THE CROSS-HARBOUR (HOLDINGS) LIMITED
港通控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 32)

2018 Results Announcement

The board of directors of The Cross-Harbour (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018. The results have been reviewed by the audit committee of the Company.

GROUP RESULTS

The Group profit attributable to shareholders for the year ended 31 December 2018 amounted to HK$447.4 million, representing a decrease of 62.1% as compared with HK$1,180.0 million in 2017. The significant decrease was primarily attributable to the unfavourable performance of the treasury segment resulting from a fair value loss in securities investment whereas a significant fair value gain was recorded in the previous year. Earnings per share were HK$1.20 against HK$3.17 for 2017.

DIVIDENDS

The first, second and third quarterly interim dividends each of HK$0.06 per share (2017: HK$0.06 per share) were paid on 29 June 2018, 17 September 2018 and 28 December 2018 respectively. The directors recommend the payment of a final dividend of HK$0.22 per share (2017: HK$0.20 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2018 of HK$0.40 per share (2017: HK$0.38 per share), representing a total distribution of approximately HK$149.1 million (2017: HK$141.6 million) for the year.

Subject to the approval of shareholders of the final dividend being obtained in the forthcoming annual general meeting on 20 May 2019 (the "AGM"), (i) the dividend warrants will be despatched on Thursday, 6 June 2019 to shareholders registered at the close of business on Tuesday, 28 May 2019 and (ii) the register of members and transfer books of the Company will be closed from Friday, 24 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for the final dividend, all transfer documents and accompanying share certificates must be lodged for registration with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Thursday, 23 May 2019.

LAST SHARE REGISTRATION DATE FOR AGM

For determining the right of shareholders to attend the AGM and to vote at the AGM, the deadline for share registration will be Tuesday, 14 May 2019. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Tuesday, 14 May 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		**447,911**	414,540
Revenue from other sources		**112,681**	17,359
Interest revenue from debt securities at FVPL		**11,769**	—
Other interest revenue		**68,576**	29,692
Total revenue	3	**640,937**	461,591
Other revenue	4	**26**	25
Other net (losses) /gains	4	**(390,724)**	605,306
Direct costs and operating expenses		**(199,420)**	(178,142)
Selling and marketing expenses		**(29,282)**	(30,655)
Administrative and corporate expenses		**(176,681)**	(152,634)
Impairment losses on financial assets		**(5,970)**	—
(Loss) /profit from operations		**(161,114)**	705,491
Finance costs		**(52)**	(40)
Share of profits of associates		**609,028**	596,244
Share of profits of a joint venture		**14,895**	13,429
Profit before taxation	5	**462,757**	1,315,124
Income tax	6(a)	**32,710**	(87,882)
Profit for the year		**495,467**	1,227,242
Attributable to:			
Equity shareholders of the Company		**447,391**	1,180,048
Non-controlling interests		**48,076**	47,194
Profit for the year		**495,467**	1,227,242
Earnings per share	7		
Basic and diluted		**HK$ 1.20**	HK$ 3.17

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	2018	2017
	HK$'000	HK$'000
Profit for the year	**495,467**	1,227,242
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	**306,473**	—
Items that may be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income (recycling)		
- Net changes in fair value of debt securities recognised during the year	**(41,413)**	—
Available-for-sale securities:		
- Changes in fair value recognised during the year	—	287,203
- Profit distribution	—	(8,858)
- Transfer to profit or loss upon disposal	—	(217)
- Impairment loss	—	17,775
Share of other comprehensive income of a joint venture:		
- Exchange differences on translation of financial statements of overseas subsidiary in joint venture	**(166)**	293
	264,894	296,196
Total comprehensive income for the year	**760,361**	1,523,438
Attributable to:		
Equity shareholders of the Company	**712,335**	1,476,156
Non-controlling interests	**48,026**	47,282
Total comprehensive income for the year	**760,361**	1,523,438

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

	Note	**2018** HK$'000	**2018** HK$'000	2017 HK$'000	2017 HK$'000
Non-current assets					
Property, plant and equipment			**176,802**		143,293
Interest in leasehold land held for own use			**20,787**		21,516
			197,589		164,809
Interest in associates			**1,211,607**		1,355,539
Interest in a joint venture			**97,925**		98,326
Available-for-sale securities			**—**		1,177,266
Other financial assets	8		**2,543,087**		—
Deposits for acquisition of tangible assets			**932**		11,776
Deferred tax assets			**2,285**		2,030
			4,053,425		2,809,746
Current assets					
Trading securities		**—**		988,187	
Inventories		**950**		808	
Other financial assets	8	**2,050,590**		—	
Trade and other receivables	9	**80,894**		55,195	
Amount due from a joint venture		**9,000**		—	
Taxation recoverable		**9,560**		1,095	
Dividend receivable		**86,500**		79,000	
Bank deposits and cash		**1,499,006**		3,284,932	
		3,736,500		4,409,217	
Current liabilities					
Trade and other payables	10	**103,137**		100,382	
Course fees received in advance		**—**		299,976	
Contract liabilities		**312,426**		—	
Taxation payable		**18,570**		9,019	
Dividends payable		**1,212**		3,601	
Loan from an associate		**300,674**		—	
		736,019		412,978	
Net current assets			**3,000,481**		3,996,239

	Note	**2018**		2017	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Total assets less current liabilities			**7,053,906**		6,805,985
Non-current liabilities					
Loan from an associate			—		272,866
Deferred tax liabilities			**4,939**		66,153
			4,939		339,019
NET ASSETS			**7,048,967**		6,466,966
CAPITAL AND RESERVES					
Share capital			**1,629,461**		1,629,461
Reserves			**5,266,677**		4,695,964
Total equity attributable to equity shareholders of the Company			**6,896,138**		6,325,425
Non-controlling interests			**152,829**		141,541
TOTAL EQUITY			**7,048,967**		6,466,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies and basis of preparation

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on those consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Statement of compliance

The 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. The 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.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 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 the financial statements.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, *Financial instruments,* including the amendments to HKFRS 9*, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	HK$'000
Retained earnings	
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL and net increase in retained earnings at 1 January 2018	131,461
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVOCI	(306,985)
Transferred to retained earnings relating to financial assets now measured at FVPL	(131,461)
Net decrease in fair value reserve (recycling) at 1 January 2018	(438,446)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	306,985

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

(a) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 HK$'000	Reclassification HK$'000	HKFRS 9 carrying amount at 1 January 2018 HK$'000
Financial assets measured at FVOCI (non-recycling)			
Equity securities (note (i))	–	490,895	490,895
Financial assets measured at FVOCI (recycling)			
Debt securities (note (ii))	–	203,479	203,479
Financial assets carried at FVPL			
Unlisted fund investments (note (iii))	–	408,245	408,245
Equity securities not held for trading (note (iv))	–	1,062,834	1,062,834
Trading securities	988,187	(988,187)	–
	988,187	482,892	1,471,079
Financial assets classified as available-for-sale under HKAS 39	1,177,266	(1,177,266)	–

Notes:

(i) Under HKAS 39, equity securities were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated certain investments at FVOCI, as the investments are held for strategic purposes.

(ii) Under HKAS 39, debt securities were classified as available-for-sale securities. They are classified as at FVOCI under HKFRS 9.

(iii) Under HKAS 39, the Group's unlisted fund investments were classified as available-for-sale securities or trading securities. All of the Group's unlisted fund investments are classified as at FVPL under HKFRS 9.

(iv) Under HKAS 39, the Group's equity securities were classified as available-for-sale securities or trading securities. These equity securities are classified as at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(b) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to 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).

The adoption of the expected credit loss model has no significant financial impact on the Group's consolidated financial statements as at 1 January 2018.

(c) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*. Management has further assessed the impact of HKFRS 15 to the Group's motoring school operations, tunnel operations and electronic toll operations. It is concluded that revenue from motoring school operations continues to be recognised upon the delivery of driving training lessons. For management and consultancy services provided to tunnel operations and electronic toll operations, the Group continues to recognise 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. On this basis, no change in the revenue recognition policy.

Accordingly, the adoption of HKFRS 15 has no significant financial impact on the Group's consolidated financial statements except for the following:

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. 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.

The Group has elected to use the cumulative effective transition method and therefore the comparative information has not been restated and continues to be reported under HKAS 18. The Group has reclassified "course fee received in advance" amounting to $299,976,000 to contract liabilities as at 1 January 2018 as a result of the adoption of HKFRS 15.

3 Segment reporting

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

- Motoring school operations: this segment invests in subsidiaries which operate three driver training centres.
- Tunnel operations: this segment invests in associates which operate the Western Harbour Tunnel and Tate's Cairn Tunnel franchises.
- Electronic toll operations: this segment invests in a joint venture which operates an electronic toll collection system and provision of telematics services.
- Treasury: this segment operates investing and financing activities and receives dividend income and interest income.

(a) Segment results, assets and liabilities

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

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

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

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 2018 and 2017 is set out below.

(i) Year ended 31 December 2018

	Motoring school operations HK$'000	**Tunnel operations HK$'000**	**Electronic toll operations HK$'000**	**Treasury HK$'000**	**Total HK$'000**
Revenue from contracts with customers within the scope of HKFRS 15	**431,448**	**2,500**	**13,800**	–	**447,748**
Dividend income from equity instruments	–	–	–	**110,931**	**110,931**
Interest revenue	**8,579**	–	**1**	**71,765**	**80,345**
Reportable segment revenue	**440,027**	**2,500**	**13,801**	**182,696**	**639,024**
Reportable segment profit/(loss) before tax	**161,216**	**611,527**	**28,471**	**(214,653)**	**586,561**
Finance costs	–	–	–	**(52)**	**(52)**
Depreciation	**(23,684)**	–	–	–	**(23,684)**
Share of profits of associates	–	**609,028**	–	–	**609,028**
Share of profits of a joint venture	–	–	**14,895**	–	**14,895**
Income tax	**(26,388)**	–	**(1,846)**	**60,944**	**32,710**
Reportable segment assets	**765,563**	**1,211,607**	**114,043**	**5,646,724**	**7,737,937**
Interest in a joint venture	–	–	**97,925**	–	**97,925**
Interest in associates	–	**1,211,607**	–	–	**1,211,607**
Additions to non-current segment assets	**64,968**	–	–	–	**64,968**
Reportable segment liabilities	**378,473**	**300,674**	**695**	**1,212**	**681,054**

(ii) Year ended 31 December 2017

	Motoring school operations HK$'000	Tunnel operations HK$'000	Electronic toll operations HK$'000	Treasury HK$'000	Total HK$'000
Revenue from contracts with customers within the scope of HKFRS 15	398,084	2,500	13,800	–	414,384
Dividend income from equity instruments	–	–	–	15,609	15,609
Interest revenue	4,630	–	1	25,061	29,692
Reportable segment revenue	402,714	2,500	13,801	40,670	459,685
Reportable segment profit before tax	158,452	598,744	27,003	645,923	1,430,122
Finance costs	–	–	–	(40)	(40)
Depreciation	(22,249)	–	–	–	(22,249)
Share of profits of associates	–	596,244	–	–	596,244
Share of profits of a joint venture	–	–	13,429	–	13,429
Income tax	(24,918)	–	(2,020)	(60,944)	(87,882)
Reportable segment assets	712,418	1,355,539	113,142	4,987,448	7,168,547
Interest in a joint venture	–	–	98,326	–	98,326
Interest in associates	–	1,355,539	–	–	1,355,539
Additions to non-current segment assets	29,940	–	–	–	29,940
Reportable segment liabilities	353,056	272,866	692	64,546	691,160

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

	2018	2017
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**639,024**	459,685
Unallocated head office and corporate revenue	**1,913**	1,906
Consolidated revenue	**640,937**	461,591
Profit		
Reportable segment profit derived from the Group's external customers	**586,561**	1,430,122
Other revenue	**26**	25
Unallocated head office and corporate income and expenses	**(123,830)**	(115,023)
Consolidated profit before taxation	**462,757**	1,315,124
Assets		
Reportable segment assets	**7,737,937**	7,168,547
Unallocated head office and corporate assets	**51,988**	50,416
Consolidated total assets	**7,789,925**	7,218,963
Liabilities		
Reportable segment liabilities	**681,054**	691,160
Unallocated head office and corporate liabilities	**59,904**	60,837
Consolidated total liabilities	**740,958**	751,997

(c) ***Geographical information***

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

4 Other revenue and other net (losses) /gains

	2018	2017
	HK$'000	HK$'000
Other revenue		
Interest income from loan to an associate	**26**	25
Other net (losses) /gains		
Change in fair value of financial assets at FVPL	**(391,693)**	—
Net unrealised gains on trading securities	**—**	622,609
Available-for-sale securities reclassified from equity on impairment	—	(17,775)
Net gains on sale of property, plant and equipment	**969**	472
	(390,724)	605,306

5 Profit before taxation

	2018	2017
	HK$'000	HK$'000
Profit before taxation is arrived at after charging:		
Auditor's remuneration		
- audit services	**2,502**	2,404
- other services	**450**	433
Contributions to defined contribution retirement scheme	**6,929**	6,402
Cost of inventories consumed	**10,180**	8,844
Depreciation	**41,309**	39,312
Net foreign exchange losses	**577**	—
Operating lease charges - land and buildings	**33,368**	15,597
Salaries, wages and other benefits (excluding directors' emoluments)	**195,664**	181,625
and after crediting:		
Dividend income from available-for-sale securities and trading securities	**—**	6,534
Dividend income from equity instruments at FVOCI	**3,186**	—
Dividend income from equity instruments at FVPL	**107,745**	—
Gain from disposal of available-for-sale securities	—	9,075
Net foreign exchange gains	—	747

6 Income tax in the consolidated statement of profit or loss

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

	2018	2017
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**29,427**	28,293
Over-provision in respect of prior years	**(668)**	(574)
	28,759	27,719
Deferred tax		
Origination and reversal of temporary differences	**(61,469)**	60,163
	(32,710)	87,882

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

	2018	2017
	HK$'000	HK$'000
Profit before taxation	**462,757**	1,315,124
Notional tax on profit before taxation (Note)	**76,190**	216,995
Tax effect of non-deductible expenses	**11,503**	12,485
Tax effect of non-taxable income	**(169,382)**	(108,740)
Tax effect of unused tax losses not recognised	**50,007**	1,638
Tax effect of recognition of unused tax losses previously not recognised	**(360)**	(33,922)
Over-provision in prior years	**(668)**	(574)
Actual tax (credit)/expense	**(32,710)**	87,882

Note: For the year ended 31 December 2018, the national tax is calculated in accordance with the two-tiered profits tax rate regime under which tax on the first $2 million of profits is calculated at 8.25% and tax on the remaining profits is calculated at 16.5%. For the year ended 31 December 2017, a single tax rate of 16.5% was applied.

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$447,391,000 (2017: HK$1,180,048,000) and the weighted average of 372,688,000 (2017: 372,688,000) ordinary shares in issue during the year.

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

8 Other financial assets

	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Non-current			
Financial assets designated at FVOCI (non-recycling)			
– Equity securities listed in Hong Kong			
• Evergrande Health*	**558,827**	408,668	–
• Others*	**74,957**	82,227	–
	633,784	490,895	–
Financial assets measured at FVOCI (recycling)			
– Debt securities listed outside Hong Kong*	**446,478**	203,479	–
Financial assets measured at FVPL			
– Unlisted fund investments	**1,056,270**	408,245	–
– Debt securities listed outside Hong Kong*	**354,381**	–	–
– Equity securities listed outside Hong Kong*	**52,174**	–	–
	1,462,825	408,245	–
Available-for-sale securities			
– Equity securities listed in Hong Kong*	–	–	658,300
– Debt securities listed outside Hong Kong*	–	–	203,479
– Unlisted fund investments	–	–	315,487
	–	–	1,177,266
	2,543,087	1,102,619	1,177,266

	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Current			
Financial assets measured at amortised cost			
– Secured, interest-bearing instruments	**102,249**	–	–
– Unsecured, interest-bearing instruments	**100,000**	–	–
Less: loss allowance	**(1,926)**		
	200,323	–	–
Financial assets measured at FVPL			
– Debt securities listed outside Hong Kong*	**155,505**	–	–
– Equity securities listed in Hong Kong*	**1,694,762**	1,062,834	–
	1,850,267	1,062,834	–
Trading securities			
Equity securities listed in Hong Kong*	–	–	895,429
Unlisted fund investments	–	–	92,758
	–	–	988,187
	2,050,590	1,062,834	988,187
Total	**4,593,677**	2,165,453	2,165,453

* Fair value measured using unadjusted quoted price in active markets.

9 Trade and other receivables

	2018	2017
	HK$'000	HK$'000
Trade receivables	**3,330**	4,865
Other receivables	**26,443**	4,705
	29,773	9,570
Deposits and prepayments	**51,121**	45,625
	80,894	55,195

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$3,040,000 (2017: HK$16,848,000). Apart from these, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

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

	2018	2017
	HK$'000	HK$'000
Within 1 month	**2,556**	3,059
1 to 2 months	**343**	304
2 to 3 months	**332**	294
Over 3 months	**99**	1,208
	3,330	4,865

10 Trade and other payables

	2018	2017
	HK$'000	HK$'000
Trade payables	**3,689**	3,400
Other payables and accruals	**99,448**	96,982
	103,137	100,382

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:

	2018	2017
	HK$'000	HK$'000
Within 1 month	**1,044**	946
1 to 3 months	**413**	208
Over 3 months but within 6 months	**2,232**	2,246
	3,689	3,400

11 Dividends

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

	2018	2017
	HK$'000	HK$'000
Interim dividends declared of HK$0.18 per share (2017: HK$0.18 per share)	**67,084**	67,084
Final dividend proposed after the end of the reporting period of HK$0.22 per share (2017: HK$0.20 per share)	**81,991**	74,538
	149,075	141,622

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.

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

	2018	2017
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.20 per share (2017: HK$0.17 per share)	**74,538**	63,357

12 Review of financial statements in annoucement

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

13 Comparative figures

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2. Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2018.

BUSINESS REVIEW AND OUTLOOK

The global economy started 2018 on an upbeat note. Riding on the solid economic momentum and other positive factors such as relatively low interest rate environment, strong labor market with unemployment rate declined to the 20 years' low of 2.8% as well as government's expansionary fiscal policy, the Hong Kong economy performed remarkably in the first half of the year following the robust growth in 2017. As the US Federal has raised rates for eight times by 200 bps since 2015, banks in Hong Kong followed by raising the prime lending rate by 0.125% in September 2018, the first rate hike in Hong Kong in 12 years. However, after recording the fastest growth rate since 2011, the growth momentum has been slowing as a result of the negative impacts of rising trade protectionism among major economies and elevated emerging markets volatilities on the external performance of the economy. The property market entered into a moderate consolidation phase amid increasing external uncertainties. Against this background, Hong Kong concluded its full year GDP growth at 3% despite an admirable performance during the first half year.

Looking ahead into 2019, though the pace of global economic recovery remains steady with diverging growth momentum among the major economies, monetary policy is likely to progressively turn less accommodative worldwide with further rate hikes ahead, albeit at a slower pace than in 2018. All in all, the unresolved China-US trade frictions, normalisation of Hong Kong dollar interest rate, huge financial markets volatilities as well as property market correction are the major risk factors facing the Hong Kong economy ahead. With the correction of both financial and property markets, consumer, business and investment confidence will, no doubt, be affected, leading to a more intense downward pressure on the economy ahead. Nevertheless, other positive factors such as full employment, proactive fiscal policy and stabilizing tourism sector will continue to support the economy to grow steadily under bearish economic outlook.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools, again performed satisfactorily during the year under review despite a decrease in contribution from motorcycle training courses.

The availability of sizeable training sites remains a pivotal factor for the operation of designated driving school in addition to the supply of qualified driving instructors. The operations of the driving centres at Siu Lek Yuen and Apleichau, in particular, are subject to the availability of the government land due to the extensive land requirement for off-street driving training. The tenancy for operating the Siu Lek Yuen Driving School expired in May 2018 and AHG succeeded in renewing the tenancy till February 2023 under an open tender. Further, the designations for the driving training centres at Apleichau and Yuen Long were also extended till mid-2020.

In September, AHG was awarded under an open tender, a short term tenancy for the operation of a new designated driving school at Kwun Tong for a fixed term of 4 years 9 months commencing October 2018 after the handover of the site situated at Yau Shun Street behind the Kwun Tong Government Building. In order to cope with the expansion in operation attributed by the New Kwun Tong Driving School ("NKT"), AHG is prepared to recruit additional driving instructors and increase capital expenditure in automobiles. The operation of NKT is scheduled to commence in the second half of 2019 after the gearing up and is expected to contribute to the Group' s profit from 2020 onwards.

Moreover, in view of the rising rentals and the need to enhance the stability of the sales outlets in the long run, two shop spaces were acquired in Kowloon during the year. As a measure to improve the cost structure in the long run, AHG is at present holding six properties for use as driving training centre, sales outlets and classrooms.

Though AHG delivered a pleasing result for the year under review, the outlook on the driving school business in the coming year does not appear to be encouraging due to worsening economic sentiment and cautious consumer spending. We envisage that 2019 is likely a challenging year for AHG. In the light of keener competition ahead, AHG will continue to adopt proactive sales strategy and to deploy continuous efforts in market segmentation and penetration to defend its market share.

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 clearing ("ETC") facilities in Hong Kong covering eleven different toll roads and tunnels. There are fifty-four auto-toll lanes in operation at present. The net growth in tag subscription during the year under review decreased due to increasing difficulty in acquiring new subscribers. The trend is expected to continue in the coming years as the number of terminated tags will increase under the negative impacts of uncertain economic outlook and competitions from other alternatives of electronic payment facility available in the market, e.g. the implementation of "stop-and-go" ("SNG") e-payment system at the manual toll lanes of all government tunnels and roads in 2018. To tackle, extensive acquisition programs as well as retention programs will be continued as marketing strategies in the coming years. Following the launch of Autotoll sticker tag in 2017, Autotoll finally succeeded in extending its ETC service to motorcycles in January 2019 and enhancing both safety and convenience for motorcycle riders when driving through toll roads and tunnels. Further, with the aim of achieving a high standard of information security, Autotoll acquired ISO 27001 accreditation for its information system in 2018.

In 2017, Autotoll was awarded the government tender for the trial installation and evaluation of Free-flow Tolling System (the pilot scheme of the "Electronic Road Pricing" and "Smart Mobility") designed for the new Tseung Kwan O - Lam Tin Tunnel when it is commissioned in late 2021. The result of the trial was satisfactory. This payment platform will eventually extend to all government tunnels by 2025 as a measure to relieve traffic congestion and become a threat to the ETC business of Autotoll in the near future.

In view of this, further expansion of non-ETC business is crucial to the continued viability of Autotoll. In the 2018 Policy Address delivered by the Chief Executive, a Smart City Blue Print was revealed with an objective to pursue smart city development by embracing innovation and technology. "Smart Mobility", being one of the six major target achievements, paves the way for the new era of intelligent transport system ("ITS"). Taking into account of its experience and performance in the past ITS projects, Autotoll was awarded the first "Smart Mobility" project by the Government for the supply, delivery, installation, testing and commissioning of 550 traffic detectors on selected strategic routes to enhance the efficiency of traffic and incident management and allow more real-time traffic data for public use.

Tunnel Operations

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

WHTCL, a 50% owned associate, operates the Western Harbour Tunnel ("WHT") under a 30 years' franchise. The performance of the WHTCL in the year under review was again remarked by a significant improvement in toll revenue. Despite improved cashflow in the past years, maximizing revenue for the remaining period of the franchise remains of the utmost importance for WHTCL. To this end, WHTCL has implemented its ninth toll increase with effect from 27 May 2018 and the average toll per vehicle increased from HK$70.51 in the last corresponding year to HK$73.48. The average daily throughput of the WHT increased by 2.2% to 69,081 vehicle journeys as compared with the last corresponding year, and a new record high single daily throughput of 91,662 vehicle journeys was registered in December 2018 despite its toll increase. WHT's market share, however, was maintained at around 27% for the year under review.

During the year under review, the opening of the Lin Cheung Road Underpass not only improved the accessibility in the vicinity of Tsim Sha Tsui and Jordan but also facilitated smooth traffic flow in the whole district including the WHT. Further, the completion of an elevated single lane carriageway connecting the elevated Nga Cheung Road to the southbound toll plaza of WHT, though delayed to 2019, will certainly alleviate road traffic congestion in the West Kowloon area.

As spurred by the newly opened infrastructure links — the Hong Kong/Macau/Zhuhai Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, tens of thousands of mainland visitors poured into the city during their first few weeks of operation in late 2018. The two major cross-border links together with the commissioning of the Central-Wanchai Bypass in January 2019, will continue to be conducive to both cross-harbour traffic and WHT's throughput in the long run. Moreover, the opening of the Xiqu Centre and the new museum for visual culture, M+, in the West Kowloon Cultural District in 2019 will in no doubt 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. For years, the toll rationalization proposal has been a controversial issue. In the 2018 Policy Address, the Government proposed the implementation of formulated toll adjustments effective 1 January 2020, that is, lowering the tolls of the WHT and at the same time raising the corresponding tolls of the Cross Harbour Tunnel ("CHT") and Eastern Harbour Crossing ("EHC"), with a view to achieving a reasonable re-distribution of traffic among the three cross-harbour crossings. The Government also proposed to waive toll charge for franchised buses at all the tunnels under this proposed toll adjustment. To this end, the Government has reached an in-principle agreement with WHTCL on a toll compensation scheme. However, WHTCL's participation is subject to the consent of the Legislative Council as (i) the proposed prescribed tolls at both CHT and EHC have to be implemented concurrently with the prescribed tolls at WHT, and (ii) the Government has to compensate WHTCL for any revenue loss capped at a total of HK$1.8 billion due to the implementation of the proposed toll adjustments.

Barring any unforeseen political and social issues that may arise in the territory, we expect the revenue growth of WHTCL to remain solid in the coming year under the new tolls and additional vehicular traffic created by the completion of the new infrastructure, though there may be adverse impact on the tunnel traffic due to bearish economic outlook.

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

On 11 July 2018, the Company ceased to hold 39.5% interest in the Tate's Cairn Tunnel ("TCT") upon the expiry of the 30 years' franchise. The average daily throughput of the TCT up to 10 July in the year under review was 61,449 vehicle journeys whereas an average of 60,817 vehicle journeys per day was recorded in 2017.

Treasury Management Business

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

After two years of steady growth in asset prices, 2018 proved more of a challenge for investors, and stock markets in particular suffered most. The performance of the Group's investment portfolio in the year under review was inevitably dragged by the volatile financial markets and bearish investor sentiment. The Hang Seng Index hit the historical high of 33,484 in January but ended 2018 at 25,845 point, the worst performance in seven years with a year-on-year decrease of 14 per cent. The volatile performance of the equity market was mainly attributable to uncertain global economic conditions include tightening liquidity due to US interest rate hikes, the US-China trade tensions, China's slowing economy, as well as worries over a synchronised global economic slowdown in the coming year. Due to equity market corrections in the year under review and the Hang Seng Index closing lower by over 4,000 points on the last trading day of the year as compared with that in the previous year, the Group recorded a substantial decrease in fair value of certain securities investments at the end of 2018. As a result, an aggregate net unrealised fair value loss resulting from the revaluation of the Group's portfolio of securities investments was recorded at the end of the year under review, as compared to a fair value gain recorded in 2017. Against the background of a subdued pace of economic growth ahead, reduced monetary stimulus and escalating political and trade conflicts among major economies, the investment outlook for the global and the Greater China financial markets in the coming year does not appear to be optimistic and the markets will remain choppy. In view of this, we remain cautious about the performance of the Hong Kong stock market as well as the prospects of the Group's portfolio of investments in the near term. The Company will continue to adopt a cautious approach in assessing the performance of its portfolio of investments from time to time.

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2018 Results

The Group reported a profit attributable to shareholders of HK$447.4 million for the year ended 31 December 2018, a decrease of 62.1% as compared with HK$1,180.0 million recorded in 2017. Earnings per share were HK$1.20 compared to HK$3.17 for the previous year. The decrease in profit in 2018 was primarily attributable to an aggregate net unrealised fair value loss of HK$391.7 million resulting from the revaluation of the Group's listed investments and unlisted fund investments measured at fair value through profit or loss ("FVPL"), as compared with an aggregate net unrealised fair value gain of HK$622.6 million on trading securities investments recorded for the last corresponding year. Also taking into account of a net positive fair value change recognised in the fair value reserve in an aggregate amount of HK$261.0 million on the Group's investment portfolio designated at fair value through other comprehensive income ("FVOCI"), dividend income from listed securities investments of HK$110.9 million and interest income from listed debt investments and interest-bearing instruments measured at amortised cost of HK$49.3 million, the treasury investments segment recorded a positive performance for the year. In addition, performance of motoring school operations, tunnel operations and electronic toll operations for the year remained stable and a slight increase in contributions to the Group was recorded.

Performance of the treasury investments segment in the year under review :-

— The net unrealised fair value loss of HK$391.7 million recorded at 31 December 2018 was mainly attributed to the revaluation of the Group's certain listed equity securities measured at FVPL, and mainly composed of fair value losses of HK$102.2 million on China Evergrande Group (Stock Code: 3333), HK$159.6 million on Tai United Holdings Limited (Stock Code: 718) and HK$223.4 million on Freeman Fintech Corporation Limited (Stock Code: 279), partially offset by a fair value gain of HK$129.7 million on Renhe Commercial Holding Co. Ltd. (Stock Code: 1387).

— Dividend income from listed securities investments as compared to HK$6.5 million recorded for the last year, increased significantly to HK$110.9 million, and out of which HK$71.5 million was received from Tai United Holdings Limited.

— Interest income from listed debt investments amounted to HK$43.9 million, increased by HK$35.2 million as compared to HK$8.7 million recorded in the previous year, as a result of additional interest income from fixed-rate bonds purchased during the year. Interest income derived from interest-bearing instruments measured at amortised cost amounted to HK$5.4 million, whereas interest income on bank deposits amounted to HK$31.1 million as compared to HK$21.0 million in the previous year.

— Under the application of the new impairment model in HKFRS 9 ("ECL model"), the expected credit losses ("ECL") on individual bond investments designated at FVOCI (recycling) and interest-bearing instruments measured at amortised cost at 31 December 2018 in an aggregate amount of HK$6.0 million and were recognised in profit or loss for the first time.

Performance of other reportable segments in the year under review :-

The Group's revenue was HK$640.9 million for the year, increased by HK$179.3 million or 38.8% as compared to HK$461.6 million recorded in 2017. In addition to an increase in interest income and dividend income from treasury segment, the improvement was also attributable to the encouraging performance of motoring school operations. The motoring school operations recorded an increase in revenue of 8.5% to HK$431.1million as a result of improvement in tuition fees income due to an increase in demand for driving lessons and higher lesson income unit rate. However, the increment in revenue was partially offset by an increase in operating expenses resulting from additional rental payments on Siu Lek Yuen Driving School upon tenancy renewal and the newly awarded tenancy for the New Kwun Tong Driving School. Profit before tax from the motoring school operations for the year amounted to HK$161.2 million as compared to the HK$158.5 million recorded in the previous year

The Group's share of profits of associates increased by 2.2% to HK$609.0 million as compared to HK$596.2 million in 2017 due to improved performance of WHTCL. An increase in contribution from WHTCL during the year under review was attributable to a 6.5% increase in toll revenue as an aggregate result of an increase in throughput and the implementation of toll increase effective from 27 May 2018, whereas TCTCL recorded a 47.2% decrease in toll revenue due to the expiry of the 30 years' franchise on 11 July 2018. After accounting for the amortisation of fair value in excess of net book value of WHTCL and TCTCL as at the completion dates of the acquisitions in 2008, profit contributions from WHTCL and TCTCL for the year were HK$552.6 million and HK$56.4 million respectively as compared to HK$514.9 million and HK$81.3 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 system and provision of telematics services, was HK$14.9 million for the year under review against HK$13.4 million recorded in the previous year, representing an increase of HK$1.5 million or 11.2% as a result of an increase in administration fee income, partially offset by an increase in operating expenses incurred for coping with increasing competitions with other store value facilities service providers.

(II) Treasury Investments and Significant Investments Held

As at 31 December 2018, the Group maintained an investment portfolio with a carrying amount of HK$4,593.7 million (31 December 2017: HK$2,165.5 million). The portfolio composed of HK$2,380.8 million listed equity securities, HK$956.3 million listed debt securities, HK$1,056.3 million unlisted fund investments managed by financial institutions, and HK$200.3 million interest-bearing instruments. 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 2018, these facilities were not utilised by the Group.

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

	1 January 2018	Purchase during the year	Disposal/ capital reduction	Fair value change recorded in OCI (FVOCI)	Fair value change in profit and loss (FVPL)/ ECL	31 December 2018
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Financial assets FVOCI						
Listed equity securities	490.9	—	(163.6)	306.5	—	633.8
Listed debt securities	203.5	288.5	—	(45.5)	—	446.5
Financial assets measured at FVPL						
Unlisted fund investments	408.3	671.9	(41.3)	—	17.4	1,056.3
Listed debt securities	—	528.7	—	—	(18.9)	509.8
Listed equity securities	1,062.8	1,074.4	—	—	(390.2)	1,747.0
Financial assets measured at amortised cost						
Interest bearing instruments	—	202.2	—	—	(1.9)	200.3
	2,165.5	2,765.7	(204.9)	261.0	(393.6)	4,593.7

The aggregate fair value of the investment portfolio at 31 December 2018 increased by HK$2,428.2 million was mainly resulted from additional investments made during the year. Financial assets purchased during the year under review totaling HK$2,765.7 million, including HK$1,074.4 million listed equity securities, HK$817.2 million listed debt securities, HK$671.9 million unlisted fund investments and HK$202.2 million interest-bearing instruments measured at amortised cost. Other movements in the investment portfolio balance were (i) a capital reduction in an unlisted fund of HK$41.3 million; (ii) negative fair value changes of HK$391.7 million on listed debt and equity securities and unlisted fund investments measured at FVPL, and an expected credit loss of HK$1.9 million on interest-bearing instruments measured at amortised cost; (iii) transfer of a negative fair value change of HK$77.4 million from fair value reserve to retained earnings upon a partial disposal of a listed equity security designated at FVOCI with carrying amount of HK$163.6 million at the time of disposal; (iv) offset by the positive fair value changes of HK$338.4 million on listed debt and equity securities designated at FVOCI.

Investment category of significant aggregate fair value

Of the portfolio of investments held by the Group as at 31 December 2018, a significant portion comprises a portfolio of investments in the property category of listed companies with an aggregate fair value of HK$2,334.5 million accounting for about 50% of the aggregate fair value of the Group's portfolio of investments. In terms of performance, dividends and interest income derived from such portion of investments for the year amounted to HK$42.8 million and HK$43.9 million respectively. Further, an unrealised fair value gain of HK$7.9 million and a decrease in the fair value reserve in the amount of HK$51.9 million on such portion of investments were recorded as at year end date. As to the future prospects of such portion of investments, their performance will be subject to various factors including the development trend of the property market as well as the investor sentiments in Hong Kong and the Mainland.

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

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

China Evergrande is one of the largest property developers in China and a conglomerate with exposure in various sectors including financial, cultural tourism, healthcare and high-tech industries. As at 31 December 2018, the Group held 29,210,000 shares in China Evergrande and recorded a fair value of HK$685.0 million in respect of its holding in 0.22% of the shares of such investment, which exceeded the purchase cost of HK$160.3 million for such investment and represented 8.8% of the Group's total assets and 15.6% of the aggregate fair value of the Group's portfolio of investments. In terms of performance, a decrease in fair value of HK$102.2 million on such investment was recognised in profit or loss for the year under review, as compared to an unrealised fair value gain of HK$646.1 million recorded in 2017. Dividend income from such investment for the year was amounted to HK$37.6 million.

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

The principal business activities of Evergrande Health are healthcare businesses in China and investments in the manufacture of new energy vehicles. As at 31 December 2018, the Group held 54,255,000 shares in Evergrande Health and recorded a fair value of HK$558.8 million in respect of its holding in 0.63% of the shares of such investment, which exceeded the purchase cost of HK$ 62.2 million for such investment and represented 7.2% of the Group's total assets and 12.7% of the aggregate fair value of the Group's portfolio of investments. In terms of performance, a realised gain of HK$74.2 million on partial disposal of such investment was recognised in other comprehensive income and transferred to retained earnings without recycling through profit or loss for the year under review. In addition, an increase in fair value of HK$391.2 million on the undisposed portion of such investment, which contributed the most to the increase in fair value of the Group's investment portfolio, was recorded in the fair value reserve at 31 December 2018.

In view of the extensiveness of business activities of both significant investments, the future prospects of such investments will be subject to the impacts of various factors, including but not limited to political, economic, technology and financial, on the performance of individual business segments. Other than the investments abovementioned, the fair value of each of the Group's portfolio of investments represented less than 5% of the Group's total assets as at 31 December 2018.

III) Liquidity and Financial Resources

As at 31 December 2018, the Group had bank balances and deposits in the amount of HK$1,499.0 million. The Group did not have any debts outstanding as at 31 December 2018 and 2017. 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.

(IV) Employees

The Group has 555 employees. Employees are remunerated according to job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from provident fund schemes and medical insurance, discretionary bonuses and employee share options are awarded to employees of the Group at the discretion of the board of directors, depending upon the financial performance of the Group. Total staff costs excluding directors' emoluments for the year amounted to HK$202.6 million. The Company also operates a Share Option Scheme.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2018, the Company complied with the code provisions of the Corporate Governance Code (the "CG Code") set out within Appendix 14 to the Main Board Listing Rules (the "Listing Rules") save that 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (within the meaning of the CG Code) no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out within Appendix 10 to the Listing Rules.

All directors confirmed that they had complied with the required standard set out within the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year.

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.

On behalf of the board
Yeung Hin Chung, John
Managing Director

Hong Kong, 22 March 2019

As at the date hereof, the board of directors of the Company comprises Cheung Chung Kiu, Yeung Hin Chung, John, Yuen Wing Shing, Wong Chi Keung, Leung Wai Fai and Tung Wai Lan, Iris who are executive directors; and Ng Kwok Fu, Luk Yu King, James and Leung Yu Ming, Steven who are independent non-executive directors.