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THE CROSS-HARBOUR (HOLDINGS) LIMITED

港通控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 32)

2020 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 2020. The results have been reviewed by the audit committee of the Company.

GROUP RESULTS

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).

DIVIDENDS

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 being obtained in the forthcoming annual general meeting on 18 May 2021 (the “AGM”), it is expected that the dividend warrants will be despatched on Monday, 7 June 2021 to shareholders registered at the close of business on Thursday, 27 May 2021. The register of members and transfer books of the Company will be closed from Tuesday, 25 May 2021 to Thursday, 27 May 2021, 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 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Monday, 24 May 2021.

LAST SHARE REGISTRATION DATE FOR AGM

For determining the right of shareholders to attend and vote at the AGM, the deadline for share registration will be Wednesday, 12 May 2021. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Wednesday, 12 May 2021.

Consolidated statement of profit or loss
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2020</i> \$'000	<i>2019</i> \$'000
Revenue from contracts with customers within the scope of HKFRS 15		489,590	470,129
Revenue from other sources		65,887	49,221
Interest revenue from debt securities at FVPL		36,690	57,822
Other interest revenue		168,355	118,765
Total revenue	3	760,522	695,937
Other revenue	4	26	26
Other net gains/(losses)	4	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		(35,472)	(17,779)
Profit from operations		373,119	167,519
Finance costs	5(a)	(3,522)	(4,576)
Share of profits of associates		417,361	616,536
Share of profits of a joint venture		37,119	16,154
Profit before taxation	5	824,077	795,633
Income tax	6(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	7		
Basic and diluted		\$1.95	\$1.95

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 2020
(Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
Profit for the year	789,491	770,927
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
- 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)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
- 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.

Consolidated statement of financial position at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Non-current assets			
Property, plant and equipment		343,766	414,193
Interest in an associate		575,222	714,835
Interest in a joint venture		141,304	108,949
Other financial assets	8	4,192,107	2,312,796
Deposits and prepayments		270,989	30,939
Deferred tax assets		4,594	4,964
		5,527,982	3,586,676
Current assets			
Inventories		1,020	712
Other financial assets	8	1,754,345	2,479,236
Trade and other receivables	9	131,206	76,642
Amount due from a joint venture		9,000	9,000
Taxation recoverable		-	5,597
Dividend receivable		66,350	105,356
Bank deposits and cash		2,675,858	1,926,867
		4,637,779	4,603,410
Current liabilities			
Trade and other payables	10	228,312	108,581
Contract liabilities		500,413	363,011
Lease liabilities		56,064	55,192
Taxation payable		14,427	39,430
Dividends payable		1,044	646
		800,260	566,860

Consolidated statement of financial position
at 31 December 2020 (continued)
(Expressed in Hong Kong dollars)

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

Notes:

(Expressed in Hong Kong dollars)

1 Significant accounting policies and basis of preparation

The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 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

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 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 these financial statements.

2 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. There is no impact on the opening balance of equity at 1 January 2020.

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 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.

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.

	<i>Motoring school operations</i>		<i>Tunnel operations</i>		<i>Electronic toll operations</i>		<i>Treasury management</i>		<i>Total</i>	
	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

(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	<u>760,522</u>	<u>695,937</u>
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	<u>824,077</u>	<u>795,633</u>
Assets		
Reportable segment assets	10,136,705	8,145,513
Unallocated head office and corporate assets	29,056	44,573
Consolidated total assets	<u>10,165,761</u>	<u>8,190,086</u>
Liabilities		
Reportable segment liabilities	795,196	610,837
Unallocated head office and corporate liabilities	71,700	76,428
Consolidated total liabilities	<u>866,896</u>	<u>687,265</u>

(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.

4 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)

5 Profit before taxation

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

6 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)
	<u>35,646</u>	<u>28,400</u>
Deferred tax		
Origination and reversal of temporary differences	(1,060)	(3,694)
	<u>34,586</u>	<u>24,706</u>

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 \$'000	2019 \$'000
Profit before taxation	<u>824,077</u>	<u>795,633</u>
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	<u>(573)</u>	<u>(604)</u>
Actual tax expense	<u>34,586</u>	<u>24,706</u>

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 \$725,243,000 (2019: \$727,306,000) and the weighted average of 372,688,000 (2019: 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

	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
		<u>1,694,824</u>	<u>492,732</u>
Financial assets measured at FVOCI (recycling)			
- Debt security listed in Hong Kong*	(iii)	139,554	138,940
- Debt securities listed outside Hong Kong*		559,782	462,493
		<u>699,336</u>	<u>601,433</u>
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 security listed outside Hong Kong*		64,040	61,595
		<u>1,797,947</u>	<u>1,218,631</u>
		<u>4,192,107</u>	<u>2,312,796</u>
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		(42,761)	(22,711)
		<u>432,238</u>	<u>842,289</u>
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
		<u>1,030,950</u>	<u>1,636,947</u>
		<u>1,754,345</u>	<u>2,479,236</u>
Total		<u>5,946,452</u>	<u>4,792,032</u>

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

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 HK\$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.

9 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
	<u>11,715</u>	<u>6,666</u>

10 Trade and other payables

	2020 \$'000	2019 \$'000
Trade payables	11,892	5,696
Other payables and accruals	216,420	102,885
	<u>228,312</u>	<u>108,581</u>

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
	<u>11,892</u>	<u>5,696</u>

11 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
	<u>156,529</u>	<u>156,529</u>

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

12 Financial information in announcement

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 2020 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.

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 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.

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.

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 totalled 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 investments 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) 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.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2020, 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) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules (the "Model Code"). 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 2021

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.