable for global economic recovery is uncertain. Short-term investment sentiment would be affected as a result and more price corrections cannot be ruled out in the coming year. Some of the market uncertainties were eliminated with the conclusion of the US presidential election, and the reaching of an investment agreement between China and Europe. We remain cautious about the performance of the Hong Kong and overseas stock markets as well as the prospects of the Group's investments in the near term. The Group will continue to assess the performance of its investments' portfolio from time to time.

Looking Forward

Although the deployment of vaccines is in progress, the pandemic has not yet been stabilized. The year 2021 will likely be another year of challenges for Hong Kong. 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 the same time remain vigilant 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, 22 March 2021

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 4 % in operating income was recorded in current year as compared with previous year, as a result of increase in revenue from motorcycle training course, which fully offset the drop in revenue from non-motorcycle vehicle driving lessons. Under the difficult operating environment in COVID-19 pandemic, a stable performance was recorded which 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.

For the provision of vehicle driving training to learners, Alpha Hero Group ("AHG") hired a team of driving instructors and owned a fleet of 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 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. Staff turnover for the year was 6.1% (2019: 14.7%). 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.

Customers: A corporate homepage and Facebook page were 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 and questionnaire.

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.

Electronic Toll Operation ("ETC")

The total number of tags in circulation was 361,609 as at 31 December 2020 (2019: 354,571), representing an increase of 2.0% from the year before. Autotoll's penetration rate on licensed vehicles was about 45% on average. The overall usage of auto-toll facilities in all twelve toll roads and tunnels during the year remained about 51%. The number of daily transactions handled by Autotoll was about 365,000 with toll amount of approximately HK$9.1 million. The number of subscribers for the Global Positioning System at the end of the year was about 13,300 (2019: 13,200).

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, and ISO 27001 accreditation for its information security management system. In addition, Autotoll has obtained ISO 45001 accreditation for its occupational health and safety management system.

Key Relationship with Employees, Customers and Suppliers

Employees: Various staff meetings were organized throughout the year to foster a collaborative working environment. Staff turnover for the year was 19.5% (2019: 38.3%). The turnover comprises mainly resignation of front-line and technical staff due to keen labour competition in the market.

Customers: Autotoll maintains strong relationship with customers and there are steady growth in VGo and Joyfuel Dollars Program memberships.

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

No toll adjustment or toll gazetting was effected in 2020. Both midnight empty taxi promotion and midnight goods vehicle promotion are extended till the end of February 2021.

Tunnel Usage

Throughput for the year was 18,095,744 vehicle journeys (2019: 25,469,064 vehicle journeys). The average daily throughput stood at 49,442 vehicle journeys (2019: 69,778 vehicle journeys), representing a decrease of 29.1% from the previous year. The decrease is caused by the COVID-19 and the social distancing measures. Market share decreased from 27.3% in 2019 to 21.8% in 2020.

	Traffic Mix	
	2020	2019
Private Cars	**74.5%**	77.4%
Goods Vehicles	**17.2%**	14.4%
Buses	**8.3%**	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 77.4% to 74.5% while goods vehicle category increased from 14.4% to 17.2% and usage by buses category increased from 8.2% to 8.3%. The average net toll per vehicle increased from HK$78.9 in 2019 to HK$82.3 in 2020 due to toll increase effective from 1 June 2019 and the changes in vehicle mix.

Accidents

The traffic accident occurrence rate in 2020 increased by 21.6% as compared to 2019.

	2020	2019
Occurrence Rate per million vehicle trips		
Fatal Accidents	**0.00**	0.04
Traffic Accidents (Personal Injury)	**0.33**	0.12
Traffic Accidents (Damage Only)	**2.54**	2.20
	2.87	2.36

Breakdowns

The occurrence rate of breakdowns in 2020 increased by 18.6% and the average time taken to attend the scene was maintained at within two minutes.

	2020	2019
Total Breakdowns (occurrence rate per million vehicle trips)	**8.29**	6.99
Daily Average Breakdowns	**0.41**	0.48

Escorts

	2020	2019
Dangerous Goods & Abnormal Goods (Number of Trips)	**837**	609

Infringements

The number of infringements per million vehicle trips increased by 41.8% in 2020. The increase is caused by the strengthening of control.

	2020	2019
Number of events per million vehicle trips		
Total Infringements Reported	**668**	471
Prosecutions	**80.5**	58.1

Maintenance

Throughout the year 2020, 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 2020 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 16% (2019: 29%). The turnover comprises mainly resignation of front-line and technical staff.

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

Hong Kong, 22 March 2021

Commentary on Annual Results

(I) Review of 2020 Results

The Group reported a profit attributable to shareholders of HK$725.2 million for the year ended 31 December 2020, a decrease of 0.3% as compared with HK$727.3 million recorded in 2019. The drop was mainly due to the decrease in profit contribution from tunnel operation, which offset the increase in profit contributions from treasury investments segment, motor school operation and electronic toll operation.

The Group's revenue was HK$760.5 million for the year, increased by HK$64.6 million or 9.3% as compared to HK$695.9 million recorded in 2019. It was contributed by revenue increases in both the motoring school operation and treasury investments segment.

Performance of the treasury investments segment in the year:—

Taking into account of net fair value gain on financial assets measured at fair value through other comprehensive income ("FVOCI") recognised in the fair value reserve, net fair value gain on financial assets measured at fair value through profit or loss ("FVPL"), 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 overall performance of treasury investments segment was improved in the year as compared with last year.

The net fair value gain on financial assets measured at FVPL was HK$68.4 million (2019: loss of HK$45.6 million) for the year. It was mainly attributable to fair value gain on Diversified Absolute Return Fund of HK$236.0 million (2019: HK$1.4 million) and fair value gain on limited partnership interests in Princeville Global II of HK$170.4 million (2019: HK$7.9 million), partially offset by fair value loss on China Evergrande Group (Stock Code: 3333) of HK$153.4 million (2019: HK$49.4 million) and fair value loss on Oshidori International Holdings Limited (Stock Code: 622) of HK$93.6 million (2019: gain of HK$126.1 million)

The financial assets measured at FVOCI recorded a net fair value gain of HK$1,201.8 million in the fair value reserve for the year ended 31 December 2020 (2019: loss of HK$130.3 million). The gain was mainly attributable to fair value gain on China Evergrande New Energy Vehicle Group Limited (Stock Code: 708) of HK$1,216.9 million (2019: loss of HK$137.3 million).

Dividend income from listed equity securities amounted to HK$60.0 million, increased by HK$14.7 million as compared to HK$45.3 million recorded in the previous year, and it was mainly received from China Evergrande Group amounting to HK$52.4 million. Interest income from listed debt securities amounted to HK$105.4 million, increased by HK$4.6 million as compared to HK$100.8 million recorded in the previous year. Interest income derived from interest-bearing instruments measured at amortised cost amounted to HK$75.0 million, increased by HK$30.7 million as compared to HK$44.3 million recorded in the previous year, as a result of increase in average loans balance for the year as compared with previous year. Interest income on bank deposits amounted to HK$24.6 million as compared to HK$31.5 million in the previous year.

The impairment loss on financial assets of unsecured interest-bearing instruments and debt securities measured at FVOCI amounted to HK$35.5 million, increased by HK$17.7 million as compared to HK$17.8 million in previous year.

Performance of other reportable segments in the year:—

The motoring school operations recorded an increase in revenue of 4.4% to HK$474.5 million mainly due to an increase in demand for motorcycle training courses. Operating expenses decreased during the year because of the receipts of subsidies granted from the Hong Kong Government, including the Employment Support Scheme and other relief measures for COVID-19. Therefore, the profit before tax from the motoring school operations increased to HK$198.2 million, an increase of 40.1% as compared to the HK$141.5 million recorded in the previous year.

The Group's share of profits of associates decreased by 32.3% to HK$417.4 million as compared to HK$616.5 million in 2019 due to underperformance of the Western Harbour Tunnel Company Limited ("WHTCL"). Toll revenue of West Harbour Tunnel ("WHT") dropped by 25.8% to HK$1,489.8 million as compared to the HK$2,009.0 million in 2019. Despite the implementation of toll increase effective from 1 June 2019, the revenue dropped for the year because traffic of WHT dropped significantly by 29.0% as a result of the negative impact of COVID-19. 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 was HK$417.4 million as compared to HK$615.9 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 intelligent transport system solutions and telematics services, was HK$37.1 million for the year as compared to HK$16.2 million recorded in the previous year. The increase was the result of the increase in administration fee income from ETC operation and increase in project incomes from provision of intelligent transport system solutions.

(II) Treasury Investments and Significant Investments Held

As at 31 December 2020, the Group maintained an investment portfolio with a carrying amount of HK$5,946.4 million (2019: HK$4,792.0 million). The portfolio composed of HK$2,819.6 million listed and unlisted equity securities (2019: HK$1,910.2 million), HK$1,586.6 million unlisted fund investments (2019: HK$1,057.4 million), HK$1,108.0 million listed debt securities (2019: HK$982.1 million), and HK$432.2 million interest-bearing instruments (2019: HK$842.3 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 2020 and 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 2020 HK$ million	Addition during the year HK$ million	Disposal/ Capital reduction during the year HK$ million	Fair value change recorded in OCI (FVOCI) HK$ million	Fair value change in profit and loss (FVPL)/ ECL HK$ million	31 December 2020 HK$ million
Financial assets measured at FVOCI						
– Listed equity securities	492.7	–	–	1,202.1	–	1,694.8
– Listed debt securities	601.5	402.9	–	(0.3)	(13.5)	990.6
Financial assets measured at FVPL						
– Listed equity securities	1,417.5	251.2	(361.6)	–	(311.5)	995.6
– Listed debt securities	380.6	19.2	(271.3)	–	(11.1)	117.4
– Unlisted fund investments	1,057.4	285.7	(151.8)	–	395.3	1,586.6
– Unlisted equity security	–	133.5	–	–	(4.3)	129.2
Financial assets measured at amortised cost						
– Interest-bearing instruments	842.3	427.8	(817.8)	–	(20.1)	432.2
	4,792.0	1,520.3	(1,602.5)	1,201.8	34.8	5,946.4

The aggregate value of the investment portfolio increased by HK$1,154.4 million during the year. Financial assets purchased during the year totalled HK$1,520.3 million, including HK$422.1 million listed debt securities, HK$384.7 million listed and unlisted equity securities, HK$285.7 million unlisted fund investments and HK$427.8 million interest-bearing instruments. Financial assets disposed of during the year totaled HK$1,602.5 million, including HK$361.6 million listed equity securities, HK$271.3 million listed debt securities, HK$151.8 million unlisted fund investments and HK$817.8 million interest-bearing instruments. Other movements of the investment portfolio during the year included net fair value gain on financial assets measured at FVOCI of HK$1,201.8 million, net fair value gain on financial assets measured at FVPL of HK$68.4 million and impairment loss on investment portfolio of HK$33.6 million.

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

(i) China Evergrande New Energy Vehicle Group Limited (Stock Code: 708) ("Evergrande Vehicle")

The principal business activities of Evergrande Vehicle are technology research and development and manufacturing of, and sales services in respect of new energy vehicles, as well as health management businesses in China. As at 31 December 2020, the Group held 54,255,000 shares in Evergrande Vehicle and recorded a fair value of HK$1,638.5 million in respect of its holding in 0.62% of the shares of such investment, which exceeded the purchase cost of HK$62.2 million for such investment and represented 16.1% of the Group's total assets and 27.5% of the aggregate fair value of the Group's investment portfolio. In terms of performance, a fair value gain of HK$1,216.9 million on such investment was recorded in the fair value reserve as at 31 December 2020, as compared to a fair value loss of HK$137.3 million recorded in 2019.

(ii) Diversified Absolute Return Fund

Diversified Absolute Return Fund ("DARF") is an unlisted fund managed by asset managers who applied various investment strategies to accomplish their respective investment objectives. The principal business of DARF is to invest for returns from capital appreciation and investment income, either through the use of special purpose vehicles or by investing directly. As at 31 December 2020, the Group held about 41,805 class A shares of DARF and recorded a fair value of HK$652.8 million (2019: HK$249.6 million) in respect of its holding in about 25.0% of the shares of such investment, which exceeded the purchase cost of HK$402.7 million for such investment and represented 6.4% of the Group's total assets and 11.0% of the aggregate fair value of the Group's investment portfolio. In terms of performance, a fair value gain of HK$236.0 million on such investment was recognised in profit or loss for the year 2020, as compared to a fair value gain of HK$1.4 million recorded in 2019. No distribution was received from such investment for the year (2019: nil).

Other than the significant investments mentioned above, the carrying amount of each of the financial assets of the Group's investment portfolio represented less than 5% of the Group's total assets as at 31 December 2020. Other financial assets composed of listed and unlisted equity securities, listed debt securities, unlisted fund investments, and interest-bearing instruments (accounting for 19.9%, 18.6%, 15.7% and 7.3% of the carrying amount of the Group's investment portfolio respectively).

Apart from the significant listed equity security mentioned above, the other equity securities held by the Group at 31 December 2020 comprised a total of 21 listed and unlisted equity securities with an aggregate fair value of HK$1,181.1 million (accounting for 11.6% of the Group's total assets) covering various industry sectors including property, information technology, financial services, investment holdings, industrial and infrastructure.

Listed debt securities held by the Group at 31 December 2020 comprised a total of 8 listed bonds with an aggregate fair value of HK$1,108.0 million (accounting for 10.9% of the Group's total assets) with coupon rates ranging from 6.35% to 12.375% per annum, and they are issued by Hong Kong listed companies or its subsidiary primarily operating in the PRC and UK real estate sector.

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. Apart from the significant unlisted fund investment mentioned above, the Group at 31 December 2020 held a total of 9 unlisted fund investments with an aggregate fair value of HK$933.8 million (accounting for 9.2% 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 2020 with an aggregate amount of HK$432.2 million (accounting for 4.3% of the Group's total assets) and bearing interest ranging from 8% to 12% per annum, maturing in 2021 and generating an aggregate interest income of HK$75.0 million for the year.

The Group's investment objective is to increase the value of its treasury management 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 equity securities providing liquidity and capital appreciation, 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 in its investment portfolio.

The future prospects of the Group's equity securities 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 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 investment portfolio held by the Group as at 31 December 2020, a significant portion comprises investments under the new energy vehicle category with an aggregate fair value of HK$1,638.5 million, accounting for about 27.5% of the aggregate fair value of the Group's investment portfolio. Details of the performance from such investment are mentioned in the significant investments above.

Of the investment portfolio held by the Group as at 31 December 2020, a significant portion comprises investments under the property category with an aggregate fair value of HK$1,597.0 million (composed of HK$489.0 million listed equity securities and HK$1,108.0 million listed debt securities) accounting for about 26.9% of the aggregate fair value of the Group's investment portfolio. In terms of performance, interest and dividend income derived from such investment portfolio for the year amounted to HK$105.4 million and HK$58.4 million respectively. Further, a net fair value loss of HK$177.0 million and a decrease in the fair value reserve in the amount of HK$4.2 million on such investment portfolio 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 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 2020, the Group had bank balances and deposits in the amount of HK$2,675.9 million (2019: HK$1,926.9 million). The Group did not have any bank borrowings as at 31 December 2020 (2019: nil) The gearing ratio was not applicable to the Group. The gearing ratio, if any, is calculated as the ratio of net bank borrowings to total equity. 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 and United States dollars.

(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.

(V) Employees

The Group has 676 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, net of subsidies from Employment Support Scheme, for the year amounted to HK$272.8 million (2019: 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.

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, 22 March 2021

Executive Director/Senior Manager

Cheung Chung Kiu, aged 56, 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 74, 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 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.

Yuen Wing Shing, aged 74, 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 and a Shareholder Supervisor of the seventh session of the Supervisory Board of Shengjing Bank Co., Ltd. ("Shengjing"), a public listed company in Hong Kong. He served as an executive director and managing director of Planetree until 30 April 2019 and as a non-executive director of Shengjing until 20 October 2020.

Wong Chi Keung, aged 65, 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 59, 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 55, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Ms. Tung holds a master of philosophy degree from The Chinese University of Hong Kong. She is an executive director of Y. T. Realty.

Independent Non-executive Director

Ng Kwok Fu, aged 49, 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 66, 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 61, 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 2020 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

Five board meetings 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	ad hoc board meeting
Executive Director			
Cheung Chung Kiu *(Chairman)*	1/1	4/4	1/1
Yeung Hin Chung, John *(Managing Director)*	1/1	4/4	1/1
Yuen Wing Shing	1/1	4/4	1/1
Wong Chi Keung	1/1	4/4	1/1
Leung Wai Fai	1/1	4/4	1/1
Tung Wai Lan, Iris	1/1	4/4	1/1
Independent Non-executive Director			
Ng Kwok Fu [1]	1/1	4/4	1/1
Luk Yu King, James [2]	1/1	4/4	1/1
Leung Yu Ming, Steven [2]	1/1	4/4	1/1

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 2020 and ending at the close of the annual general meeting in 2023.

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.

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 2020 and an additional meeting in March 2021 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 85.

The nomination committee

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

This committee 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.

Board Committees *(continued)*

The nomination committee *(continued)*

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 policy, 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$3.4 million for services rendered to the Group, of which HK$2.8 million were audit fees, HK$0.5 million were fees for interim review and HK$0.1 million were fees for agreed-upon procedures in respect of the statement of indebtedness in connection with the voluntary conditional general cash offer. The provision of the above non-audit services 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 function 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 2020 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.

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 2020 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

Due to the increase in the number of training school in Q4 of year 2019, the vehicle fleet size increased from 344 in year 2018 to 394 in year 2019 and further slightly increased to 402 in year 2020. As the additional 50 units acquired in year 2019 only came into operation in Q4, the effects of their full year operation in year 2020 accounted for the significant increase in the KPIs for year 2020.

The emission of nitrogen oxides (*A1.1*) increased by 56.7% from 1959 kg in 2019 to 3070 kg in 2020, and the particular matter (*A1.1*) by 52.7% from 186 kg in 2019 to 284 kg in 2020. The greenhouse gas ("GHG") emissions from mobile combustion sources (*A1.2*, Scope 1) increased by 25.7% from 1627.14 tonnes in 2019 to 2045.25 tonnes in 2020.

The Hydrofluorocarbons ("HFC") and perfluorocarbons ("PFC") emissions for refrigeration/air-conditioning (*A1.2*, Scope 1) increased by 369% from 17.16 tonnes in 2019 to 80.48 tonnes in 2020.

The GHG emissions generated from the generation of electricity purchased (*A1.2*, Scope 2) decreased by 29.9%* from 929.78 tonnes in 2019 to 651.89 tonnes in 2020. The GHG emissions generated from paper waste disposed at landfills (*A1.2*, Scope 3) increased by 25.7% from 31.52 tonnes in 2019 to 39.61 tonnes in 2020.

The hazardous waste produced increased by 15.8% from 4.76 tonnes in 2019 to 5.51 tonnes in 2020 while the non-hazardous waste produced increased by 26.40% from 325.28 tonnes in 2019 to 411.13 tonnes in 2020.

The energy consumption from electricity sources (*A2.1*) increased by 8.9% from 1366 kWh in 2019 to 1488 kWh in 2020. The energy consumption from mobile combustion sources (*A2.1*) increased by 25.2% from 6185 kWh in 2019 to 7746 kWh in 2020. Annual water consumption (*A2.2*) increased by 13.9% from 20209 m^3 in 2019 to 23018 m^3 in 2020.

Due to the COVID-19 pandemic, all business trips in 2020 were cancelled. The GHG emissions generated from business air travel by employees (*A1.2*, Scope 3) therefore decreased by 100% from 20.21 tonnes in 2019 to 0 tonnes in 2020.

* The significant decrease was mainly due to change in the emission factor provided by CLP Holdings Limited.

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		2019	2020
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)	1959 kg	3070 kg
	• sulphur oxides (SO_x)	9 kg	12 kg
	• Particulate Matter (PM)	186 kg	284 kg

A. ENVIRONMENTAL *(continued)*

KPI		2019		2020	
A1.2 GHG emissions	Scope 1 – Direct emissions or removals from sources	Emission	Intensity	Emission	Intensity
	• from stationary combustion sources	0 tonnes		0 tonnes	
	• from mobile combustion sources	1627.14 tonnes		2045.25 tonnes	
	• HFC and PFC emissions for refrigeration/air-conditioning	17.16 tonnes		80.48 tonnes	
	(Scope 1) Sub-total:	1644.30 tonnes (62.4%)	3.07 tonnes/ employee	2125.73 tonnes (75.2%)	3.09 tonnes/ employee
	Scope 2 – Energy indirect emissions				
	• from the generation of purchased electricity	929.78 tonnes		651.89 tonnes	
	(Scope 2) Sub-total:	929.78 tonnes (35.3%)	1.74 tonnes/ employee	651.89 tonnes (23.0%)	0.95 tonnes/ employee
	Scope 3 – Other indirect emissions				
	• from paper waste disposed at landfills	31.52 tonnes		39.61 tonnes	
	• from electricity used for processing fresh water and sewage by government departments	9.89 tonnes		11.78 tonnes	
	• from business air travel by employees	20.21 tonnes		0 tonnes	
	(Scope 3) Sub-total:	61.62 tonnes (2.3%)	0.12 tonnes/ employee	51.39 tonnes (1.8%)	0.07 tonnes/ employee
	(Scope 1 + Scope 2 + Scope 3) Total GHG emissions:	2635.71 tonnes	4.93 tonnes/ employee	2829.01 tonnes	4.11 tonnes/ employee
KPI		Annual hazardous waste	Intensity	Annual hazardous waste	Intensity
A1.3 hazardous waste	Total hazardous waste produced:	4.76 tonnes	<0.01 tonnes/ employee	5.51 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:	325.28 tonnes	0.61 tonnes/ employee	411.13 tonnes	0.60 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 as far as practicable 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 as far as practicable. • 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.

		2019		2020	
KPI	Source of energy consumption	Energy consumed	Intensity	Energy consumed	Intensity
A2.1 energy consumption	Electricity	1366 kWh ('000s)	2553 kWh/employee	1488 kWh ('000s)	2160 kWh/employee
	Stationary combustion	0 kWh ('000s)	0 kWh/employee	0 kWh ('000s)	0 kWh/employee
	Mobile combustion	6185 kWh ('000s)	11561 kWh/employee	7746 kWh ('000s)	11242 kWh/employee
	Total energy consumed:	7551 kWh ('000s)	14114 kWh/employee	9234 kWh ('000s)	13402 kWh/employee
KPI		Water consumed	Intensity	Water consumed	Intensity
A2.2 water consumption	Annual water consumed:	20209 m^3	38 m^3/employee	23018 m^3	33 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 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.

	2019		2020	
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)*

<table>
<tr><th colspan="2">A3: The Environment and Natural Resources</th></tr>
<tr><td colspan="2">Policies</td></tr>
<tr><td colspan="2">√ 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.</td></tr>
<tr><td>KPI</td><td></td></tr>
<tr><td>A3.1 significant impacts of activities on the environment and natural resources and specific actions</td><td>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. To the extent permissible, we organise 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.</td></tr>
</table>

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. Where possible, 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 2020.

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 89 and 90.

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 78 and 79.

Business Review

This business review is made pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), and paragraph 28(2)(d) of Appendix 16 to the Main Board Listing Rules (the "Listing Rules") published by The Stock Exchange of Hong Kong Limited (the "Exchange"). In the opinion of the directors, the Chairman's Statement, together with the Operation Review and Management Discussion and Analysis sections on pages 2 to 15, provides a comprehensive review of the performance of the Group for the year ended 31 December 2020 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 2020 are set out in the consolidated statement of profit or loss on page 56 and note 20(b) to the financial statements on page 102 respectively.

The first, second and third quarterly interim dividends each of HK$0.06 per share (2019: HK$0.06 per share) were paid on 10 July 2020, 16 September 2020 and 24 December 2020 respectively. The directors recommend the payment of a final dividend of HK$0.24 per share (2019: HK$0.24 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2020 of HK$0.42 per share (2019: HK$0.42 per share), representing a total distribution of approximately HK$156.5 million (2019: HK$156.5 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 7 June 2021 to shareholders registered at the close of business on 27 May 2021. The register of members and transfer books of the Company will be closed from 25 May 2021 to 27 May 2021, both days inclusive, for determining entitlement to the final dividend.

Donations

Donations made by the Group during the year amounted to HK$130,000 (2019: HK$4,432,000).

Property, Plant and Equipment

Movements during the year are set out in note 9 to the financial statements on pages 86 to 88.

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 102.

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 2020, 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$3,594,069,000 (2019: HK$3,722,559,000). After the end of the reporting period, the directors proposed a final dividend of HK$0.24 per share (2019: HK$0.24 per share), amounting to HK$89,445,000 (2019: HK$89,445,000) (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 117.

Major Suppliers and Customers

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

Directors

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

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

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

Confirmation of Independence

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

Directors' Information / Significant Commitments

Mr. Yuen Wing Shing ceased to be a non-executive director of, and was elected as a Shareholder Supervisor of the seventh session of the Supervisory Board of, Shengjing Bank Co., Ltd. with effect from 20 October 2020.

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 directors' interests and long positions in shares and/or in debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2020:

(a) Interests in the Company – Shares

Name of director	Capacity	No. of shares held	Total no. of shares held	Approximate % of interest
Cheung Chung Kiu	Interest of controlled corporation	255,753,585	255,753,585	68.62%
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%

(b) Interests in C C Land Holdings Limited (associated corporation) – Shares

Name of director	Capacity	No. of shares held	Total no. of shares held	Approximate % of interest
Cheung Chung Kiu	Interest of controlled corporation	2,478,915,906	2,478,915,906	63.85%

(c) Interests in Perfect Point Ventures Limited (associated corporation) – Debentures

Name of director	Capacity	Amount of debentures held	Amount of debentures in same class in issue
Cheung Chung Kiu	Interest of controlled corporation	US$18,000,000	US$250,000,000

Notes:

1. Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 255,753,585 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.
2. Mr. C.K. Cheung was deemed to be interested in 2,478,915,906 shares in C C Land Holdings Limited by virtue of his indirect control of Fame Seeker Holdings Limited ("Fame Seeker") which owned those shares. Fame Seeker was a wholly owned subsidiary of Windsor Dynasty.
3. Mr. C.K. Cheung was deemed to be interested in US$18,000,000 of the US$250,000,000 6.35% notes due 2022 issued by Perfect Point Ventures Limited by virtue of his indirect control of Gold Faith Investments Limited ("Gold Faith") which owned those notes. Gold Faith was wholly owned by Konco Limited and Konco Limited was wholly owned by the Company. The Company was in turn an indirect non wholly-owned subsidiary of Windsor Dynasty as given in Note 1 above.

Save as disclosed herein, as at 31 December 2020, there were no other interests or short positions in shares and underlying shares and in debentures, of the Company, or of any of its associated corporations, 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 adopted by the Company.

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 22 March 2021)	:	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 2020, the interests and long positions of other persons (not being directors or chief executives) in shares of the Company recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity	No. of shares held	Approximate % of interest
Windsor Dynasty	Interest of controlled corporation	255,753,585	68.62%
Rose Dynamics	Beneficial owner	255,753,585	68.62%

Note: Each parcel of 255,753,585 shares represents 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.

Apart from the above and Mr. C.K. Cheung's interest already disclosed on page 47, there were no other interests or short positions in shares and underlying shares of the Company recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as at 31 December 2020.

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 2020 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$0.8 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 2020. 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$7.5 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, 22 March 2021

Independent Auditor's Report

KPMG

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 116 which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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 consolidated financial statements and the accounting policy in note 1(g) on pages 66 and 67.</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 2020 the Group's unlisted fund investments comprised unquoted investment funds with a carrying value of HK$1,586.6 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 2020.

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 2020 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; and

• 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>

<table>
<tr><td colspan="2">Revenue recognition: Motoring school operations</td></tr>
<tr><td colspan="2">Refer to note 2 to the consolidated financial statements and the accounting policy in note 1(s) on pages 75 and 76.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Revenue of the Group mainly comprises driving course fee income which is derived from the Group's motoring school operations.

The Group generally sells packaged driving courses which comprise multiple numbers of driving training lessons.

When the package is sold, the Group receives the full driving course fees upfront which are initially recorded as 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.</td><td>Our audit procedures to assess the recognition of revenue from motoring school operations included the following:

• assessing the design, implementation and operating effectiveness of management's key internal controls which govern revenue recognition;

• comparing the trend of the monthly number of driving lessons delivered with the trend of monthly driving course fee income recognised and assessing the reasons for any fluctuations which were not in line with our expectations based on our knowledge of the Group's operations;

• evaluating the mathematical model employed by the Group to determine the revenue recognised in respect of driving training lessons delivered during the year by:

    • comparing sales of driving training lesson packages recorded during the year, on a sample basis, with the related invoice, bank statements and other relevant underlying documentation; and

    • comparing details of driving lessons delivered, on a sample basis, with the driving training lesson attendance record of the relevant student and the corresponding driving tutor records;

• inspecting underlying documentation for manual journal entries relating to revenue raised during the current year which were considered to meet the specific risk-based criteria.</td></tr>
</table>

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, actions taken to eliminate threats or safeguards applied.

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

22 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Revenue from contracts with customers within the scope of HKFRS 15	2(a)	**489,590**	470,129
Revenue from other sources	2(a)	**65,887**	49,221
Interest revenue from debt securities at FVPL	2(a)	**36,690**	57,822
Other interest revenue	2(a)	**168,355**	118,765
Total revenue		**760,522**	695,937
Other revenue	3	**26**	26
Other net gains/(losses)	3	**68,570**	(45,375)
Direct costs and operating expenses		**(209,917)**	(214,295)
Selling and marketing expenses		**(30,139)**	(32,366)
Administrative and corporate expenses		**(180,471)**	(218,629)
Impairment losses on financial assets	21(a)	**(35,472)**	(17,779)
Profit from operations		**373,119**	167,519
Finance costs	4(a)	**(3,522)**	(4,576)
Share of profits of associates	11	**417,361**	616,536
Share of profits of a joint venture	12	**37,119**	16,154
Profit before taxation	4	**824,077**	795,633
Income tax	5(a)	**(34,586)**	(24,706)
Profit for the year		**789,491**	770,927
Attributable to:			
Equity shareholders of the Company		**725,243**	727,306
Non-controlling interests		**64,248**	43,621
Profit for the year		**789,491**	770,927
Earnings per share	8		
Basic and diluted		**$1.95**	$1.95

The notes on pages 63 to 116 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 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2019 $'000
Profit for the year		789,491	770,927
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		1,202,092	(141,052)
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		(306)	10,714
– Share of other comprehensive income of a joint venture:			
– Exchange differences on translation of financial statements of overseas subsidiary in a joint venture		236	(130)
		1,202,022	(130,468)
Total comprehensive income for the year		1,991,513	640,459
Attributable to:			
Equity shareholders of the Company		1,927,194	596,877
Non-controlling interests		64,319	43,582
Total comprehensive income for the year		1,991,513	640,459

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

The notes on pages 63 to 116 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020
(Expressed in Hong Kong dollars)

		2020		2019	
	Note	$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	9		343,766		414,193
Interest in an associate	11		575,222		714,835
Interest in a joint venture	12		141,304		108,949
Other financial assets	13		4,192,107		2,312,796
Deposits and prepayments	14		270,989		30,939
Deferred tax assets	19(b)		4,594		4,964
			5,527,982		3,586,676
Current assets					
Inventories		1,020		712	
Other financial assets	13	1,754,345		2,479,236	
Trade and other receivables	14	131,206		76,642	
Amount due from a joint venture	12(c)	9,000		9,000	
Taxation recoverable	19(a)	–		5,597	
Dividend receivable		66,350		105,356	
Bank deposits and cash	15(a)	2,675,858		1,926,867	
		4,637,779		4,603,410	
Current liabilities					
Trade and other payables	16	228,312		108,581	
Contract liabilities	17	500,413		363,011	
Lease liabilities	18	56,064		55,192	
Taxation payable	19(a)	14,427		39,430	
Dividends payable		1,044		646	
		800,260		566,860	

Consolidated Statement of Financial Position

At 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2020 $'000	2019 $'000	2019 $'000
Net current assets			**3,837,519**		4,036,550
Total assets less current liabilities			**9,365,501**		7,623,226
Non-current liabilities					
Lease liabilities	18		**64,142**		116,481
Deferred tax liabilities	19(b)		**2,494**		3,924
			66,636		120,405
NET ASSETS			**9,298,865**		7,502,821
CAPITAL AND RESERVES	20				
Share capital			**1,629,461**		1,629,461
Reserves			**7,485,144**		5,714,479
Total equity attributable to equity shareholders of the Company			**9,114,605**		7,343,940
Non-controlling interests			**184,260**		158,881
TOTAL EQUITY			**9,298,865**		7,502,821

Approved and authorised for issue by the board of directors on 22 March 2021.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

The notes on pages 63 to 116 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(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 reserv (non-recycling) $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 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
Balance at 1 January 2020		1,629,461	1,984	(20,310)	398,209	(119)	5,334,715	7,343,940	158,881	7,502,821
Changes in equity for 2020:										
Profit for the year		–	–	–	–	–	725,243	725,243	64,248	789,491
Other comprehensive income		–	–	(306)	1,202,092	165	–	1,201,951	71	1,202,022
Total comprehensive income		–	–	(306)	1,202,092	165	725,243	1,927,194	64,319	1,991,513
Dividends approved in respect of the previous year	20(b)	–	–	–	–	–	(89,445)	(89,445)	–	(89,445)
Non-controlling interest's share of dividends		–	–	–	–	–	–	–	(38,940)	(38,940)
Dividends declared in respect of the current year	20(b)	–	–	–	–	–	(67,084)	(67,084)	–	(67,084)
Balance at 31 December 2020		1,629,461	1,984	(20,616)	1,600,301	46	5,903,429	9,114,605	184,260	9,298,865

The notes on pages 63 to 116 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	2020 $'000	2020 $'000	2019 $'000	2019 $'000
Operating activities					
Profit before taxation		**824,077**		795,633	
Adjustments for:					
Dividend income from equity securities at FVOCI (non-recycling)	4(b)	**(2,567)**		(3,018)	
Dividend income from equity securities at FVPL	4(b)	**(57,421)**		(42,314)	
Depreciation	4(b)	**95,850**		103,796	
Finance costs	4(a)	**3,522**		4,576	
Interest income		**(205,071)**		(176,613)	
Share of profits of associates		**(417,361)**		(616,536)	
Share of profits of a joint venture		**(37,119)**		(16,154)	
Net gains on sale of property, plant and equipment	3	**(206)**		(175)	
Net fair value (gain)/loss on financial assets at FVPL	3	**(68,364)**		45,550	
Impairment losses on financial assets		**35,472**		17,779	
COVID-19-related rent concessions received	9(b)	**(29,032)**		—	
Operating profit before changes in working capital		**141,780**		112,524	
(Increase)/decrease in inventories		**(308)**		238	
Increase in trade and other receivables		**(8,553)**		(7,131)	
Increase in contract liabilities		**137,402**		50,585	
Increase in trade and other payables		**10,458**		5,444	
Cash generated from operations		**280,779**		161,660	
Hong Kong Profits Tax paid		**(55,052)**		(3,577)	
Net cash generated from operating activities			**225,727**		158,083

	Note	2020 $'000	2020 $'000	2019 $'000	2019 $'000
Investing activities					
Increase in deposits with banks with original maturity over three months		(327,092)		(23,161)	
Payments for the purchase of property, plant and equipment		(19,943)		(92,687)	
Payments for purchase of debt securities at FVOCI (recycling)		(402,862)		(141,236)	
Payments for purchase of other financial assets at FVPL		(679,967)		(76,409)	
Payment for investment in interest-bearing instruments		(427,800)		(765,000)	
Proceeds from sale of property, plant and equipment		255		273	
Proceeds from repayment of interest-bearing instruments		817,801		110,000	
Proceeds from sale of equity securities at FVPL		315,549		308,992	
Proceeds from maturity of debt securities at FVPL		271,285		156,188	
Proceeds from distribution from unlisted funds at FVPL		18,762		23,193	
Dividend income from equity securities at FVOCI (non-recycling)		2,567		3,018	
Dividend income from equity securities at FVPL		57,421		42,314	
Dividends received from associates		596,006		793,804	
Dividends received from a joint venture		5,000		5,000	
Interest received		195,747		150,213	
Net cash generated from investing activities			422,729		494,502
Financing activities					
Interest element of lease rentals paid	15(b)	(3,466)		(4,526)	
Capital element of lease rentals paid	15(b)	(27,964)		(56,138)	
Other finance charges		(56)		(50)	
Dividends paid	15(b)	(156,131)		(149,641)	
Dividends paid to non-controlling interests		(38,940)		(37,530)	
Net cash used in financing activities			(226,557)		(247,885)
Net increase in cash and cash equivalents			421,899		404,700
Cash and cash equivalents at 1 January			1,694,688		1,289,988
Cash and cash equivalents at 31 December	15(a)		2,116,587		1,694,688

The notes on pages 63 to 116 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 Group are disclosed below.

The HKICPA has issued certain amendments to 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 2020 comprise the Group and its interest in an associate 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.

(c) Changes in accounting policies

The Group has applied the following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period. Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 9(b)). There is no impact on the opening balance of equity at 1 January 2020.

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 franchise of the associate, Western Harbour 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 associate.

1 Significant accounting policies *(continued)*

(f) Goodwill

Goodwill in relation to the Group's interest in an associate 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 an associate 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).

(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 owner under of the property interest (see note 1(i)); and

– other items of property, 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.

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.

1 Significant accounting policies *(continued)*

(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.

As a lessee

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.

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 only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

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

1 Significant accounting policies *(continued)*

(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.

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.

1 Significant accounting policies *(continued)*

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

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

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.

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.

1 Significant accounting policies *(continued)*

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

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

Basis of calculation of interest income (continued)

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.

(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;

– investments in an associate and a joint venture in the Group's consolidated statement of financial position; and

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

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

– Calculation of recoverable amount

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

1 Significant accounting policies *(continued)*

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

(ii) Impairment of other non-current assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the 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)).

(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.

1 Significant accounting policies *(continued)*

(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.

(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.

1 Significant accounting policies *(continued)*

(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.

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

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

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

1 Significant accounting policies *(continued)*

(q) Income tax *(continued)*

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(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.

(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.

1 Significant accounting policies *(continued)*

(s) Revenue and other income *(continued)*

(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.

(ix) Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an assets are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(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.

1 Significant accounting policies *(continued)*

(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.

(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.

1 Significant accounting policies *(continued)*

(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 motoring school operations, treasury management 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:

	2020 $'000	2019 $'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Course fee from motoring school operation	474,490	454,729
– Management fee from associate	2,500	2,500
– Consultancy fee and management fee from joint venture	12,600	12,900
	489,590	470,129
Revenue from other sources		
– Dividend income from equity instruments	59,988	45,332
– Others	5,899	3,889
	65,887	49,221
Interest revenue from debt securities at FVPL	36,690	57,822
Other interest revenue		
– Interest income from debt securities at FVOCI	68,754	42,962
– Interest income from interest-bearing instruments	74,969	44,271
– Interest income from bank	24,632	31,532
	168,355	118,765
Total revenue	760,522	695,937

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 four designated driving training centres.
- Tunnel operations: this segment invests in associates which operate the Western Harbour Tunnel franchise.
- Electronic toll operations: this segment invests in a joint venture which operates an electronic toll collection system and provision of telematics services.
- Treasury management: this segment operates investing and financing activities to receive dividend income and interest income. It manages investments in financial assets including bank deposits and cash.

(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 2020 and 2019 is set out below.

	Motoring school operations		Tunnel operations		Electronic toll operations		Treasury Management		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from contracts with customers within the scope of HKFRS 15	474,490	454,729	2,500	2,500	12,600	12,900	–	–	489,590	470,129
Dividend income from equity instruments	–	–	–	–	–	–	59,988	45,332	59,988	45,332
Interest revenue	8,350	10,616	–	–	34	45	196,661	165,926	205,045	176,587
Reportable segment revenue	482,840	465,345	2,500	2,500	12,634	12,945	256,649	211,258	754,623	692,048
Reportable segment profit before tax	198,194	141,546	419,861	619,036	49,526	28,867	288,062	144,136	955,643	933,585
Finance costs	(3,197)	(4,144)	–	–	–	–	(269)	(382)	(3,466)	(4,526)
Depreciation	(79,530)	(77,867)	–	–	–	–	–	–	(79,530)	(77,867)
Share of profits of associates	–	–	417,361	616,536	–	–	–	–	417,361	616,536
Share of profits of a joint venture	–	–	–	–	37,119	16,154	–	–	37,119	16,154
Income tax	(32,242)	(22,831)	–	–	(1,941)	(1,875)	(403)	–	(34,586)	(24,706)
Reportable segment assets	1,142,597	1,014,021	575,222	714,835	156,337	125,783	8,262,549	6,290,874	10,136,705	8,145,513
Interest in a joint venture	–	–	–	–	141,304	108,949	–	–	141,304	108,949
Interest in an associate	–	–	575,222	714,835	–	–	–	–	575,222	714,835
Additions to non-current segment assets	25,226	85,816	–	–	–	–	–	–	25,226	85,816
Reportable segment liabilities	684,542	607,616	–	–	195	2,575	110,459	646	795,196	610,837

2 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	2020 $'000	2019 $'000
Revenue		
Reportable segment revenue	754,623	692,048
Unallocated head office and corporate revenue	5,899	3,889
Consolidated revenue	760,522	695,937
Profit		
Reportable segment profit derived from the Group's external customers	955,643	933,585
Other revenue	26	26
Unallocated head office and corporate income and expenses	(131,592)	(137,978)
Consolidated profit before taxation	824,077	795,633
Assets		
Reportable segment assets	10,136,705	8,145,513
Unallocated head office and corporate assets	29,056	44,573
Consolidated total assets	10,165,761	8,190,086
Liabilities		
Reportable segment liabilities	795,196	610,837
Unallocated head office and corporate liabilities	71,700	76,428
Consolidated total liabilities	866,896	687,265

(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 gains/(losses)

	2020 $'000	2019 $'000
Other revenue		
Interest income from loan to an associate	26	26
Other net gains/(losses)		
Change in fair value of financial assets at FVPL		
– Unlisted fund investments	395,310	(52,046)
– Debt securities	(11,142)	26,940
– Equity securities	(315,804)	(20,444)
	68,364	(45,550)
Net gains on sale of property, plant and equipment	206	175
	68,570	(45,375)

4 Profit before taxation

	2020 $'000	2019 $'000
Profit before taxation is arrived at after charging:		
(a) Finance costs		
Interest on lease liabilities (note 15(b))	3,466	4,526
Other borrowing costs	56	50
	3,522	4,576

4 Profit before taxation *(continued)*

	2020 $'000	2019 $'000
(b) Other items		
Auditor's remuneration		
– Audit services	**2,820**	2,799
– Other services	**568**	464
Contributions to defined contribution retirement scheme	**8,292**	7,596
Cost of inventories consumed	**8,489**	9,999
Depreciation (note 9)		
– Owned property, plant and equipment	**32,841**	42,041
– Right-of-use assets	**63,009**	61,755
Net foreign exchange losses	**–**	956
Salaries, wages and other benefits	**295,666**	276,700
and after crediting:		
Dividend income from equity instruments at FVOCI	**2,567**	3,018
Dividend income from equity instruments at FVPL	**57,421**	42,314
Government grants (Note)	**31,175**	–
Net foreign exchange gains	**59**	–

Note: In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5 Income tax in the consolidated statement of profit or loss

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

	2020 $'000	2019 $'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**36,219**	29,004
Over-provision in respect of prior years	**(573)**	(604)
	35,646	28,400
Deferred tax		
Origination and reversal of temporary differences (note 19(b))	**(1,060)**	(3,694)
	34,586	24,706

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 2020 is calculated at 16.5% (2019: 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 2019.

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

	2020	2019
	$'000	$'000
Profit before taxation	**824,077**	795,633
Notional tax on profit before taxation	**135,808**	131,115
Tax effect of non-deductible expenses	**28,850**	27,028
Tax effect of non-taxable income	**(178,310)**	(166,647)
Tax effect of unused tax losses not recognised	**49,078**	34,112
Tax effect of recognition of unused tax losses previously not recognised	**(267)**	(298)
Over-provision in prior years	**(573)**	(604)
Actual tax expense	**34,586**	24,706

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
2020					
Executive directors					
Cheung Chung Kiu	–	–	22,000	2	22,002
Yeung Hin Chung, John	–	6,026	8,000	18	14,044
Yuen Wing Shing	–	6,026	6,500	18	12,544
Wong Chi Keung	–	–	2,500	2	2,502
Leung Wai Fai	–	–	4,000	2	4,002
Tung Wai Lan, Iris	–	4,940	6,500	18	11,458
Independent non-executive directors					
Luk Yu King, James	515	–	–	–	515
Ng Kwok Fu	400	–	–	–	400
Leung Yu Ming, Steven	400	–	–	–	400
	1,315	16,992	49,500	60	67,867
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

7 Individuals with highest emoluments

Of the 5 individuals with the highest emoluments for the year ended 31 December 2020 and 2019, 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 $725,243,000 (2019: $727,306,000) and the weighted average of 372,688,206 (2019: 372,688,206) 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 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
At 1 January 2020	214,484	227,811	47,173	163,375	123,312	20,498	796,653	79,328	875,981
Additions	–	5,529	1,746	4,426	–	13,771	25,472	–	25,472
Disposals	–	–	(3)	(999)	–	(538)	(1,540)	–	(1,540)
At 31 December 2020	214,484	233,340	48,916	166,802	123,312	33,731	820,585	79,328	899,913
Accumulated depreciation:									
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
At 1 January 2020	96,750	57,600	35,402	125,968	115,469	12,333	443,522	18,266	461,788
Charge for the year	4,614	57,628	3,761	15,617	6,631	6,832	95,083	767	95,850
Written back on disposals	–	–	(3)	(950)	–	(538)	(1,491)	–	(1,491)
At 31 December 2020	101,364	115,228	39,160	140,635	122,100	18,627	537,114	19,033	556,147
Net book value:									
At 31 December 2020	113,120	118,112	9,756	26,167	1,212	15,104	283,471	60,295	343,766
At 31 December 2019	117,734	170,211	11,771	37,407	7,843	8,165	353,131	61,062	414,193

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 2020 and 2019 are under medium-term leases.

(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	2020 $'000	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		**113,120**	117,734
Interest in leasehold land held for own use with remaining lease term of:			
– between 10 and 50 years		**60,295**	61,062
	(i)	**173,415**	178,796
Other properties leased for own use, carried at depreciated cost	(ii)	**118,112**	170,211
		291,527	349,007

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

	2020 $'000	2019 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**4,614**	3,388
Interest in leasehold land	**767**	767
Other properties leased for own use	**57,628**	57,600
	63,009	61,755
Interest on lease liabilities (note 4(a))	**3,466**	4,526
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**15**	1,155
COVID-19-related rent concessions received	**(29,032)**	—

9 Property, plant and equipment *(continued)*

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

During the year, additions to right-of-use assets were $5,529,000 (2019: $68,895,000). This amount 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 21(b) respectively.

As disclosed in note 1(c), the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year. Further details are disclosed in (ii) below.

(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. During 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments in respect of properties leased for own use as driving schools for the year is summarised below:

		2020	
	Fixed payments $'000	**COVID-19 rent concessions $'000**	**Total payments $'000**
Properties leased for own use as driving schools	**51,543**	**(29,032)**	**22,511**

		2019	
	Fixed payments $'000	COVID-19 rent concessions $'000	Total payments $'000
Properties leased for own use as driving schools	51,423	—	51,423

(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.

Name of company	Place of incorporation	Particulars of issued and fully paid-up share capital	Proportion of ownership interest: 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.

	2020	2019
	$'000	$'000
Gross amounts of AHL group's		
Current assets	**795,426**	635,344
Non-current assets	**359,154**	389,609
Current liabilities	**(621,135)**	(495,034)
Non-current liabilities	**(64,359)**	(112,485)
Net assets	**469,086**	417,434
NCI percentage	**30%**	30%
Carrying amount of NCI	**140,726**	125,230
Revenue	**486,141**	467,271
Profit for the year	**165,951**	118,714
Total comprehensive income	**165,951**	118,714
NCI percentage	**30%**	30%
Profit allocated to NCI	**49,785**	35,614
Dividend paid to NCI	**34,290**	29,820
Cash flows from operating activities	**351,481**	256,787
Cash flows from investing activities	**108,517**	(98,000)
Cash flows from financing activities	**(169,542)**	(154,032)

11 Interest in an associate

(a) The following list contains the particulars of the associate, all of which is an unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest				
Name of associate	Form of business structure	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	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

(b) The above associate is accounted for using the equity method in the consolidated financial statements based on the financial statements of WHTCL for the year ended 31 December 2020.

(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) 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	2020 $'000	2019 $'000
Gross amounts of the associate's			
Revenue			
Toll revenue		1,489,777	2,009,013
Other revenue	(i)	53,931	59,653
		1,543,708	2,068,666
Other income		3,550	26,996
Expenditure			
Operating and administrative expenses		(121,058)	(119,743)
Rates and government rent		(73,311)	(74,974)
Amortisation and depreciation	(ii)	(330,200)	(401,519)
Operating profit before finance charges		1,022,689	1,499,426
Interest on shareholders' loans		(52)	(52)
Profit before taxation		1,022,637	1,499,374
Income tax	(iii)	(169,197)	(248,793)
Profit and total comprehensive income		853,440	1,250,581
Group's effective interest		50%	50%
Group's share of total comprehensive income		426,720	625,291
Fair value adjustments		(9,359)	(9,359)
		417,361	615,932
Dividend declared by the associate		557,000	798,500

11 Interest in an associate *(continued)*

	Note	2020 $'000	2019 $'000
Gross amounts of the associate's			
Current assets		**348,272**	761,366
Non-current assets		**1,252,076**	1,581,855
Current liabilities	(iv)	**(305,830)**	(733,651)
Non-current liabilities		**(198,233)**	(252,725)
Equity		**1,096,285**	1,356,845
Reconciled to the Group's interest in an associate			
Gross amounts of net assets of the associate		**1,096,285**	1,356,845
Group's effective interest		**50%**	50%
Group's share of net assets of the associate		**548,143**	678,423
Fair value adjustments		**24,012**	33,371
Amount due from the associate	(v)	**417**	417
Loan to and interest receivable from the associate	(vi)	**2,650**	2,624
Carrying amount in the consolidated financial statements		**575,222**	714,835

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 2020 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 (2019: 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 $95.8 million (2019: $452.4 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% (2019: 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 2020 amounted to $0.02 million (2019: $0.02 million). The loan is repayable on demand as may from time to time be agreed among the associate's shareholders. The loan is classified as non-current as the directors do not intend to demand repayment within the next twelve months.

12 Interest in a joint venture

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

				Proportion of ownership interest				
Name of associate	Form of business structure	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	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:

	2020 $'000	2019 $'000
Share of net assets	128,804	96,449
Loan to a joint venture	12,500	12,500
Carrying amount in the consolidated financial statements	141,304	108,949
Amounts of the Group's share of the joint venture's		
– Profit from continuing operations	37,119	16,154
– Other comprehensive income	236	(130)
– Total comprehensive income	37,355	16,024

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	2020 $'000	2019 $'000
Non-current			
Financial assets designated at FVOCI (non-recycling)			
– Equity securities listed in Hong Kong			
• Evergrande Vehicle*	(i)	1,638,501	421,561
• Others*	(ii)	56,323	71,171
		1,694,824	492,732
Financial assets measured at FVOCI (recycling)			
– Debt securities listed in Hong Kong*	(iii)	139,554	138,940
– Debt securities listed outside Hong Kong*		559,782	462,493
		699,336	601,433
Financial assets measured at FVPL			
– Unlisted fund investments	(iv)	1,586,578	1,057,440
– Unlisted equity security	(iv)	129,279	—
– Debt securities listed outside Hong Kong*		18,050	99,596
– Equity securities listed outside Hong Kong*		64,040	61,595
		1,797,947	1,218,631
		4,192,107	2,312,796
Current			
Financial assets measured at amortised cost			
– Secured, interest-bearing instruments		—	200,000
– Unsecured, interest-bearing instruments	(v)	474,999	665,000
Less: loss allowance	21(a)	(42,761)	(22,711)
		432,238	842,289
Financial assets measured at FVOCI (recycling)			
– Debt securities listed outside Hong Kong*		291,157	—
Financial assets measured at FVPL			
– Debt securities listed outside Hong Kong*		99,409	281,042
– Equity securities listed in Hong Kong*	(vi)	931,541	1,355,905
		1,030,950	1,636,947
		1,754,345	2,479,236
Total		5,946,452	4,792,032

* *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 0.62% shareholdings) (2019: 54,255,000 shares (approximately 0.63% shareholdings)) of China Evergrande New Energy Vehicle Group Limited ("Evergrande Vehicle"), which is listed in Hong Kong and principally engaged in technology research and development and manufacturing of, and sales services in respect of new energy vehicles, as well as health management businesses in China. 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 (2019: Nil). No shares from such investments were disposed of during the current year.

(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 $2,567,000 (2019: $3,018,000) were received during the year. None of these investments were sold during the year (2019: Nil).

(iii) The balance represented a listed debt securities issued by an indirectly wholly-owned subsidiary of C C Land Holdings Limited, a connected party and a related party under common control with the Group. The instrument was invested at an initial cost of $141,236,000 on 6 June 2019, interest bearing at 6% and will mature on 6 June 2022. During the year, interest income of $8,880,000 (2019: $5,085,000) were received on this investment.

(iv) During the year, unlisted fund investments of $134,832,000 were converted into cash of $1,235,000 and an unlisted equity security of $133,158,000 as a result of distribution from the fund. Fair value loss of $439,000 was recognised in the profit or loss upon derecognition of the unlisted fund investments and recognition of the unlisted equity security. A decrease in fair value of $4,260,000 (2019: Nil) was recognised in profit or loss for the year.

(v) The balance as at 31 December 2020 represents eight (2019: seven) interest-bearing instruments which are unsecured, interest-bearing from 8% to 12% per annum (2019: 7% to 12% per annum) and with remaining 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 2020, the fair value of such investments amounted to $341,240,000 (2019: $494,683,000), and a decrease in fair value of $153,443,000 (2019: $49,430,000) was recognised in profit or loss for the year.

14 Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables	11,715	6,666
Other receivables	100,138	45,764
	111,853	52,430
Deposits and prepayments (Note)	290,342	55,151
	402,195	107,581
Less: non-current portion	(270,989)	(30,939)
	131,206	76,642

Note: As at 31 December 2020, included in deposits and prepayments of the Group is an amount of $232,635,000 (2019: Nil) which is related to a prepayment for unlisted fund investments.

Apart from the prepayment for unlisted fund investments of $232,635,000 (2019: Nil) that will be converted into non-current financial assets, the amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is $38,354,000 (2019: $30,939,000). The remaining balance 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:

	2020 $'000	2019 $'000
Within 1 month	11,461	5,933
1 to 2 months	147	231
2 to 3 months	7	231
Over 3 months	100	271
	11,715	6,666

15 Bank deposits and cash

(a) Cash and cash equivalents comprise

	2020 $'000	2019 $'000
Deposits with banks and other financial institutions	1,944,650	1,550,173
Cash at bank and in hand	731,208	376,694
Bank deposits and cash in the consolidated statement of financial position	2,675,858	1,926,867
Less: Deposits with original maturity over three months	(559,271)	(232,179)
Cash and cash equivalents in the consolidated cash flow statement	2,116,587	1,694,688

(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 2019 and 1 January 2020	646	171,673	172,319
Changes from financing cash flows:			
Interest element of lease rentals paid	–	(3,466)	(3,466)
Capital element of lease rentals paid	–	(27,964)	(27,964)
Dividends paid	(156,131)	–	(156,131)
Total changes from financing cash flows	(156,131)	(31,430)	(187,561)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	5,529	5,529
Interest expenses (note 4(a))	–	3,466	3,466
COVID-19 – related rent concession received (note 9(b))	–	(29,032)	(29,032)
Dividends approval in respect of the previous years (note 20(b)(ii))	89,445	–	89,445
Dividends declared in respect of the current year (note 20(b)(i))	67,084	–	67,084
Total other changes	156,529	(20,037)	136,492
At 31 December 2020	1,044	120,206	121,250

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 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

(c) Total cash outflow for leases

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

	2020 $'000	2019 '000
Within operating cash flows	**15**	1,155
Within investing cash flows	**—**	65,459
Within financing cash flows	**31,430**	60,664
	31,445	127,278

These amounts relate to the following:

	2020 $'000	2019 $'000
Lease rentals paid	**31,445**	61,819
Purchase of leasehold property	**—**	65,459
	31,445	127,278

16 Trade and other payables

	2020 $'000	2019 $'000
Trade payables	**11,892**	5,696
Other payables and accruals	**216,420**	102,885
	228,312	108,581

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:

	2020 $'000	2019 $'000
Within 1 month	**3,147**	2,024
1 month to 3 months	**2,710**	661
Over 3 months but within 6 months	**6,035**	3,011
	11,892	5,696

17 Contract liabilities

	2020 $'000	2019 $'000
Course fee received in advance	**500,413**	363,011

Notes:

The revenue recognised during the year that was included in the contract liabilities balance at the beginning of the period amounted to $290,108,000 (2019: $239,226,000).

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

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 $'000	2019 $'000
Within 1 year	**56,064**	55,192
After 1 year but within 2 years	**50,513**	53,206
After 2 years but within 5 years	**13,629**	63,275
	64,142	116,481
	120,206	171,673

19 Income tax in the consolidated statement of financial position

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

	2020 $'000	2019 $'000
Provision for Hong Kong Profits Tax for the year	36,219	29,004
Provisional Profits Tax paid	(21,792)	(3,578)
	14,427	25,426
Balance of Profits Tax provision relating to prior years	–	8,407
	14,427	33,833
Taxation recoverable recognised in the consolidated statement of financial position	–	(5,597)
Taxation payable recognised in the consolidated statement of financial position	14,427	39,430
	14,427	33,833

(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 2019	86,573	(94,810)	10,891	2,654
(Credited)/charged to profit or loss	(25,686)	29,393	(7,401)	(3,694)
At 31 December 2019	60,887	(65,417)	3,490	(1,040)
At 1 January 2020	**60,887**	**(65,417)**	**3,490**	**(1,040)**
(Credited)/charged to profit or loss	**(25,318)**	**25,642**	**(1,384)**	**(1,060)**
At 31 December 2020	**35,569**	**(39,775)**	**2,106**	**(2,100)**

	2020 $'000	2019 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	(4,594)	(4,964)
Net deferred tax liabilities recognised in the consolidated statement of financial position	2,494	3,924
	(2,100)	(1,040)

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

(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 $1,056,533,000 (2019: $760,711,000) 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 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 and 1 January 2020	1,629,461	3,722,559	5,352,020
Changes in equity for 2020:			
Dividends approved in respect of the previous year (note 20(b))	**–**	**(89,445)**	**(89,445)**
Profit and total comprehensive income for the year	**–**	**28,039**	**28,039**
Dividends declared in respect of the current year (note 20(b))	**–**	**(67,084)**	**(67,084)**
Balance at 31 December 2020	**1,629,461**	**3,594,069**	**5,223,530**

20 Capital, reserves and dividends *(continued)*

(b) Dividends

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

	2020 $'000	2019 $'000
Interim dividends declared of $0.18 per share (2019: $0.18 per share)	67,084	67,084
Final dividend proposed after the end of the reporting period $0.24 per share (2019: $0.24 per share)	89,445	89,445
	156,529	156,529

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:

	2020 $'000	2019 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.24 per share (2019: $0.22 per share)	89,445	81,991

(c) Share capital

Issued share capital

	2020 No. of shares ('000)	2020 $'000	2019 No. of shares ('000)	2019 $'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)).

(iv) 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 2020, the Group did not have external borrowings. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

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

The adjusted capital at 31 December 2020 and 2019 was as follows:

	2020 $'000	2019 $'000
Total equity	**9,298,865**	7,502,821
Less: proposed dividend (note 20(b))	**(89,445)**	(89,445)
	9,209,420	7,413,376

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 an associate 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 2020 and 2019.

Loans to an associate and a joint venture

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

Such associate and joint venture are considered to have sound financial position and the identified impairment loss was immaterial as at 31 December 2020 and 2019. The maximum exposure to credit risk at the end of the reporting period are disclosed in notes 11(d) and 12(b) respectively.

Debt securities

All of the Group's debt securities measured at FVOCI of $990,493,000 (2019: $601,433,000) at 31 December 2020 represent listed debt securities which are graded a credit rating from B to BB (2019: all 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 2020 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.

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

(a) Credit risk *(continued)*

Debt securities (continued)

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

	2020 $'000	2019 $'000
Balance at 1 January	1,039	4,044
Increase/(decrease) in loss allowance recognised in profit or loss during the year	13,496	(3,005)
Balance at 31 December	14,535	1,039

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

As at 31 December 2020, the Group also held listed debt securities measured at FVPL of $117,459,000 (2019: $380,638,000). 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 2020, 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 $5,873,000 (2019: $19,032,000). Debt securities at FVPL are not subject to ECL assessment.

Investment in unsecured interest-bearing instruments at amortised cost

As at 31 December 2020, the investment in unsecured interest-bearing instruments at amortised cost as disclosed in note 13 represents eight (2019: seven) unquoted interest-bearing instruments. Management assessed the credit risk of the instrument issuers based on their past history of making repayments (including interest payment), financial position of the instrument issuers, and with reference to the relevant default probability analysis available in similar market. During the year ended 31 December 2020, there was significant increase in credit risk for one (2019: Nil) interest-bearing instrument of $20,000,000. Loss allowance of $19,285,000 was recognised in profit or loss during the year for this instrument. For the remaining interest-bearing instruments, there is no significant increase in credit risk 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.

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

(a) Credit risk *(continued)*

Investment in unsecured interest-bearing instruments at amortised cost (continued)

Movement in the loss allowance for interest-bearing instruments during the year is as follows:

	2020 $'000	2019 $'000
Balance at 1 January	**22,711**	1,927
Increase in loss allowance recognised in profit or loss during the year	**20,050**	20,784
Balance at 31 December	**42,761**	22,711

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 2020. The maximum exposure to credit risk at the end of the reporting period equals the respective carrying amount as at 31 December 2020 as disclosed in note 14.

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

(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 below:

	2020 Contractual undiscounted cash out flow					2019 Contractual undiscounted cash out flow				
	Within 1 year $'000	After 1 year but within 2 years $'000	After 2 year but within 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 year $'000	After 1 year but within 2 years $'000	After 2 year but within 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Lease liabilities	58,469	51,769	13,822	124,060	120,206	58,613	55,532	67,774	181,919	171,673

(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 2019 and 2020.

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

		2020		2019	
	Fixed/ floating	Effective interest rate	$'000	Effective interest rate	$'000
Bank deposits and cash	Floating	0.01%-0.36%	258,634	0.01% -0.36%	324,532
Bank deposits and cash	Fixed	0.01%-0.80%	1,944,650	2.00% - 3.00%	1,550,173
Debt securities measured at FVOCI	Fixed	2.85%-15.13%	990,493	4.83% - 12.25%	601,433
Interest-bearing instruments	Fixed	8.00%-12.00%	474,999	7.00% - 12.00%	865,000
Debt securities measured at FVPL	Fixed	6.73%-14.54%	117,459	4.54% - 8.36%	380,638

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

(c) Interest rate risk *(continued)*

Sensitivity analysis

At 31 December 2020, 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 $647,000 (2019: $811,000) 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 $157,000 (2019: $875,000) 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 $4,043,000 (2019: $3,673,000) 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 2019.

(d) Currency risk

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

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

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

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

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

(d) Currency risk *(continued)*

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

	Exposure to foreign currencies (expressed in Hong Kong dollars)	
	2020	2019
	Australian dollars $'000	Australian dollars $'000
Bank deposits and cash	**7,604**	6,955

At 31 December 2020, 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.

(e) Equity price risk

As at 31 December 2020, the Group has investment in listed equity securities of $2,690,405,000 (2019: $1,910,232,000), unlisted fund investments of $1,586,578,000 (2019: $1,057,440,000) and unlisted equity security of $129,279,000 (2019: Nil). The Group is exposed to market price risk arising from these investments. The fair value increment/decline for the Group's investments were $890,547,000 gain (2019: $161,496,000 loss) for listed equity securities, $395,251,000 gain (2019: $52,046,000 gain) for unlisted fund investments and $4,259,000 loss (2019: Nil) for unlisted equity security in 2020.

The Group's listed investments are listed on the Stock Exchange of Hong Kong. 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.

The Group's unlisted equity security are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities together with an assessment of their relevance of the Group's long term strategic plans.

As at 31 December 2020, 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 technology and e-Commerce, biopharmaceuticals, biotechnology, healthcare and related services. 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.

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

(e) Equity price risk *(continued)*

At 31 December 2020, it is estimated that an increase/decrease of 5% (2019: 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:

	2020			2019		
		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%	130,702	84,741	5%	116,642	24,637
Decrease	(5)%	(130,702)	(84,741)	(5)%	(116,642)	(24,637)

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 2019.

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 2020 categorised into			Fair value at 31 December	Fair value measurements as at 31 December 2019 categorised into		
	2020	Level 1	Level 2	Level 3	2019	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	1,694,824	1,694,824	–	–	492,732	492,732	–	–
Financial assets measured at FVOCI (recycling):								
– Debt securities listed outside Hong Kong	850,939	850,939	–	–	462,493	462,493	–	–
– Debt securities listed in Hong Kong	139,554	139,554	–	–	138,940	138,940	–	–
Financial assets measured at FVPL:								
– Unlisted fund investments	1,586,578	–	28,882	1,557,696	1,057,440	–	28,505	1,028,935
– Unlisted equity security	129,279	–	–	129,279	–	–	–	–
– Equity securities listed in Hong Kong	931,541	931,541	–	–	1,355,905	1,355,905	–	–
– Equity securities listed outside Hong Kong	64,040	64,040	–	–	61,595	61,595	–	–
– Debt securities listed outside Hong Kong	117,459	117,459			380,638	380,638	–	–
	5,514,214	3,798,357	28,882	1,686,975	3,949,743	2,892,303	28,505	1,028,935

During the years ended 31 December 2019 and 2020, 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.

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

(f) Fair value measurement *(continued)*

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

Information about Level 3 fair value measurements

The fair value of unlisted equity securities is determined using the price/sales ratios of comparable listed companies adjusted by lack of marketability discount. The fair value measurement is negatively correlated to discount for lack of marketability.

Instruments	Valuation techniques	Significant unobservable inputs	Weighted average	Change in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss
As at 31 December 2020					
– Unlisted equity securities	Market comparable companies	Discount for lack of marketability	20%	+/-5%	+/- HK$8,080,000

The Group's unlisted private equity funds categorised in Level 3 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:

	2020 **$'000**	2019 $'000
Financial assets measured at FVPL:		
– Unlisted fund investments:		
At 1 January	**1,028,935**	1,023,058
Payment for capital contribution	**285,745**	80,736
Proceeds from distribution	**(151,920)**	(23,193)
Changes in fair value recognised in profit or loss during the period	**394,936**	(51,666)
At 31 December	**1,557,696**	1,028,935
– Unlisted equity security:		
At 1 January	**–**	–
Distribution from unlisted fund investments (note 13(iv))	**133,538**	–
Changes in fair value recognised in profit or loss during the period	**(4,259)**	–
At 31 December	**129,279**	–

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 2020 and 2019. 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.

	2020 Carrying amount $'000	2019 Carrying amount $'000
Loan to an associate	**2,650**	2,624
Loan to a joint venture	**12,500**	12,500

(g) Concentration risk

As at 31 December 2020, the Group held investments in ordinary shares and debt securities issued by China Evergrande Group and its subsidiaries, and their carrying value represented approximately 23% (2019: 16%) of the Group's total assets. These investments include investment in ordinary shares of China Evergrande Group (FVPL) of $341,240,000 (2019: $494,683,000), ordinary shares of Evergrande Vehicle (FVOCI, non-recycling) of $1,638,501,000 (2019: $421,561,000), ordinary shares of Evergrande Property Service Group Limited ("Evergrande Property Service") (FVPL) of $2,007,000 (2019: Nil), and investments in two (2019: two) tranches of debt securities issued by China Evergrande Group and its subsidiary of $325,447,000 (2019: $167,981,000) (FVOCI, recycling) and $18,050,000 (2019: $199,563,000) (FVPL) respectively. Evergrande Vehicle and Evergrande Property Service are subsidiaries of China Evergrande Group, and both companies are listed in Hong Kong (see note 13).

As at 31 December 2020, the Group's investments in listed debt securities amounted to $1,107,951,000 (2019: $982,071,000) 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 $489,097,000 (2019: $623,143,000). The fair value of these investments may be affected by the economic condition and government policy 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

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:

	2020	2019
	$'000	$'000
Private equity funds	**434,689**	82,925

23 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 2020 was $2.6 million (2019: $2.6 million).

The Group received interest income and management fee income from Western Harbour Tunnel Company Limited of $0.03 million (2019: $0.03 million) and $2.5 million (2019: $2.5 million) respectively.

(ii) The Group received consultancy fees and management fee income from a joint venture of $12.6 million (2019: $12.6 million) and $Nil (2019: $0.3 million) respectively.

24 Company-level statement of financial position

	Note	2020 $'000	2019 $'000
Non-current assets			
Property, plant and equipment		**11,793**	19,613
Investments in subsidiaries		**851,049**	851,049
Amount due from subsidiaries		**4,879,718**	4,663,042
Amount due from an associate		**417**	417
		5,742,977	5,534,121
Current assets			
Trade and other receivables		**2,025**	1,672
Cash and cash equivalents		**1,661,455**	1,320,762
		1,663,480	1,322,434
Current liabilities			
Trade and other payables		**63,407**	62,600
Dividends payable		**1,044**	646
		64,451	63,246
Net current assets		**1,599,029**	1,259,188
Total assets less current liabilities		**7,342,006**	6,793,309
Non-current liability			
Amounts due to subsidiaries		**2,118,476**	1,441,289
NET ASSETS		**5,223,530**	5,352,020
CAPITAL AND RESERVES	20(a)		
Share capital		**1,629,461**	1,629,461
Reserve		**3,594,069**	3,722,559
TOTAL EQUITY		**5,223,530**	5,352,020

Approved and authorised for issue by the board of directors on 22 March 2021.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

(Expressed in Hong Kong dollars)

25 Non-adjusting event after the reporting period

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

26 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These includes the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022

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)

	2016 $'000	2017 $'000	2018 $'000	2019 $'000	**2020 $'000**
Consolidated statement of profit or loss					
Revenue	431,005	461,591	640,937	695,937	**760,522**
Profit attributable to equity shareholders of the Company for the year	410,426	1,180,048	447,391	727,306	**725,243**
Dividends payable to equity shareholders of the Company attributable to the year	130,441	141,622	149,075	156,529	**156,529**
Consolidated statement of financial position					
Property, plant and equipment	173,353	164,809	197,589	414,193	**343,766**
Interest in an associate	1,566,234	1,355,539	1,211,607	714,835	**575,222**
Interest in a joint venture	89,604	98,326	97,925	108,949	**141,304**
Available-for-sale securities	676,116	1,177,266	—	—	**—**
Other financial assets	—	—	2,543,087	2,312,796	**4,192,107**
Deposits and prepayments	1,176	11,776	932	30,939	**270,989**
Deferred tax assets	1,810	2,030	2,285	4,964	**4,594**
Current assets	3,253,759	4,409,217	3,736,500	4,603,410	**4,637,779**
	5,762,052	7,218,963	7,789,925	8,190,086	**10,165,761**
Current liabilities	367,619	412,978	736,019	566,860	**800,260**
Deferred tax liabilities	5,770	66,153	4,939	3,924	**2,494**
Lease liabilities	—	—	—	116,481	**64,142**
Loan from an associate	279,384	272,866	—	—	**—**
NET ASSETS	5,109,279	6,466,966	7,048,967	7,502,821	**9,298,865**
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	3,350,249	4,695,964	5,266,677	5,714,479	**7,485,144**
Total equity attributable to equity shareholders of the Company	4,979,710	6,325,425	6,896,138	7,343,940	**9,114,605**
Non-controlling interests	129,569	141,541	152,829	158,881	**184,260**
TOTAL EQUITY	5,109,279	6,466,966	7,048,967	7,502,821	**9,298,865**