The Cross-Harbour (Holdings) Limited

(Stock Code : 32)

ANNUAL REPORT 2021

Contents

Corporate Information

Board of Directors

Executive Director

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

Independent Non-executive Director

Ng Kwok Fu
Luk Yu King, James
Leung Yu Ming, Steven

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representative

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

Company Secretary

Leung Shuk Mun, Phyllis Sylvia

Legal Adviser

Woo, Kwan, Lee & Lo

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External Auditor

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

Registrar & Transfer Office

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Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 32

Chairman's Statement

On behalf of the board of directors, I am presenting the annual results of the Group for the year ended 31 December 2021.

Performance

The Group reported a loss attributable to shareholders of HK$49.2 million (2020: profit of HK$725.2 million) for the year ended 31 December 2021. The loss was primarily due to the net loss of treasury management business of HK$529.3 million (2020: profit of HK$288.1 million). The performances of motoring school operation and tunnel operation improved, and their profit contributions increased for the year, which fully offset the decrease in profit contribution of electronic toll operation. Loss per share were HK$0.13 (2020: Earnings per share HK$1.95).

Final Dividend

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

Business Review and Outlook

2021 was the second year in the grip of the COVID-19 pandemic. With the rollout of the COVID-19 vaccination program globally which allows a gradual relaxation of the social distancing measures and cross-border restrictions, the global economy gradually recover in 2021. Hong Kong's economy benefited from the gradually stabilizing epidemic situation locally, strong economic recovery in China, and easing monetary policies in the United States, its GDP of 2021 rebounded by 6.4% year-on-year. The labor market and retail market improved along with the sustained revival of local economic activities and the release of consumption vouchers; the unemployment rate dropped to 3.9%, and total retail sales up by 6.1% year on year in December 2021. However, the improved figures were largely due to a low base of comparison and the recovery was uneven and incomplete as a large contribution to the increase in GDP was from exports. The local stock market had a large correction in the second half of 2021 because of the uncertainties over the US monetary policy, the China regulatory overhauls and the disruptions in the global supply chain.

Looking ahead to 2022, the global economy and the financial markets will not be able to escape from the uncertainties brought about by the spread of newer COVID-19 variants and the rise of geopolitical tensions. The non-stop development of the pandemic makes cross-border flows difficult to return to normal, and the global economy hard to achieve stable recovery. Crude oil prices have rapidly increased recently because of the conflict between Russia and Ukraine, in addition to the supply chain bottlenecks and loose monetary policy, which further elevate the inflationary pressures, especially in the United States. The changes on the timing and pace of balance sheet reduction and interest rate raise in the United States may lead to another round of volatility in the financial markets. Disruption of production in some countries will further boost the external demand of China. It is expected that China's economy will continue to grow in 2022, bringing support to the Hong Kong economy. If the normal traveler movements between Hong Kong and the Mainland can be fully resumed, overall economic activities will be able to recover at a fast pace.

Chairman's Statement

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools. Its performance improved in the year. Operating income increased as an aggregate result of increase in number of vehicle driving lessons delivered, higher lesson income unit rate and increase in demand for motorcycle training course.

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 Kwun Tong Driving School, the Ap Lei Chau Driving School and the Siu Lek Yuen Driving School will last until July 2023, August 2023 and February 2028 respectively.

In 2021, the Government started the COVID-19 vaccination program and continued to tighten border control measures for persons arriving from overseas. The fourth wave of COVID- 19 was gradually brought under control and the driving training market started to recover. The Transport Department also resumed driving tests and made up all cancelled tests in 2021. This had an impact in on new students' enrollment which gradually picked up. As a result, the number of driving lessons delivered for both vehicles and motorcycles increased during the year.

Because of the rapid spreading of the Omicron variant, Hong Kong has entered the fifth wave of COVID-19 towards the end of 2021. This wave is the most serious COVID-19 outbreak in Hong Kong and prompted the Government to impose the strictest social distancing measures which seriously disrupted economic activities. If the confirmed cases could not go down to a low level in the first half of 2022, the impact on the driving training market would be significant. AHG will continue to adopt effective sales strategy and to deploy continuous efforts in market segmentation and market 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), operates electronic toll collection ("ETC") system, provides telematics services, and intelligent transportation and surveillance system solutions in Hong Kong.

The ETC facilities cover ten different toll roads and tunnels; and there are fifty-two auto-toll lanes in operation at present. Despite the increasing difficulty in acquiring new subscribers, a net growth in tag subscriptions was still recorded during the year and it was mainly contributed by the issuance of tags to motorcycles. The net growth of tag subscriptions is not expected to continue next year under the negative impacts of the COVID-19 pandemic, and competition from other alternative electronic payment facilities available in the market. The arrangements of toll waiver for the Lantau Link also led to increasing in the number of terminated tags in the year.

The Government published the Smart City Blueprint for Hong Kong 2.0 in December 2020 which has more than 130 initiatives under six smart areas. One of the six smart areas is "Smart Mobility", an important component of smart city development for achieving a fully integrated, efficient, reliable, sustainable and safe multimodal transport system. Free Flow Tolling System ("FFTS") is a key Smart Mobility initiative, which is a technology-based solution to enable collection of tolls without requiring vehicles to stop at toll booths. FFTS is making use of the Radio Frequency Identification (RFID) technology, with the support of the Automatic Number Plate Recognition (ANPR) technology. FFTS will be implemented by phases at all government tolled tunnels and roads and eventually replace the current ETC system.

To capture the business opportunities of Smart City initiatives, Autotoll has expanded its technology capability to Smart City service solutions since 2021. Riding on the experience and success in the past intelligent transportation systems and telematics projects, Autotoll won three tenders of FFTS covering the front-end and back-end systems. Management will be alert to the development of Smart City and would endeavor to capture more opportunities in smart areas, including Smart Mobility, Smart Logistics, Smart Living, and Smart Environment. On top of this, Autotoll is eager to expand its business from Hong Kong to Greater Bay Area.

Tunnel Operation

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 improved as a result of the increase in toll revenue, which resulted from the better contained pandemic during the year. The average daily throughput increased by 15.8% to 57,231 vehicle journeys as compared to 49,442 vehicle journeys in the last year. The average toll per vehicle decreased from HK$82.3 in the last year to HK$81.3 in the current year. WHT's market share was increased to 23.4% in 2021 (2020: 21.8%).

The fourth wave of COVID-19 was over in the middle of the year, so the social distancing measures were relaxed gradually by the Government. As a result of revived economic activities, the total cross-harbour tunnel market increased and WHT's traffic recovered in an orderly manner in 2021.

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 and West Kowloon Cultural District, had been deferred. The road traffic to West Kowloon area was affected. 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.

Due to the starting of the fifth wave of COVID-19 in late December 2021, the restriction on public gatherings and other social distancing measures were tightened again. As this wave remains severe, which hard hit the Hong Kong economic activities, the traffic and toll revenue would be adversely affected in the first half of 2022. The Management will continue the current precautionary measures and the hygiene and operational arrangements to protect the health of its staff and the tunnel users. To ensure tunnel operation continuity, regular drills are conducted to practise 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 on 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.

Chairman's Statement

During the year, the Group has increased investments in unlisted funds in different sectors and reduced the investments in equity and debt securities in China property sectors, in order to diversify the investment portfolio and enhance the returns on the Group's investment portfolio in the coming years, as well as to reduce the risks exposure in China property debt crisis. As a result of the investments reallocation and high volatility in the financial markets during the year, the Group's investment portfolio recorded a net loss in the profit or loss account in 2021. The Group has disposed of the investment in equity security of the new energy vehicles sector in view of significant price fluctuations of such investment during the year and the uncertainty arising from its liquidity issue. As a result, decrease in fair value of HK$1,472.8 million on such investment was recorded in the fair value reserve in 2021 as compared to increase in fair value of HK$1,216.9 million in 2020. Compared to the purchase cost of HK$62.2 million, a profit of HK$103.5 million was realized during the year.

Faced with the uncertainties brought by the highly transmissible Omicron variant, heightening geopolitical tensions, continued bottlenecks in the global supply chain, and rising global inflationary pressure, the local and global financial and investment markets will be adversely affected and expected to have more price corrections in the coming year. The value of the Group's investment portfolio is also expected to fluctuate notably. In view of this, we remain cautious about the performance of the Hong Kong and overseas financial markets, as well as the prospects of the Group's investments. The Group will continue to review the performance of its investments' portfolio from time to time and take corresponding actions.

Looking Forward

The COVID-19 pandemic will continue to have severe impacts in 2022. Despite the increase in the vaccination rate, the recent exponential spread of more contagious variants brings a lot of uncertainties and puts heavy pressure on the economy. We have put all necessary measures in places to ensure the safety of our staff and customers, and continuity of our operations. The Group will continue its prudent long-term growth strategy and at the same time remain vigilant to the challenges ahead and their impacts on the Group's performance.

Acknowledgement

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

Cheung Chung Kiu
Chairman

Hong Kong, 22 March 2022

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

Motoring School Operation

An increase of 13% in operating income was recorded in current year as compared with previous year, as a result of increase in revenue from both motorcycle and non-motorcycle driving training courses. The improvement in number of driving lessons delivered and higher lesson income unit rate were the results of stable pandemic situation in the year and vigorous and pro-active sales and marketing efforts, along with the implementation of a series of service and quality enhancement programs in the past years.

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

Environmental Policies and Performance

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

Compliance with the Relevant Laws, Regulation and Standard

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

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

Key Relationship with Employees, Customers and Suppliers

Employees: AHG has well-established channels for staff communication which mainly comprise the Joint Consultation Committee for each road safety centre, enquiry hotlines, morning briefings, etc. In addition, instant messaging apps and email are used where appropriate. Staff turnover for the year was 11.2% (2020: 6.1%). The turnover comprises mainly resignation of front-line and general staff. In order to maintain staff retention, work performance and competitiveness, various structured training programs were organized to enhance staff development.

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

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

Operation Review

Electronic Toll Operation ("ETC")

The total number of tags in circulation was 362,642 as at 31 December 2021 (2020: 361,609), representing an increase of 0.3% from the year before. Autotoll's penetration rate on licensed vehicles was about 45% on average. The overall usage of auto-toll facilities in all toll roads and tunnels during the year was about 50%. The number of daily transactions handled by Autotoll was about 353,000 with toll amount of approximately HK$8.9 million. The number of subscribers for the Global Positioning System at the end of the year was about 14,000 (2020: 13,300).

Environmental Policies and Performance

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

Compliance with the Relevant Laws, Regulation and Standard

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

To maintain a high quality standard of services, Autotoll will continue to pursue the ISO 9001, ISO 14001, ISO 18001 & ISO 10002 accreditation for its ETC maintenance services and customer services, and ISO 27001 accreditation for its information security management system. In addition, Autotoll has obtained ISO 45001 accreditation for its occupational health and safety management system.

Key Relationship with Employees, Customers and Suppliers

Employees: Various staff meetings were organized throughout the year to foster a collaborative working environment. Staff turnover for the year was 28% (2020: 19.5%). The turnover comprises mainly resignation of front-line and technical staff due to keen labour competition in the market and migration.

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

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

Tunnel Operation

Western Harbour Tunnel ("WHT")

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

Toll

No toll adjustment or toll gazetting was effected in 2021. Both midnight empty taxi promotion and midnight goods vehicle promotion are extended till the end of February 2022.

Tunnel Usage

Throughput for the year was 20,889,295 vehicle journeys (2020: 18,095,744 vehicle journeys). The average daily throughput stood at 57,231 vehicle journeys (2020: 49,442 vehicle journeys), representing an increase of 15.8% from the previous year. The increase is caused by more severe impact of COVID-19 in last year. Market share increased from 21.8% in 2020 to 23.4% in 2021.

	Traffic Mix	
	2021	2020
Private Cars	**75.5%**	74.5%
Goods Vehicles	**17.3%**	17.2%
Buses	**7.2%**	8.3%
	100.0%	100.0%

In terms of vehicle mix profile and as compared to last year, the private cars category (i.e. private cars, taxis and motorcycles) increased from 74.5% to 75.5% and goods vehicle category increased from 17.2% to 17.3% while usage by buses category decreased from 8.3% to 7.2%. The average net toll per vehicle decreased from HK$82.3 in 2020 to HK$81.3 in 2021 due to changes in vehicle mix.

Accidents

The traffic accident occurrence rate in 2021 decreased by 14.6% as compared to 2020.

	2021	2020
Occurrence Rate per million vehicle trips		
Fatal Accidents	**0.00**	0.00
Traffic Accidents (Personal Injury)	**0.34**	0.33
Traffic Accidents (Damage Only)	**2.11**	2.54
	2.45	2.87

Breakdowns

The occurrence rate of breakdowns in 2021 increased by 9.8% and the average time taken to attend the scene was maintained at within two minutes.

	2021	2020
Total Breakdowns (occurrence rate per million vehicle trips)	**9.10**	8.29
Daily Average Breakdowns	**0.52**	0.41

Escorts

	2021	2020
Dangerous Goods & Abnormal Goods (Number of Trips)	**743**	837

Infringements

The number of infringements per million vehicle trips decreased by 18.7% in 2021.

	2021	2020
Number of events per million vehicle trips		
Total Infringements Reported	**543**	668
Prosecutions	**39.5**	80.5

Maintenance

Throughout the year 2021, all major tunnel systems operated in a safe and reliable condition. Preventive maintenance work was performed on all engineering systems and no major defects were found.

As an annual exercise, an independent consulting engineer was engaged in November 2021 to conduct a maintenance audit. The audit showed that all tunnel infrastructure and systems had been maintained in compliance with the Maintenance Manual, which is the standard agreed with the Highways Department.

Environmental Policies and Performance

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

Compliance with the Relevant Laws, Regulation and Standard

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

Key Relationship with Employees and Customers

Employees: Apart from regular departmental meetings and workgroup briefings, various communication mechanisms, e.g. Joint Consultative Committee, etc., were implemented. Staff activities were also organised throughout the year to foster a collaborative working environment. Staff turnover for the year was 23% (2020: 16%). The turnover comprises mainly resignation of front-line and technical staff.

Customers: Various joint promotions were conducted such as the distribution of gasoline coupons to tunnel users for their long-term support. Moreover, we kept on communicating with the public through the corporate Facebook page by providing the latest news of the WHT.

Hong Kong, 22 March 2022

Commentary on Annual Results

(I) Review of 2021 Results

The Group reported a loss attributable to shareholders of HK$49.2 million (2020: profit of HK$725.2 million) for the year ended 31 December 2021. The loss was primarily due to the net loss of treasury management business of HK$529.3 million (2020: profit of HK$288.1 million). The performances of motoring school operation and tunnel operation improved, and their profit contributions increased for the year, which fully offset the decrease in profit contribution of electronic toll operation.

The Group recorded a total revenue of HK$699.7 million (2020: HK$760.5 million) for the year ended 31 December 2021. The drop in total revenue was the result of the decrease in revenue from treasury management business which outweighed the increase in revenue from the motoring school operation.

Performance of the treasury management business in the year

The net loss of treasury management business of HK$529.3 million mainly includes net fair value loss on financial assets measured at fair value through profit or loss ("FVPL") of HK$532.6 million, net loss on disposal of debt securities measured at fair value through other comprehensive income ("FVOCI") (recycling) of HK$166.9 million, share of profits of an associate of HK$62.6 million, dividend income and interest income from investment portfolio of HK$139.0 million, and impairment losses on interest-bearing instruments and debt securities measured at FVOCI of HK$30.0 million. Taking into account of net fair value loss on financial assets measured at FVOCI recognized in the fair value reserve, the overall performance of the treasury management business was significantly worse off in the year as compared with last year.

The net fair value loss on financial assets measured at FVPL of HK$532.6 million (2020: gain of HK$68.4 million) was mainly attributable to (i) the net fair value loss on equity securities of HK$496.0 million (2020: HK$315.8 million), (ii) the net fair value loss on debt securities of HK$15.7 million (2020: HK$11.1 million), and (iii) the net fair value loss on unlisted fund investments of HK$20.9 million (2020: gain of HK$395.3 million).

The net fair value loss on equity securities measured at FVPL of HK$496.0 million was mainly attributable to the fair value loss of China Evergrande Group (Stock Code: 3333) of HK$223.7 million (2020: HK$153.4 million), the fair value loss of Alibaba Group Holding Limited (Stock Code: 9988) of HK$129.5 million (2020: nil), the fair value loss of Tencent Holdings Limited (Stock Code: 700) of HK$37.7 million (2020: nil), and the fair value loss of an unlisted equity security of HK$45.3 million (2020: HK$4.3 million).

The net loss on disposal of debt securities measured at FVOCI (recycling) was HK$166.9 million (2020: nil) and it was mainly attributable to loss on disposal of debt securities issued by China Evergrande Group and its subsidiaries of HK$156.1 million (2020: nil). The loss was transferred from the fair value reserve (recycling) to profit or loss during the year.

The share of profit of an associate, ACE Season Investment Limited ("ASIL"), which holds an investment in an unlisted company, was HK$62.6 million (2020: nil). The profit of ASIL was mainly due to the fair value gain of the unlisted equity security recorded during the year.

Dividend income from listed equity securities decreased to HK$27.5 million (2020: HK$60.0 million) for the year and it was mainly due to the lower dividend received from China Evergrande Group (Stock Code: 3333) to HK$4.2 million (2020: HK$52.4 million). Interest income from listed debt securities decreased to HK$71.5 million (2020: HK$105.4 million) for the year because of the disposal of various listed debt securities during the year. Interest income derived from interest-bearing instruments reduced to HK$40.0 million (2020: HK$75.0 million) for the year as a result of net decrease in loan balances. The impairment loss on interest-bearing instruments and debt securities measured at FVOCI decreased to HK$30.0 million (2020: HK$33.6 million) for the year.

The financial assets measured at FVOCI recorded a net fair value loss of HK$1,572.2 million (2020: gain of HK$1,201.8 million) in the fair value reserve for the year ended 31 December 2021. The loss was mainly attributable to fair value loss of China Evergrande New Energy Vehicle Group Limited (Stock Code: 708) of HK$1,472.8 million (2020: gain of HK$1,216.9 million). Compared to the purchase cost of HK$62.2 million, an accumulated profit on disposal of China Evergrande New Energy Vehicle Group Limited of HK$103.5 million was realized and transferred from the fair value reserve (non-recycling) to retained profits during the year.

Performance of other reportable segments in the year

The motoring school operation recorded an increase in revenue of 13.3% to HK$537.8 million mainly due to an increase in demand for both vehicle driving lessons and motorcycle training courses. Operating expenses increased during the year because of the decrease in receipts of subsidies from the Hong Kong Government for COVID-19. The profit before tax from the motoring school operation increased to HK$223.9 million, an increase of 13.0% as compared to the HK$198.2 million recorded in the previous year.

The Group's share of profits of an associate, Western Harbour Tunnel Company Limited, which operates Western Harbour Tunnel ("WHT"), increased by 10.3% to HK$460.2 million as compared to HK$417.4 million in 2020. Toll revenue of WHT increased by 13.9% to HK$1,697.4 million as compared to the HK$1,489.8 million in 2020, because of the increase in traffic volume of the tunnel by 15.8%. Higher traffic volume was mainly due to the gradual relaxation of social distancing measures resulting from a better-contained pandemic during the year.

The Group's share of profits of a joint venture, Autotoll (BVI) Limited, which operates an electronic toll collection system, provides telematics services and intelligent transportation and surveillance system solutions, was HK$25.6 million for the year as compared to HK$37.1 million recorded in the previous year. The decrease was the result of the decrease in project incomes from electronic toll collection system and decrease in receipts of the subsidies granted from the Hong Kong Government for COVID-19.

(II) Treasury Investments and Significant Investments Held

As at 31 December 2021, the Group maintained an investment portfolio with a carrying amount of HK$4,310.2 million (2020: HK$5,946.4 million). The portfolio composed of HK$2,822.2 million (2020: HK$1,586.6 million) unlisted fund investments, HK$1,187.8 million (2020: HK$2,819.6 million) listed and unlisted equity securities, HK$105.6 million (2020: HK$1,108.0 million) listed debt securities, HK$190.7 million (2020: HK$432.2 million) interest-bearing instruments, and HK$3.9 million (2020: nil) others financial assets measured at FVPL. Certain securities were pledged to the various financial institutions to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. As at 31 December 2021 and 31 December 2020, these facilities were not utilized by the Group.

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

	1 January 2021 HK$ million	Addition HK$ million	Disposal/ redemption HK$ million	Fair value change in OCI HK$ million	Fair value change in profit and loss/ECL HK$ million	31 December 2021 HK$ million
Financial assets measured at FVOCI						
– Listed equity securities	1,694.8	–	(165.7)	(1,469.2)	–	59.9
– Listed debt securities	990.6	–	(629.2)	(269.9)	11.5	103.0
Financial assets measured at FVPL						
– Unlisted fund investments	1,586.6	1,842.1	(585.6)	–	(20.9)	2,822.2
– Listed equity securities	995.6	767.0	(267.9)	–	(450.7)	1,044.0
– Listed debt securities	117.4	–	(99.1)	–	(15.7)	2.6
– Unlisted equity security	129.2	–	–	–	(45.3)	83.9
– Others	–	3.9	–	–	–	3.9
	2,828.8	2,613.0	(952.6)	–	(532.6)	3,956.6
Financial assets measured at amortised cost						
– Interest-bearing instruments	432.2	420.0	(620.0)	–	(41.5)	190.7
	5,946.4	3,033.0	(2,367.5)	(1,739.1)	(562.6)	4,310.2

The aggregate value of the investment portfolio decreased by HK$1,636.2 million during the year.

Additions of financial assets during the year totalled HK$3,033.0 million, including investments in 31 unlisted funds amounted to HK$1,842.1 million, investments in 13 listed equity securities amounted to HK$767.0 million, and investments in 3 interest-bearing instruments amounted to HK$420.0 million.

Disposals of financial assets during the period totalled HK$2,367.5 million, including divestments of 7 interest-bearing instruments amounted to HK$620.0 million, divestments of 11 unlisted funds amounted to HK$585.6 million, divestments of 6 listed debt securities amounted to HK$728.3 million, and divestments of 5 listed equity securities amounted to HK$433.6 million.

Other movements of the investment portfolio during the year included net fair value loss on financial assets measured at FVOCI of HK$1,739.1 million, net fair value loss on financial assets measured at FVPL of HK$532.6 million and impairment loss on investment portfolio of HK$30.0 million.

<u>*Significant investments of individual fair value of 5% or above of the Group's total assets*</u>

Diversified Absolute Return Fund

Diversified Absolute Return Fund ("DARF") is an unlisted fund managed by asset manager 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 2021, the Group held about 41,805 class A shares and 26,700 class E1 shares of DARF and recorded a fair value of HK$754.8 million (2020: HK$652.8 million) in respect of its holding in about 30.8% of the shares of such investment, which exceeded the purchase cost of HK$610.2 million for such investment and represented 9.0% of the Group's total assets and 17.5% of the aggregate fair value of the Group's investment portfolio. The Group further invested HK$207.5 million into the fund during the year. In terms of performance, a fair value loss of HK$74.2 million (2020: gain of HK$236.0 million) on such investment was recognised in profit or loss for the year 2021. Distribution of HK$31.3 million (2020: nil) was received from such investment for the year.

Other than the significant investment 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 2021. Other financial assets composed of unlisted fund investments, listed and unlisted equity securities, interest-bearing instruments, and listed debt securities, (accounting for 48.0%, 27.6%, 4.4% and 2.5% of the carrying amount of the Group's investment portfolio respectively).

The Group invested in various unlisted funds with different focuses on industries, 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 mentioned above, the Group at 31 December 2021 held a total of 34 unlisted funds with an aggregate fair value of HK$2,067.4 million (accounting for 24.7% of the Group's total assets) and their underlying investments include listed and unlisted equity securities, debt securities, structured products and venture capital deals in various regions, covering various industries and sectors including biopharmaceuticals, biotechnology, e-Commerce, healthcare and related services, information technology, industrials, enterprise software, and transportation.

Equity securities held by the Group at 31 December 2021 comprised a total of 28 listed and unlisted equity securities with an aggregate fair value of HK$1,187.8 million (accounting for 14.2% of the Group's total assets) covering various industry sectors including information technology, e-Commerce, telecommunications, property (development, investment and management), financial services, investment holdings, industrial and infrastructure.

Listed debt securities held by the Group at 31 December 2021 comprised a total of 2 listed bonds with an aggregate fair value of HK$105.6 million (accounting for 1.3% of the Group's total assets) with coupon rates ranging from 12.0% to 12.375% per annum, and they are issued by Hong Kong listed companies or its subsidiary primarily operating in the PRC real estate sector.

The Group held a total of 4 interest-bearing instruments at 31 December 2021 with an aggregate amount of HK$190.7 million (accounting for 2.3% of the Group's total assets) and bearing interest ranging from 7% to 12% per annum and with the maturity of 6 to 12 months.

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 investment 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 unlisted fund investments and equity securities 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 overall capital and investment markets conditions, macroeconomic 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.

(III) Liquidity and Financial Resources

As at 31 December 2021, the Group had bank balances and deposits in the amount of HK$2,805.9 million (2020: HK$2,675.9 million). The Group did not have any bank borrowings as at 31 December 2021 (2020: nil) The gearing ratio was not applicable to the Group. The gearing ratio, if any, is calculated as the ratio of net bank borrowings to total equity. Except for the Group's bank deposits denominated in foreign currencies other than the United States dollars, the Group's major sources of income and major assets are denominated in Hong Kong dollars and United States dollars.

(IV) Comments on Segmental Information

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries, associates and a joint venture are motoring school operations, treasury management and securities investment, tunnel operations and electronic toll operation.

(V) Employees

The Company and its subsidiaries have 685 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 or employee share options will be awarded to employees of the Group at the discretion of the board of directors, depending upon the financial performance of the Group. Total staff costs for the year amounted to HK$324.0 million (2020: HK$272.8 million).

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

Principal Risks and Uncertainties

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

The aim of the Company's business strategies is to deliver long-term value and sustainable returns to our shareholders. The Company targets to maintain a steady return to its shareholders and at the same time a strong balance sheet in pursuing investment opportunities in the future. At present, the Company maintains to pay dividend four times (quarterly) a year. Strategic risk facing the Company might arise from poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment, resulting in failure to deliver reasonable returns or to meet growth expectations. In this respect, strategic issues are regularly reviewed by the Executive Committee and regular assessments are made to ensure that strategies remain appropriate, and that each business segment is making progress in meeting the strategic objectives of the Company. The Company is inevitably exposed to risks in achieving its business objectives and the Board strives to mitigate such risks to acceptable level through the design, implementation and monitoring of effective risk management and internal control systems.

The equity price risk facing the Group's treasury management business is the price volatility of the listed and unlisted equity investments and unlisted fund investments that the Group holds, which in turn will be affected by various factors in addition to the business risk associated with individual equity investments and underlying investment of the unlisted funds. They include global risk related to economic and geopolitical issues in the major markets, policy risk such as changes in government policies and regulations, interest rate risk, credit risk, liquidity risk and currency risk. Exposure to such risk may be reduced by maintaining a diversified portfolio of equity investments and unlisted diversified funds in different industries/sectors.

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

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

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

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

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

Hong Kong, 22 March 2022

Executive Director/Senior Manager

Cheung Chung Kiu, aged 57, was appointed Chairman of the Company on 21 March 2001 and is a member of the Executive Committee and the Remuneration Committee of the Company, as well as a member and chairman of the Nomination Committee of the Company. He also holds directorships in certain other members of the Group. Mr. Cheung has a wide range of experience in investment and business management, including over 25 years of experience in property development and investment mainly in Hong Kong and the PRC as well as in other mature cities globally, including London and Sydney. He is chairman of C C Land Holdings Limited ("C C Land"), and served as chairman and managing director of Y. T. Realty Group Limited ("Y. T. Realty") until 10 November 2021. He was the founder of Planetree International Development Limited (formerly known as Yugang International Limited, "Planetree") and served as an executive director and chairman of its board of directors until 30 April 2019. C C Land, Y. T. Realty and Planetree are public listed companies in Hong Kong. He is a director of Windsor Dynasty Limited and Rose Dynamics Limited, which are companies disclosed in the section headed "Other Persons' Interests and Short Positions" on page 58.

Yeung Hin Chung, John, SBS, OBE, JP, aged 75, was appointed Managing Director of the Company on 1 August 2001 and is a member of the Executive Committee of the Company and chairman and/or director of certain other members of the Group. Mr. Yeung holds a doctoral degree in management. Prior to joining the Company, he had held various key management positions in the Government of Hong Kong, where he last served as Deputy Director of Immigration; and in the private sector, where he last worked as the chief executive of the Shun Hing Group. Mr. Yeung is an Honorary Institute Fellow of the CUHK Asia-Pacific Institute of Business and a member of the CUHK Advisory Group on Undergraduate Studies in Business.

Yuen Wing Shing, aged 75, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Yuen holds a diploma in management studies awarded jointly by the then Hong Kong Polytechnic and Hong Kong Management Association in 1986. Prior to joining the Company, he had held senior management positions with a major bank in Hong Kong for over 20 years. He is an executive director of Y. T. Realty and a Shareholder Supervisor of the seventh session of the Supervisory Board of Shengjing Bank Co., Ltd. ("Shengjing"), a public listed company in Hong Kong. He served as an executive director and managing director of Planetree until 30 April 2019 and as a non-executive director of Shengjing until 20 October 2020.

Wong Chi Keung, aged 66, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Wong holds a doctoral degree in business and is a member of the Royal Institution of Chartered Surveyors, The Hong Kong Institute of Housing and the Chartered Institute of Housing. He is a fellow of the Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors and an honorary fellow of Guangxi Academy of Social Sciences. Mr. Wong has held various senior executive positions with some of Hong Kong's leading property companies and property consultant firms for the past 30 years. He is a deputy chairman and an executive director of C C Land and an independent non-executive director of Water Oasis Group Limited, both being public listed companies in Hong Kong.

Leung Wai Fai, aged 60, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Leung graduated from University of Wisconsin-Madison with a bachelor's degree in business administration. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung has over 30 years of extensive experience in accounting and financial reporting. He is an executive director of C C Land.

Tung Wai Lan, Iris, aged 56, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Ms. Tung holds a master of philosophy degree from The Chinese University of Hong Kong. She served as an executive director of Y. T. Realty until 10 November 2021.

Directors and Senior Management

Independent Non-executive Director

Ng Kwok Fu, aged 50, was appointed Independent Non-executive Director of the Company on 30 September 2004 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College of Canada. He has over 20 years of experience in the marketing, trading, purchasing and developing of construction materials as well as in technical control, support and management in building projects. He is an independent non-executive director of Y. T. Realty, and served as an independent non-executive director of Planetree until 30 April 2019.

Luk Yu King, James, aged 67, was appointed Independent Non-executive Director of the Company on 10 September 2007 and is a member and the chairman of the Audit Committee of the Company. Mr. Luk graduated from The University of Hong Kong with a bachelor of science degree. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and an ordinary member of the Hong Kong Securities and Investment Institute. He has over 15 years of experience in corporate finance and in securities & commodities trading business, working with international and local financial institutions. He is an independent non-executive director of Y. T. Realty, and served as an independent non-executive director of Planetree until 30 April 2019.

Leung Yu Ming, Steven, aged 62, was appointed Independent Non-executive Director of the Company on 1 October 2007 and is a member of the Audit Committee and the Nomination Committee of the Company, as well as a member and chairman of the Remuneration Committee of the Company. Mr. Leung received his bachelor of social science degree from The Chinese University of Hong Kong and master's degree in accountancy from Charles Sturt University of Australia. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. He is also a certified practising accountant in Australia and a practising certified public accountant in Hong Kong. Mr. Leung commenced public practice in auditing and taxation in 1990 and is currently a senior partner in a CPA firm. He has over 30 years of experience in assurance, financial management and corporate finance, having previously worked as assistant vice president in the International Finance and Corporate Finance Department of Nomura International (Hong Kong) Limited. He is an independent non-executive director of Suga International Holdings Limited, a public listed company in Hong Kong, Y. T. Realty and C C Land, and served as an independent non-executive director of Planetree until 30 April 2019.

Shareholder Value

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

Corporate Governance

This report sets out the Company's application in the year to 31 December 2021 of the Corporate Governance Code (the "CG Code") set out within Appendix 14 to the Main Board Listing Rules (the "Listing Rules"). To ensure that governance standards are met, and that processes are in place to ensure continuous improvements, the full board assumes the corporate governance duties rather than delegates the responsibility to a committee.

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

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

The Company has no formal letters of appointment for directors except the managing director setting out the key terms and conditions of their appointment and has therefore deviated from C.3.3 of the CG Code. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified in the Company's articles of association, applicable laws and the Listing Rules. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Inside Information

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

Inside Information *(continued)*

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

Directors, officers and employees must refrain from dealing in the shares of the Company at any time when they are in possession of unpublished inside information. Securities dealings are governed by the securities codes applicable to directors and relevant employees (within the meaning of the CG Code), as described in the section below.

Securities Dealings

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

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

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

The Board

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

The Board *(continued)*

Board balance

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

Brief biographical details of the directors appear in the directors and senior management section on pages 16 and 17.

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

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

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

Attendance at board and general meetings

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

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

The Board *(continued)*

Attendance at board and general meetings *(continued)*

Notes:

1. Mr. Ng Kwok Fu was last appointed for a term commencing 18 May 2021 and ending at the close of the annual general meeting in 2024.

2. Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven were last appointed for a term commencing 18 May 2020 and ending at the close of the annual general meeting in 2023.

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

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

The appointment of management

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

Delegations to management and reserving matters for the board

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

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

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

Supply of and access to information

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

The Board *(continued)*

Directors' responsibilities

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

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

The Company recognises directors' need for continuous professional development and ensures that sufficient training opportunities are being provided to the directors from time to time to develop and refresh their knowledge and skills. During the year, the Company continued to arrange and fund suitable training for its directors; and each director received appropriate training with an emphasis on the roles, functions and duties of a listed company director.

Insurance cover

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

Chairman and Managing Director

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

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

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

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

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

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

Accountability and Audit

Financial reporting

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

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

Risk management and internal control

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

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

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

Using the above process, the board scheduled a meeting in November 2021 and an additional meeting in March 2022 and reviewed the Company's compliance with the risk management and internal control code provisions during the year. The review covered all material controls, including financial, operational and compliance controls, and gave particular consideration to the items under D.2.2 and D.2.3 of the CG Code. They are: the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; the changes in the nature and extent of significant risks, and the Company's ability to respond to changes to its business and the external environment; the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function; the extent and frequency of communication of monitoring results to the audit committee; significant control failings or weaknesses and their impacts on the Company's financial performance or condition; and the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. Nothing wrong or improper with respect to any of the foregoing items was noted on both occasions.

Accountability and Audit *(continued)*

Risk management and internal control *(continued)*

The Company's process for identifying, evaluating, and managing significant risks, as well as the main features of the systems, are described in the sub-section headed "*Risk management process*" below. In addition, the Company has adopted procedures and internal controls governing the handling and dissemination of inside information, as described in the inside information section on pages 18 and 19.

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

Risk management process

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

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

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

Board Committees

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

The executive committee

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

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

Board Committees *(continued)*

The remuneration committee

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

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

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

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

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

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

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

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

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

Details of the directors' remuneration for the year are set out in note 6 to the financial statements on page 98.

The nomination committee

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

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

Board Committees *(continued)*

The nomination committee *(continued)*

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

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

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

Recommended candidates

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

Desired qualifications, qualities and skills

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

Independence

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

Board Committees *(continued)*

The nomination committee *(continued)*

Nominee evaluation process

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

Nomination procedures

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

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

Board Committees *(continued)*

The audit committee

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

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

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

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

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

During the year, the audit committee approved the remuneration and terms of engagement of KPMG, and considered their suitability for re-appointment. It examined KPMG's independence and objectivity, having regard to any non-audit services, and the effectiveness of the audit process. The committee was satisfied that KPMG had demonstrated the independence and objectivity required for external auditors and that the audit process had been effective. KPMG were remunerated a total of HK$3.7 million for services rendered to the Group, of which HK$3.1 million were audit fees and HK$0.6 million were fees for interim review. The provision of the above non-audit services by KPMG did not, in the opinion of the committee, compromise their independence. The committee also reviewed the Company's financial statements and half-yearly and annual results, and discharged its other duties under the CG Code, including reviewing the risk management and internal control systems, the effectiveness of the internal audit function as well as the non-audit services policy and whistleblowing procedures. No significant financial reporting judgments were reported, nor were there any significant or unusual items contained in the accounts.

As disclosed in the risk management and internal control section on pages 23 and 24, the audit committee plays a vital role in monitoring the Group's risk management and internal control systems. This was done through regular meetings of the committee with KPMG and with the internal audit function (whether or not in the presence of management) during the year, in which the committee engaged discussions on the risk areas identified, and reviewed any key findings related to risk assessment as well as arising from the internal and external audit.

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

Board Committees *(continued)*

The audit committee *(continued)*

The audit committee concurred with the above findings, and `was satisfied that management had performed its duty to have effective systems. The committee further noted that there was no conflict between internal audit and external audit, and the internal audit function was still adequately resourced and effective and had appropriate standing within the Company, during the year. Recommendations were made to the board on the re-appointment of KPMG as the external auditor of the Company for the ensuing year and on the submission of the 2021 annual accounts for shareholder approval at the forthcoming annual general meeting.

Communication with Shareholders

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

Shareholders' Rights

The Company must hold its annual general meeting in respect of each financial year in every calendar year. The following procedures governing the rights of shareholders are subject to the articles of association of the Company, the Companies Ordinance (Cap. 622) and applicable legislation and regulations.

Procedures to convene a general meeting

1. Shareholders representing at least five per cent (5%) of the total voting rights of all the shareholders having a right to vote at general meetings of the Company may request the directors to call a general meeting.
2. A request, which must state the general nature of the business to be dealt with and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting, must be signed and be deposited at the registered office of the Company for the attention of the company secretary. The request may consist of several documents in like form, each signed by one or more of the shareholders concerned.
3. If the directors do not within twenty-one (21) days after the date on which the request is received by the Company proceed duly to call a general meeting for a date not more than twenty-eight (28) days after the date of the notice convening the meeting, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a meeting for a date not more than three (3) months after the date of receipt of the request by the Company.
4. The meeting so requested by shareholders must be called in the same manner, as nearly as possible, as that in which that meeting is required to be called by the directors, and any reasonable expenses incurred by the shareholders must be reimbursed by the Company.
5. A general meeting (other than an adjourned meeting) must be called by notice in writing of, in the case of an annual general meeting and a meeting called for the passing of a special resolution, at least twenty-one (21) days and not less than ten (10) clear business days; and in any other case, at least fourteen (14) days and not less than ten (10) clear business days. A meeting may be convened by shorter notice if it is so agreed in writing by all shareholders.

Shareholders' Rights *(continued)*

Procedures to put forward proposals at general meeting

1. In addition to the right to request directors to call a general meeting, shareholders representing at least five per cent (5%) of the total voting rights of all the shareholders having a right to vote at general meetings may request the Company to circulate a resolution that may properly be moved and is proposed as a written resolution and further, to circulate a statement of not more than one thousand (1,000) words on the subject matter of the resolution. A shareholder may also request the Company to circulate, to shareholders entitled to receive notice of a general meeting, a statement of not more than one thousand (1,000) words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting provided that the power to request circulation is restricted to one statement each. The Company is required to circulate the statement if it has received requests to do so from shareholders representing at least two point five per cent (2.5%) of the total voting rights of all the shareholders who have a relevant right to vote; or at least fifty (50) shareholders having that same right.

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

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

   Note: In order to give shareholders sufficient time to consider the election of the proposed person as a director without adjourning the meeting, the shareholder making the proposal is urged to submit or procure the submission of the required notices and information as early as practicable, preferably not later than fourteen (14) business days before the date of the relevant general meeting.

Shareholders may at any time send enquiries to the board via the registered office of the Company or via investors@ch.limited. The company secretarial or investor relations personnel will, where appropriate, forward the relevant enquiries to the board or the board committee(s). For enquiries concerning shareholdings and related matters, they should call or visit the Company's registrar and transfer office.

Investor Relations

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

Conclusion

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

Environmental, Social and Governance Report

Introduction

We are pleased to present our annual Environmental, Social and Governance ("ESG") report. The report provides an update of the ESG performance of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2021. This report has been prepared in compliance with the Main Board Listing Rules and gives information required to be disclosed pursuant to the ESG Reporting Guide in Appendix 27 to the said Rules.

Reporting Scope

The Company identifies the reporting scope of this report by considering its main revenue source. This report covers the Group's operations, including those primarily engaged in driving school operation (the "Motoring Group") and treasury management, which together represent 100% of the Group's total revenue. There is no significant change in the scope of this report from that of the last report.

Governance Structure

We believe that ESG is one of the key elements to achieving continuing success. The Group has early endorsed ESG integration recognising that this is key to promoting sustainability in our investment decision-making process and vital for promoting ESG values and ethics to our shareholders and stakeholders. To ensure that sustainability strategies are carried out effectively and consistently throughout the Group, we have adopted a comprehensive policy (the "CSR Policy") that underlines our obligations toward sustainable development and social responsibility. The CSR Policy guides our businesses and operational decisions to four focus areas: workplace, operating practices, community and environment.

The board takes leadership for and accountability in:

- Overseeing the assessment of the Group's environmental and social impacts.
- Understanding the potential impact and related risks of material ESG (including climate-related) issues on the Company's operating model.
- Aligning with what investors and regulators expect and require.
- Enforcing a materiality assessment and reporting process to ensure actions are well followed through and implemented.
- Promoting a culture from the top-down to ensure ESG considerations are part of the business decision-making process.

The ESG issues identified is an important component of our overall strategy, including risk management. The risk management and internal control systems set up by the Company are described in the Corporate Governance Report. The board, supported by senior executives, carries out the following ESG functions: (i) to devise ESG management approach, strategies, policies, objectives, goals and targets, and priorities; (ii) to review and monitor the Group's performance against ESG-related goals and targets; and (iii) to review compliance with the ESG Reporting Guide and disclosure in the ESG report. Senior executives in turn implement the Group's ESG policies, practices and performance to ensure regulatory compliance. In discharging their duties, the senior executives assist the board in maintaining a transparent and an effective communication with various stakeholders, in identifying and assessing ESG risks, in assessing the effectiveness of the ESG internal control mechanism, and in monitoring and responding to the increasingly emerging ESG-related issues. They make recommendations to the board for improving the overall ESG performance of the Group as appropriate.

During the year, the aftershocks of the COVID-19 pandemic continued to rock the global and local economy. Despite the significant challenges and economic impacts brought upon by the outbreak of the pandemic, the Group demonstrated the ability to adjust and sustain operations through enhancing ESG management and other efforts.

In 2021, the Group conducted an ESG priority assessment exercise by soliciting input from its stakeholders. Taking into consideration the Group's operations and sustainability trends, material ESG-related issues were identified and incorporated into the exercise so that an in-depth understanding of stakeholders' opinions and expectations towards the Group's sustainability performance and strategies was attained.

In response to the Government's climate action plan that calls for carbon neutrality by 2050, the Group has increased its efforts in accelerating low-carbon transition. This includes setting up a dedicated team to identify climate impact and solutions, focusing on the ways to reduce our greenhouse gas ("GHG") emissions in the environment. Further, to provide a roadmap for decarbonizing our operations, new targets for GHG emissions were set up. Together with our commitment in energy saving, water efficiency and waste reduction, such initiative shows our staunch support for environmental protection. The board and senior executives will review the progress made against ESG-related goals and targets regularly to ensure integrating ESG factors into our business strategy.

Reporting Principles

Materiality: This report adopts the materiality principle and is structured in terms of the materiality of each ESG topic, as determined by the materiality assessment conducted in 2021. The findings have been duly considered by senior management and confirmed by the board. Please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: This report has been prepared in accordance with the ESG Reporting Guide and discloses key performance indicators ("KPIs") in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references and sources of key conversion factors used for KPIs is stated wherever appropriate.

Consistency: Unless otherwise stated, the methods or KPIs used in this report are consistent with those used in the last report. Where there is change to the scope or to those methods or KPIs that may affect a meaningful comparison, it will be accompanied by explanatory notes.

This report has been reviewed and approved by the board who has made every endeavour to ensure the accuracy and reliability of the information presented in this report.

Stakeholder Engagement

The Group has been committed to maintaining a good relationship with its stakeholders and to working towards the goal of sustainable development. Stakeholder engagement is a key part of the management's strategy to identify and manage issues that are most material to stakeholders and most relevant to the Group's business. In order to better understand stakeholders' expectations, identify material issues and assess the effectiveness of our sustainability measures, we maintain regular contact with stakeholders by utilising the diversified engagement methods and communication channels listed below.

Stakeholders	Expectations	Communication Channels
Shareholders and investors	• Corporate governance system • Compliance operations • Information disclosure and transparency • Protection of shareholders' interests • Investment returns	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Company website and email
Customers	• Reasonable price • Product quality • Customer privacy protection • Business integrity and ethics	• CS support hotline and email • Media • Personal contact • Satisfaction survey
Employees	• Career development opportunities • Occupational health and safety • Remuneration and benefits • Work environment	• Trainings, seminars and briefing sessions • Staff appraisals • Cultural and sports activities • Intranet and emails
Suppliers and partners	• Fair tendering • Business ethics and reputation • Long-term partnership	• Business meetings, emails and phone calls • Review and assessment • Regular meeting
Regulatory bodies and government authorities	• Corporate governance system • Compliance operations • Information disclosure and transparency • Implementation of policies • Payment of tax	• Compliance advisor • On-site inspections • Financial reports • Website • Legal advisor
The community, non-governmental organisation and media	• Giving back to society • Environmental protection • Social welfare • Occupational health and safety • Compliance operations	• Community activities • ESG reports • Media

Materiality Assessment

The board and management have participated in the preparation of this report. In doing so, management reviewed the Group's operations, identifying key ESG issues and evaluating the impacts of those issues on its business and stakeholders and reporting them to the board. A materiality assessment has been done in this regard to identify those ESG topics that have the most significant impact on the Company and its stakeholders.

The Group prioritised those ESG topics for better strategic planning and resource allocation. The topics under the category of "Highly Important" in the following table have been identified as those that matter most to the Group's business operations and its stakeholders. By acknowledging stakeholder expectations, the Group demonstrates its commitment to continuous improvement in ESG performance.

A summary of the material ESG aspects of the Group is given below.

Moderately Important	Important	Highly Important
• Waste management • Water management • Supply chain management • Reasonable marketing and promotion • Community investment	• GHG emissions and control • Energy efficiency • Climate change mitigation and adaptation • Employment practices • Employee development and training • Protection of customer privacy and intellectual property	• Occupational health and safety • Labour standards • Customer satisfaction • Product and service quality • Compliance management and integrity construction

Contact and Feedback

We welcome your feedback. If you have a suggestion or question, please send it by post or by email to the following addresses:

Office: 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Email: investors@ch.limited

A. Environmental

The Group is aware of the environmental impacts associated with its business and makes every endeavour to minimise the amount of air pollutants, GHG emissions, wastewater discharge and waste generated from its operations. To minimise their possible impacts on the environment, the Group has put great efforts into promoting environmental awareness among stakeholders, and its commitment in this regard can be seen in the sustainable practices advocated for in the office and workplace. The Group has formulated specific guidelines that cover four main areas into which those practices may fall: (1) emissions, (2) use of resources, (3) the environment and natural resources, and (4) climate change.

During 2021, the Group was not aware of any violation of laws and regulations that had a significant impact on it relating to air, exhaust gas and GHG emissions, sewage discharges into water and land, and generation of hazardous and non-hazardous wastes. Those laws and regulations include, among others, the Air Pollution Control Ordinance (Cap. 311), the Waste Disposal Ordinance (Cap. 354) and the Water Pollution Control Ordinance (Cap. 358).

A1. Emissions

Air Emissions

The Group's air emissions mainly come from the exhaust gas emissions generated by the consumption of petrol and diesel by the training vehicles of its Motoring Group. In this regard, the following measures have been taken:

- Plan routes ahead of time to avoid route repetition and optimize fuel consumption.
- Switch off the engine whenever the vehicle is idling.
- Regularly conduct vehicle inspection and maintenance to ensure optimal engine performance and fuel use.
- Use telephone/video conferencing for online presentations and meetings to substitute unnecessary overseas business trips.
- Encourage staff to use public transport when performing out-of-office duties.
- Adopt the use of ultra-low-sulphur diesel (ULSD) at the development projects.

During 2021, the Group generated approximately 3,414kg, 13kg, and 316kg of nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter (PM) respectively. This was mainly attributable to the fuel consumed by the training vehicles of its Motoring Group.

GHG Emissions

The major source of the Group's GHG emissions is the direct emissions from petrol and diesel consumed by vehicles (Scope 1), energy indirect emissions from purchased electricity (Scope 2), as well as electricity used for processing fresh water and sewage by government bureaux or departments and paper waste disposal at landfills (Scope 3). The Group has set a target to reduce the GHG emissions intensity (tCO_2e/employee) by 3% in the next 5 years, using 2021 as the baseline year. To achieve this, measures have been taken and will be closely followed.

Recognising that the Motoring Group accounts for a significant part of the GHG emissions, which rest largely on the type and number of vehicles used, the Group has obliged its Motoring Group to be compliant with local laws and regulations and to take the following actions to better manage its GHG emissions:

- Monitor vehicles' emissions performance.
- Comply with the Group's emission control practices which are described in the section headed "Exhaust Gas Emissions" under this aspect.

The Group embraces the promotion of green practices and has further adopted the following measures in its day-to-day operations:

- Post green information in office areas to raise employees' awareness and promote best environmental management practices.
- Implement fleet management measures which are described in the section headed "Exhaust Gas Emissions" under this aspect.
- Implement energy and water conservation measures which are described in the sections headed "Energy Management" and "Water Management" respectively under aspect A2.

During 2021, the Group emitted in total approximately 2,993.10 tCO_2e of GHG with an intensity of approximately 4.52 tCO_2e/employee. The Group will continue to monitor its performance and review the progress made against its target in coming years.

A summary of the GHG emissions of the Group is given below.

KPI[1]	2020		2021	
	Emission tCO_2e	Intensity tCO_2e/ employee[2]	Emission tCO_2e	Intensity tCO_2e/ employee[2]
Direct GHG emissions (Scope 1) • Petrol consumed by vehicle	2,125.73	3.09	2,297.78	3.47
Indirect GHG emissions (Scope 2) • Purchased electricity	651.89	0.95	630.66	0.95
Indirect GHG emissions (Scope 3) • Paper waste disposed at landfills • Electricity used for processing fresh water and sewage by government departments	51.39	0.07	64.66	0.10
A1.2 Total GHG emissions	2,829.01	4.11	2,993.10	4.52

Note(s):

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report-Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the latest Sustainability Report published by the Hongkong Electric Company and CLP Power Hong Kong Limited.

2. As at 31 December 2021, the Group's total headcount within the reporting scope of this report was 662 (2020: 690). This data is also used for calculating other intensity data in this report.

Waste Management

Hazardous Wastes

Although the amount of hazardous wastes accounts for only a relatively small percentage of the total waste produced in 2021, the Group understands their potential adverse impact on the environment and hence takes all necessary actions to handle and manage them properly. In particular, the Group ensures that the Motoring Group disposes of its hazardous wastes in a lawful manner by engaging licensed waste collectors. The Group aims to continuously reduce the adverse impacts arising from the generation of hazardous wastes.

The Group has formulated guidelines to govern the management and disposal of hazardous wastes. Employees are reminded to print less to save ink or toner so as to minimise the generation of hazardous wastes, among others. As mentioned above, the Group engages a licensed waste collector and ensures that its handling of hazardous wastes is fully compliant with applicable environmental rules and regulations.

During 2021, the amount of hazardous wastes generated by the Group is as follows.

KPI	2020		2021	
	Annual hazardous waste tones	**Intensity tonnes/ employee**	**Annual hazardous waste tones**	**Intensity tonnes/ employee**
A1.3 Total hazardous waste produced	5.51	< 0.01	5.8	< 0.01

Non-hazardous Wastes

The non-hazardous wastes generated by the Group were mainly general waste and office paper. The Group has set a target to reduce the non-hazardous waste intensity by 3% in the next 5 years, using 2021 as the baseline year. The Group will continue to make great efforts in this regard.

The Group applies the 3R principles to reduce, reuse and/or recycle in its waste management initiatives. The following measures have been adopted on the premises of driving schools:

- Avoid overstocking of materials through proper inventory planning and management.
- Store and handle materials in a manner to prevent deterioration and damages.
- Encourage the reuse of materials wherever possible.
- Monitor performance on waste management through non-periodical inspections.

In order to effectively manage and reduce office waste, the Group has begun to instil environmental awareness among its employees. Specifically, the Group promotes the following practices:

- Encourage staff to participate in the recycling of general solid waste and paper by installing the recycling facilities in the office.
- Promote the use of green stationery such as refillable ball pens and mechanical pencils where applicable.
- Reuse tableware, cutlery, cups and glasses to reduce the use of disposable eating utensils.
- Serve drinks with teapots and cups/glasses instead of bottled water at meetings to reduce plastic wastage.
- Formulate paper-saving initiatives which are described in the section headed “Paper Management” under aspect A2.

During 2021, the Group produced in total 375.82 tonnes of non-hazardous wastes with an intensity of 0.57 tonnes/employee. The Group will continue to monitor its performance and review the progress made against targets in the coming years.

During 2021, the amount of non-hazardous wastes generated by the Group is as follows:

KPI	2020		2021	
	Annual hazardous waste tones	Intensity tonnes/ employee	Annual hazardous waste tones	Intensity tonnes/ employee
A1.4 Total non-hazardous waste produced	411.13	0.60	375.82	0.57

Sewage Discharge

The Group does not consume a significant volume of water through its business activities and hence no significant portion of discharge into water is generated. Since the sewage discharged by the Group is discharged into the municipal sewage pipe network, the amount of sewage discharge is considered as the water consumed. Such amount, together with water-saving initiatives, is given in the section headed "Water Management" under aspect A2.

A2. Use of Resources

Energy Management

The energy consumed by the Group during 2021 was mainly the petrol and diesel used for driving training and the electricity consumed in daily operations. The Group strives to minimise the environmental impacts of its operations by introducing various initiatives for energy conservation. The Group has set a target to reduce the energy consumption intensity by 3% in the next 5 years, using 2021 as the baseline year. The Group will conduct regular performance reviews to seek continuous improvement.

The Group adopts resource efficiency and eco-friendly initiatives to optimise electricity consumption. The following energy-saving measures have been implemented:

- Use energy-saving features of electrical appliances and office equipment, such as adopting the "sleep or standby mode" when the computer is idle.
- Serve reminders by affixing conspicuous "save energy" labels near the power switches of printing equipment, and information and communications technology equipment. The situation is monitored periodically by designated staff.
- Carry out regular checking and cleaning of office equipment.
- Arrange maintenance or procure timely replacement of deteriorated or aged parts of office equipment to reduce power loss due to malfunction and component failure.
- Encourage the use of stairs instead of elevators for inter-floor traffic.
- Encourage staff participation in energy-saving campaigns.

During 2021, the Group consumed in total 9.8 million kWh of energy with an intensity of 14,870 kWh/employee. The Group will continue to monitor its performance and review the progress made against targets in the coming years.

A summary of the energy consumption of the Group is given below.

KPI	Source of energy consumption	2020		2021	
		Energy consumed '000 kWh	Intensity '000 kWh/ employee	Energy consumed '000 kWh	Intensity '000 kWh/ employee
A2.1 energy consumption	Electricity	1,488	2.16	1,486	2.25
	Stationery combustion	0	0	0	0
	Mobile combustion	7.746	11.24	8,357	12.62
	Total energy consumed	9,234	13.40	9,843	14.87

Water Management

Recognising that water is one of our most precious resources, the Group has been looking for ways to use water efficiently and puts water saving a priority. The Group has set a target to reduce water consumption intensity by 3% in the next 5 years, using 2021 as baseline year. To achieve this, the Group will endeavour to reduce unnecessary water consumption through careful planning and close monitoring.

The Group actively promotes change in water conservation behaviour. In doing so, the following water saving efforts have been taken at the office premises and driving schools:

- Serve reminders by affixing conspicuous "save water" and "protect our natural environment" labels near water taps.
- Shut off the main water supply to the area concerned after office/operating hours.
- Notify the responsible personnel of any leaking water taps or pipes for repair to avoid wastage of water.
- Use dual-flush toilets.
- Use faucets and urinals with infrared sensors where possible.
- Procure staff to inspect the water supply system to ensure no leakage on a regular basis.

During 2021, the Group consumed in total 22,806 m^3 of water with an intensity of 34 m^3/employee. The Group will continue to monitor its performance and strengthen water-saving measures in the coming years.

A summary of the water consumption of the Group is given below.

KPI	Source of energy consumption	2020		2021	
		Water consumed m^3	Intensity m^3/ employee	Water consumed m^3	Intensity m^3/ employee
A2.2 water consumption	Annual water consumed	23,018	33	22,806	34

Due to the nature of the business, the Group did not have any issues with water sourcing during 2021.

Paper Management

One of the Group's most consumed materials is office paper. To minimise the use of paper, the Group advocates the concept of paperless office and the application of office automation. The following measures have been adopted by the Group in its daily operations:

- Communicate and share information by electronic means (e.g., via intranet, internet or email) as far as possible to minimize paper use.
- Use both sides of paper and reuse envelopes.
- Provide recycling bins near copiers and fax machines.
- Separate wastepaper into single-sided and used papers.

Use of Packaging Materials

Due to the nature of the business, the Group did not use any packaging materials during 2021.

A3. The Environment and Natural Resources

The Group recognises the impacts of its daily operations on the environment and is committed to conducting its activities in an environmentally responsible manner. To minimise such impacts, the Group has taken necessary measures to promote energy conservation, emission reduction and environmental protection. The Group will continue to promote environmental awareness amongst customers, employees, contractors, suppliers, business partners and other stakeholders as part of its waste reduction initiatives.

Green Workplace

The Group is also committed to providing employees with a green work environment to enhance work efficiency. The Group understands that changing habits and raising the environmental awareness of employees requires continuous efforts. To this end, posters with environmental protection tips and energy saving signs have been put up in office premises.

The Group maintains a clean, tidy and hygienic office environment by regularly checking the conditions of each common area and work space, and identifying potential safety hazards and resolving them promptly.

A4. Climate Change

Climate action is gaining momentum across the globe in the face of looming catastrophe, as the whole world urgently calls for limiting global warming to 1.5°C above pre-industrial levels and reaching net-zero emissions globally by 2050. In Hong Kong, the Government has scaled up commitments to emissions reduction by setting a timeline to achieve carbon neutrality by 2050. In response to the global trend and local initiative, the Group continued the gradual progress it has made towards carbon reduction and documented climate-related measures in its composite CSR Policy. The Group will endeavour to follow those measures to identify and appropriately manage marked climate-related impacts. With an aim to building long-term resilience to climate change and doing its part to support the transition towards a low-carbon economy, the Group will integrate the factors of changing climate into its business strategies. During 2021, we followed the recommendations of the Taskforce on Climate-related Financial Disclosure, which form part of our climate risk assessment, and determined the likelihood of future climate hazards and their potential impacts on our business.

Physical Risks

Extreme weather has been identified as a physical climate risk to which the Motoring Group is exposed, potentially causing damage to property and economic loss. Results of the climate risk assessments suggest that the driving school at Apleichau could be materially impacted by flooding due to the increasing tropical storm frequency. The Group has taken steps to mitigate the impact by devising disaster recovery plans to deal with emergencies.

Transition Risks

It is anticipated that more stringent ESG-related policies and initiatives will be implemented by the Government to meet the carbon emission reduction targets and net-zero ambitions. As a result, higher operating costs will ensue in order to meet the need to replace equipment with higher efficiency models to ensure compliance in the future. In an attempt to reduce carbon emissions, the Group has adopted applicable recognised standards and procured energy-saving equipment across its operations. Senior executives regularly monitor climate-related trends, policies and regulations so that the board is kept updated on the latest developments promptly to avoid cost increments, non-compliance fines and/or reputational risks due to delayed response.

Going forward, the Group will continue to assess, monitor, control, document and annually disclose its GHG emissions, as well as to evaluate the effectiveness of current ESG measures to further improve its environmental performance and sustainability.

B. Social

The Group recognises that people are its most valuable asset. Apart from a safe and healthy workplace, we offer a comprehensive remuneration and benefits package, training opportunities, equal opportunities and fairness at work as well as channels for communication for all. Team bonding activities and social events are arranged to foster a stronger sense of belonging among staff and to help create a friendly and harmonious work environment. Salaries are reviewed and adjusted at least yearly to ensure balancing pay for performance with shareholder alignment. The Group further recognises the importance of a sound, healthy stakeholder relationship in building its long-term success. To this end, senior management maintain good communication and exchange ideas with stakeholders where appropriate.

B1. Employment

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

During 2021, the Group was not aware of any violation of employment laws and regulations that had a significant impact on it relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Below is a summary of the demographics of the total workforce of the Group by gender, employment type, age group, employment category and geographical region during 2021.

KPIs	2020	2021
Total Workforce	**690**	**662**
By Gender		
Male	508	490
Female	182	172
By Employment Type		
Full-time	493	494
Part-time	197	168
By Age Group		
Under 30 Years Old	85	66
30 to 50 Years Old	267	287
Above 50 Years Old	338	309
By Employment Category		
Senior Management	22	19
Supervisory Level	56	63
General Employees	612	580
By Geographical Region		
Hong Kong	690	662
Overseas	0	0

Recruitment, Promotion and Dismissal

The Group recognises the importance of attracting good talent. Employees are recruited via a robust, transparent and fair recruitment process. An employment decision is based on suitability of the candidate in terms of qualifications, personality and career goals regardless of race, gender, religion, physical disability, marital status and sexual orientation.

The Group offers career development opportunities for all through an open and fair assessment system. Employee performance is appraised at the end of each year or upon completion of probation. The appraisal serves as a basis for considering and determining salary increments, discretionary bonuses and promotions. The Group also prioritises hiring and promoting internally to motivate employees and boost retention.

Termination of all employment contracts is governed by an internal procedure to ensure that all dismissals are properly thought through and are compliant with relevant laws and regulations. The Group strictly prohibits all forms of unfair or unlawful dismissal.

During 2021, the total employee turnover rate of the Group was approximately 20.85%. Below is a summary of the employee turnover rate by gender, age group and geographical region during 2021.

Turnover Rate (%)[1]	
By Gender	
Male	18.78
Female	26.74
By Age	
Under 30 Years Old	66.67
30 to 50 Years Old	14.98
Above 50 Years Old	16.50
By Geographical Region	
Hong Kong	20.85
Overseas	0

Note: The employee turnover rate is calculated by dividing the number of employees in the specified category leaving employment during 2021 by the number of employees in the specified category as at 31 December 2021.

Remuneration and Benefits

To attract and retain talent, the Group offers an attractive and competitive remuneration package that includes medical insurance, retirement schemes, long service awards, training subsidies and paid leaves, among other benefits. Staff remuneration levels are determined with reference to individual performance and contributions in addition to market standards.

Equal opportunities, diversity and anti-discrimination

The Group respects cultural and individual diversity. The Group's supportive and inclusive culture allows people to connect and benefit from synergies. We believe that no one should receive less favourable treatment on the grounds of age, race, ethnicity or nationality, gender, religion, marital status, disability or family status. All staff have equal training, career development and employment opportunities. Any person found to have engaged in unlawful discrimination or harassment will be subject to disciplinary action and/or dismissal.

Work-life balance

We care about the health and well-being of our employees and offer standard working hours and rest periods that are no less exacting than the local employment ordinance. Further, the Group arranges social and recreational activities to support a better work-life balance for its employees while fostering staff cohesion and team spirit.

B2. Health and Safety

We understand that creating a workplace that promotes employee health and well-being is key to unlocking the talent pool. The Group is thus committed to providing and maintaining a safe, healthy and hygienic work environment. The Group has formulated health and safety rules and regulations, and employees are required to stringently abide by those rules and regulations at all times to avoid accidents and potential safety hazards.

During 2021, the Group was not aware of any violation of employment laws and regulations that had a significant impact on it relating to the provision of a safe work environment and protecting employees from occupational hazards. Those laws and regulations include, among others, the Occupational Safety and Health Ordinance (Cap. 509).

Occupational Health and Safety Measures

The Group pays special attention to occupational health and safety and updates its occupational disease prevention strategies to manage workplace hazards. In order to provide a clean, tidy and safe work environment for all while fighting the COVID-19 pandemic, the following measures have been taken at the driving schools during 2021:

- All employees, visitors and students must check their body temperature before entering the school premises and wear a surgical mask inside the premises.
- If an employee has a body temperature higher than 37.5 degrees Celsius or lives in a residential building with confirmed COVID-19 case, he or she would not be allowed to return to office for work until a negative COVID-19 testing result is obtained.
- If a visitor or student does not wear a surgical mask or refuses to check his or her body temperature or has a body temperature higher than 37.5 degrees Celsius, he or she would not be allowed to enter the school premises. Appropriate lessons or tests will be rescheduled if necessary.
- To increase the frequency of cleansing and disinfection of training vehicles and workplace with appropriate cleansing solution.
- Driving instructors are provided with disinfection wet tissues for cleaning their training vehicles after each lesson.
- Hand sanitisers are provided within the school premises for staff, students and visitors to maintain personal hygiene.
- Protective screens are installed at service counters to prevent direct contact between staff and students.
- Information on “How to fight the virus” published by government is shared with employees through internal communication channels such as email and noticeboard to raise their awareness on epidemic prevention.
- Employees are offered a day of vaccination leave for each vaccination injection received within a specified period.

A safe work environment produces happier employees. The Group is dedicated to providing employees with good working conditions as well as to protecting employees from occupational hazards. To achieve this, the Administration Department identifies the potential and actual workplace hazards and risks and monitors and reviews all safety systems through regular checks. Employees are obliged to watch out safety hazards in their work environment and avoid improper behaviour that could lead to accidents or injuries in the workplace. Employees should further report any incidents that have caused or may result in injury or damage to their department heads and the administration personnel immediately.

Apart from safeguarding occupational health and safety, the Group encourages employees to adopt good hygiene habits to maintain a clean work environment. To prevent the spread of infectious diseases, employees are required to keep the office and its common areas clean and tidy, observe personal hygiene and monitor their own health.

During 2021, all offices and workplaces of the Group were operated and maintained in safe and reliable conditions. While the total number of lost-days due to work injuries was 355 man-days, the Group did not register any material injury cases and there was zero case of work-related fatalities. The Group will continue to review relevant procedures from time to time to safeguard employees’ occupational health and safety.

B3. Development and Training

The Group acknowledges the importance of training not only to staff development but also to its success. The Group is committed to excellence by creating an intellectually stimulating environment that enables employees to grow and thrive. This is achieved through continuous development of a training strategy that focuses on creating values for employees, on enabling them to develop their full potential and skills to better serve the needs of the Group.

Training and Career Development

Training policies and procedures have been formulated to standardise the management of employees' training across all units of the Group. The Motoring Group has also devised an annual training plan and a training management system to align delivery of training activities with current training strategies and to ensure smooth execution, proper documentation and availability of statistics for its regular review of training effectiveness.

The Group provides customised training to its employees to help equip them with the knowledge and skills to perform their job effectively and efficiently. This includes structured training programs, seminars, workshops, online learning, regular sharing sessions, peer learning and/or on-the-job coaching. Further, to facilitate the improvement of employees' professional competence, the Group provides training subsidies.

The Group believes that this joint effort of customised training and provision of training subsidy is an effective and efficient approach to achieve corporate goals through maintaining a competent workforce.

During 2021, approximately 73.11%[2,3] of the Group's employees participated in training. The average training hours per employee was approximately 6.52 hours[4]. Below is a summary of the percentage of employees trained and the average training hours completed per employee by gender and employee category during 2021.

	No. of employees took part in training	Percentage of employees trained (%)[5]	Average training hours per employee (hours)[6]
By gender			
Male	346	70.61	6.52
Female	138	80.23	6.61
By employee category			
Senior management	19	100	14.20
Supervisory level	56	88.89	7.67
General employees	409	70.52	6.14

Note(s):

1. Training data present and highlight the performance of the operation in Hong Kong, the Group will improve its data collection and enhance its performance disclosure in the next year.
2. This percentage is calculated by dividing the total number of trained employees during 2021 by the total number of employees as at 31 December 2021.
3. The average training hours per employee is calculated by dividing the total number of training hours during 2021 by the total number of employees as at 31 December 2021.
4. The percentage of trained employees by category is calculated by dividing the number of trained employees in the specified category during 2021 by the total number of employees in the specified category as at 31 December 2021.
5. The average training hours by category is calculated by dividing the number of training hours for employees in the specified category during 2021 by the number of employees in the specified category as at 31 December 2021.

B4. Labour Standards

The Group respects human rights and strictly prohibits any unethical hiring practices, including child and forced labour. The Group conducts recruitment in accordance with applicable laws and regulations. Personal data and other credentials are collected in particular during the recruitment process to ensure that those laws and regulations are not violated.

Applicants are required to provide true, accurate and complete information in support of their applications and to make a declaration in the application form to the effect that any misrepresentation in the documents and information provided will result in disqualification of their applications and subsequent employments in the Company. During the recruitment process, the Human Resources Department collects and thoroughly checks the documents provided by the applicant (including the Hong Kong identity card) and subsequently reviews the personal data and/or credentials of successful applicants to ensure labour law compliance. In addition, the Group ensures that no employee is below the minimum legal working age and no forced labour is employed through regular training and internal audit. Any case of child labour or forced labour, when discovered, shall be investigated and acted upon and reported to the government authorities promptly in accordance with law. The Group should immediately terminate the employment contract and impose due punishment on the erring employee. The Group avoids engaging suppliers of administrative supplies and services and contractors that are known to employ child or forced labour in their operations.

During 2021, the Group was not aware of any violation of employment laws and regulations that had a significant impact on it relating to preventing child and forced labour. Those laws and regulations include, among others, the Employment Ordinance (Cap. 57).

B5. Supply Chain Management

As a socially responsible enterprise, the Group is well aware of the importance of supply chain management to its business and attaches great importance to the management of potential environmental and social risks in the supply chain. All suppliers are carefully evaluated under a rigorous and standardised procurement system and are regularly monitored and evaluated in a fair manner.

Procurement Practices

The Group has in place well-established procedures to select and monitor contractors and suppliers. During the supplier selection process, the Group reviews not only their basic information but also a number of other factors such as delivery schedule, pricing, possession of requisite licenses, certifications, and compliance with relevant industrial laws, regulations and standards, among others.

The Group's supplier base comprises mainly suppliers of vehicles and spare parts, printing materials and office equipment.

During 2021, the Group collaborated with 96 local suppliers and 2 overseas suppliers.

Managing Environmental and Social Risks of the Supply Chain

Although the ESG aspects of supply chain management are of moderate importance to the Group considering the nature of its business, the Group has put effort into safeguarding its values along the supply chain to protect its principles of ethics and legality. Apart from requiring suppliers and contractors to comply with the Group's standards and requirements as well as with the local regulations, the Group is also aware of the environmental and safety performance of its suppliers and contractors. During the process of assessing tenders from the suppliers and contractors, the Group conducts background search of suppliers and contractors for reference.

The Group dedicates to working with suppliers who demonstrate a commitment to sustainable development and promoting environmental practices. In order to identify environmental and social risks along the supply chain, the Group adopts adequate control measures to ensure that the purchased products conform to the required specifications. All purchased products will be thoroughly inspected upon delivery to ensure that they comply with specifications, relevant regulations, standards and qualities.

Beyond quality and legal compliance, the Group expects the suppliers to adopt fair labour practices and demonstrate their commitment to ethics.

During 2021, the above supplier engagement practices have been imposed on all suppliers.

B6. Product Responsibility

Due to the nature of its business, the Group does not have physical products for sales. The driving school operation, which is one of the primary business operations of the Group, provides driving training services to learner drivers. The Group actively monitors the quality of its services with its internal control process and maintains an ongoing communication with customers to ensure mutual understanding while fulfilling their needs and expectations. The Group strives to cater to customers' needs and expectations, to the extent possible, as well as to continuously improve the quality of its services. To avoid and reduce the environmental impacts caused by its services, the Group has established the policies documented in the CSR Policy to ensure that appropriate measures and clear procedures are in place and are being followed by relevant personnel with respect to health and safety, advertising, labelling and privacy matters.

During 2021, the Group was not aware of any violation of service responsibility laws and regulations that had a significant impact on it relating to health and safety, advertising, labelling and privacy matters of its services provided and methods of redress. Those laws and regulations include, among others, the Personal Data (Privacy) Ordinance (Cap. 486) and the Trade Descriptions Ordinance (Cap. 362).

Quality Assurance

The Group has established a comprehensive quality management system with comprehensive inspection and evaluation procedures. Since 1998, the Quality Management System ISO 9001 has been adopted for the driving training services provided to learner drivers. Annual audit for ISO 9001 has been conducted to ensure that all training procedures and practices are fully compliant with the requirements under ISO 9001.

During 2021, the Group did not have any services falling short of the required standards.

Customer Services

The Group endeavours to improve its service to clients through customer feedback. The Group takes every customer complaint seriously and handles it promptly. Concerns are addressed by designated staff, through discussion to resolution. Unresolved and serious issues are directed to the operations team and reported back to management.

During 2021, there was no material claim or complaint brought against the Group by its customers, and the cost incurred for rectification was immaterial.

Privacy Protection

The Group attaches great importance to the protection of confidential information which includes the confidential data of the Group and the privacy of customers. The Group has brought up strict management requirements to protect privacy of customers. Only designated staff are allowed to gain access to the personal data and information of customers.

The Group provides training to its employees, in particular frontline staff, on the requirements of the laws relating to data privacy and data protection to ensure that they understand how to collect, store, use and dispose of customers' information in a lawful manner.

The Group strictly adheres to applicable statutory requirements. Employees are required to keep in strict confidence any information obtained in connection with their employment, including but not limited to trade secrets, client personal data and information, supplier information and other proprietary information.

Intellectual Property Rights

Notwithstanding that intellectual property rights is not considered as a material ESG aspect owing to the nature of its business, the Group has established relevant policies on the management of its information system. The Information Technology Department is further responsible for obtaining proper licenses for software, hardware and information used by the Group in its business operations. Duplication or downloading of information, software, and images from the internet must be approved by relevant departments. The Group also closely monitors the infringement actions in the market and avoids any infringement behaviour, such as counterfeit trademarks.

Advertising and Labelling

The Group attaches great importance to the protection of consumer rights and interests. The sales protocol of its Motoring Group establishes the guidelines for the sales team. Those guidelines strictly require staff to refrain from any false, misleading and fraudulent behaviour; and to avoid any possible misunderstanding during the sales process, customers are given the opportunity to read carefully the sales and services contract before signing it.

B7. Anti-corruption

The Group aims to set and maintain a high standard of business integrity throughout its operations. The Group prohibits all forms of bribery, extortion, fraudulent, money laundering and corruption activities in connection with any of its business activities. As a preventive measure, all directors and employees are required to strictly comply with applicable codes of conduct that prohibit the said corruption activities.

During 2021, the Group was not aware of any major violations of anti-corruption laws and regulations relating to bribery, extortion, fraud and money laundering that had a significant impact on it. Those laws and regulations include, among others, the Prevention of Bribery Ordinance of (Cap. 201). There were no legal cases regarding corruption practices brought against the Group or its employees during 2021.

Preventive Measures and Whistleblowing Procedures

The Group has adopted whistleblowing procedures for employees to report in confidence any suspected cases of misconduct, malpractice, impropriety, unethical or unfair treatment. All employees are required to report incidents or suspected cases of corruption, theft, fraud and embezzlement to management. The management will investigate and report to the police or the Independent Commission Against Corruption as and when required. Any reported case of fraudulence will receive immediate, fair and independent, investigation and appropriate follow-up action.

Anti-corruption Training

The Group endeavours to maintain a culture of integrity, transparency and accountability by adhering to stringent anti-corruption practices. As a preventive measure, the Group assists its employees and directors in adhering to the updated anti-corruption laws and regulations by providing them with anti-corruption training. Employees are also reminded regularly to avoid situations that may lead to a potential conflict of interest.

Below is a summary of the number and percentage of the directors/employees of the Group who attended anti-corruption training and the average number of training hours during 2021.

	No. of employees received training	Percentage of employees received training (%)	Average training hours per employee (hours)
By employee category			
Senior management	8	42.11	0.42
Supervisory level	28	44.44	0.44
General employees	186	32.07	0.32

Note: The percentage of trained individuals by category is calculated by dividing the number of individuals in the specified category who took part in anti-corruption training during 2021 by the total number of directors and/or staff in the specified category as at 31 December 2021.

B8. Community Investment

Recognising the importance to make a positive impact on our society, we strive to promote social development and progress. Policies on community investment have been formulated to engage employees to work hand in hand together with the Company to support the development of a sustainable community through monetary donations and sponsorship of charitable or educational projects. we encourage employees to serve and reciprocate the community by enlisting their participation in community activities, including charitable fund-raising events by way of monetary donation or volunteer work.

During 2021, the Group made a total of HK$101,000 charitable contributions to education, health, culture, sport and social welfare. Of this amount, HK$60,000 were donated to the Hospital Authority Charitable Foundation, HK$30,000 to Youth Outreach, HK$5,000 to Special Olympics Hong Kong, HK$5,000 to the Lifeline Express Hong Kong Foundation, and HK$1,000 to the HKU School of Professional and Continuing Education. The Group further supported the Dress Casual Day and the Love Teeth Day organised by The Community Chest of Hong Kong, and a total of HK7,420 were raised by staff to support the activities.

Going forward, we will expand our efforts in charity work to cater for the specific needs of different community groups as well as to create a more favourable environment for our community and our business.

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2021.

Principal Activities

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are set out in note 10 to the financial statements on pages 102 and 103.

During the year, more than 90% of the Group's operations in terms of both turnover and operating profit were carried out in Hong Kong. An analysis of the Group's turnover for the year is set out in note 2(a) to the financial statements on page 91.

Business Review

This business review is made pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), and paragraph 28(2)(d) of Appendix 16 to the Main Board Listing Rules (the "Listing Rules") published by The Stock Exchange of Hong Kong Limited (the "Exchange"). In the opinion of the directors, the Chairman's Statement, together with the Operation Review and Management Discussion and Analysis sections on pages 2 to 15, provides a comprehensive review of the performance of the Group for the year ended 31 December 2021 as well as its future prospects.

Analysis using financial key performance indicators

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

Environmental policies and performance

We believe that environmental, social and governance ("ESG") is one of the key elements to achieving continuing success. The Group has early endorsed ESG integration recognising that this is key to promoting sustainability in our investment decision-making process and vital for promoting ESG values and ethics to our shareholders and stakeholders. To ensure that sustainability strategies are carried out effectively and consistently throughout the Group, we have adopted a comprehensive policy (the "CSR Policy") that underlines our obligations toward sustainable development and social responsibility. The CSR Policy guides our businesses and operational decisions to four focus areas: workplace, operating practices, community and environment.

The board takes leadership for and accountability in:

- Overseeing the assessment of the Group's environmental and social impacts.
- Understanding the potential impact and related risks of material ESG (including climate-related) issues on the Company's operating model.
- Aligning with what investors and regulators expect and require.
- Enforcing a materiality assessment and reporting process to ensure actions are well followed through and implemented.
- Promoting a culture from the top-down to ensure ESG considerations are part of the business decision-making process.

Business Review *(continued)*

Environmental policies and performance *(continued)*

The ESG issues identified is an important component of our overall strategy, including risk management. The risk management and internal control systems set up by the Company are described in the Corporate Governance Report. The board, supported by senior executives, carries out the following ESG functions: (i) to devise ESG management approach, strategies, policies, objectives, goals and targets, and priorities; (ii) to review and monitor the Group's performance against ESG-related goals and targets; and (iii) to review compliance with the ESG Reporting Guide and disclosure in the ESG report. Senior executives in turn implement the Group's ESG policies, practices and performance to ensure regulatory compliance. In discharging their duties, the senior executives assist the board in maintaining a transparent and an effective communication with various stakeholders, in identifying and assessing ESG risks, in assessing the effectiveness of the ESG internal control mechanism, and in monitoring and responding to the increasingly emerging ESG-related issues. They make recommendations to the board for improving the overall ESG performance of the Group as appropriate.

During the year, the aftershocks of the COVID-19 pandemic continued to rock the global and local economy. Despite the significant challenges and economic impacts brought upon by the outbreak of the pandemic, the Group demonstrated the ability to adjust and sustain operations through enhancing ESG management and other efforts.

In 2021, the Group conducted an ESG priority assessment exercise by soliciting input from its stakeholders. Taking into consideration the Group's operations and sustainability trends, material ESG-related issues were identified and incorporated into the exercise so that an in-depth understanding of stakeholders' opinions and expectations towards the Group's sustainability performance and strategies was attained.

In response to the Government's climate action plan that calls for carbon neutrality by 2050, the Group has increased its efforts in accelerating low-carbon transition. This includes setting up a dedicated team to identify climate impact and solutions, focusing on the ways to reduce our greenhouse gas ("GHG") emissions in the environment. Further, to provide a roadmap for decarbonizing our operations, new targets for GHG emissions were set up. Together with our commitment in energy saving, water efficiency and waste reduction, such initiative shows our staunch support for environmental protection. The board and senior executives will review the progress made against ESG-related goals and targets regularly to ensure integrating ESG factors into our business strategy.

Compliance with relevant laws and regulations

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

Key relationships with employees, customers and suppliers and others

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

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

Results and Appropriations

The results of the Group and appropriations of profit for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 65 and note 20(b) to the financial statements on pages 114 and 115 respectively.

The first, second and third quarterly interim dividends each of HK$0.06 per share (2020: HK$0.06 per share) were paid on 9 July 2021, 16 September 2021 and 28 December 2021 respectively. The directors recommend the payment of a final dividend of HK$0.24 per share (2020: HK$0.24 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2021 of HK$0.42 per share (2020: HK$0.42 per share), representing a total distribution of approximately HK$156.5 million (2020: HK$156.5 million) for the year.

Subject to shareholder approval of the proposed final dividend at the forthcoming annual general meeting, it is expected that the final dividend warrants will be despatched on 6 June 2022 to shareholders registered at the close of business on 27 May 2022. The register of members and transfer books of the Company will be closed from 25 May 2022 to 27 May 2022, both days inclusive, for determining entitlement to the final dividend.

Donations

Donations made by the Group during the year amounted to HK$101,000 (2020: HK$130,000).

Property, Plant and Equipment

Movements during the year are set out in note 9 to the financial statements on pages 99 to 101.

Number of Issued Shares

Movements in the number of issued shares of the Company during the year are set out in note 20(c) to the financial statements on page 115.

Reserves

Movements in reserves during the year are set out in the consolidated statement of changes in equity on page 69.

Distributability of Reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of part 6 of the Hong Kong Companies Ordinance was HK$2,969,486,000 (2020: HK$3,594,069,000). After the end of the reporting period, the directors proposed a final dividend of HK$0.24 per share (2020: HK$0.24 per share), amounting to HK$89,445,000 (2020: HK$89,445,000) (note 20(b)). This dividend has not been recognised as a liability at the end of the reporting period.

Five-year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 129.

Major Suppliers and Customers

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

Directors

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

In accordance with article 82 of the articles of association of the Company, Mr. Cheung Chung Kiu, Mr. Wong Chi Keung and Mr. Leung Wai Fai retire from office by rotation at the forthcoming annual general meeting. The above retiring directors, being eligible, offer themselves for re-election.

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

Confirmation of Independence

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

Directors' Information/Significant Commitments

Mr. Cheung Chung Kiu ceased to be chairman and managing director of Y. T. Realty Group Limited with effect from 10 November 2021.

Ms. Tung Wai Lan, Iris ceased to be an executive director of Y. T. Realty Group Limited with effect from 10 November 2021.

Save as disclosed in this annual report, the Company has not been advised by its directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders nor in any of their significant commitments for the purposes of C.1.5 of the Corporate Governance Code set out within Appendix 14 to the Listing Rules.

Directors' Interests in Transactions, Arrangements or Contracts

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

Directors' and Chief Executive's Interests and Short Positions

The register kept by the Company under section 352 of the SFO shows the following directors' interests and long positions in shares and/or in debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2021:

(a) Interests in the Company – Shares

Name of director	Capacity	No. of shares held	Total no. of shares held	Approximate % of interest
Cheung Chung Kiu	Interest of controlled corporation	258,415,585	258,415,585[1]	69.33%
Wong Chi Keung	Beneficial owner	306,019	306,019	0.08%
Ng Kwok Fu	Beneficial owner	9,708		
	Interest of spouse	7,766	17,474	0.01%

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

Name of director	Capacity	No. of shares held	Total no. of shares held	Approximate % of interest
Cheung Chung Kiu	Interest of controlled corporation	2,724,239,906	2,724,239,906[2]	70.17%

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

Name of director	Capacity	Amount of debentures held	Amount of debentures in same class in issue
Cheung Chung Kiu	Beneficial owner	US$50,000,000	US$300,000,000
	Interest of controlled corporation	US$50,000,000[3]	
		US$100,000,000	

Notes:

1. Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 258,415,585 shares in the Company by virtue of his indirect control of Rose Dynamics Limited ("Rose Dynamics") which owned those shares. Rose Dynamics was a wholly owned subsidiary of Windsor Dynasty Limited ("Windsor Dynasty"), a company wholly owned by Mr. C.K. Cheung.

2. Mr. C.K. Cheung was deemed to be interested in 2,724,239,906 shares in C C Land Holdings Limited ("C C Land") by virtue of his indirect control of Fame Seeker Holdings Limited ("Fame Seeker") which owned those shares. Fame Seeker was a wholly owned subsidiary of Windsor Dynasty.

3. Mr. C.K. Cheung was deemed to be interested in US$50,000,000 of the US$300,000,000 5.20% Guaranteed Notes due 2025 issued by Perfect Point Ventures Limited (an indirect wholly owned subsidiary of C C Land) by virtue of his indirect control of Able Profit Holdings Limited which owned those guaranteed notes. Able Profit Holdings Limited was a wholly owned subsidiary of CQ Investment Limited, and CQ Investment Limited was in turn a wholly owned subsidiary of CQ Group Holdings Limited (a company wholly owned by Mr. C.K. Cheung).

Save as disclosed herein, as at 31 December 2021, there were no other interests or short positions in shares and underlying shares and in debentures, of the Company, or of any of its associated corporations, recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the Code for Securities Transactions by Directors adopted by the Company.

Equity-linked Agreements

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

Share option scheme

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

(1)	Purpose	:	To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits, to the participants and to serve such other purposes as the board may approve from time to time
(2)	Participants	:	Any director (or any person proposed to be appointed as such, whether executive or non-executive), officer and employee (whether full-time or part-time) of each member of the Eligible Group (as defined in the Scheme Circular); any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer and employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the board
(3)	Total number of shares available for issue (% of number of shares in issue as at 22 March 2022)	:	37,268,820 shares (10%)
(4)	Maximum entitlement of each participant	:	1% of the total number of shares in issue in any 12-month period
(5)	Period within which the shares must be taken up under an option	:	To be determined by the board at its absolute discretion as being the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option
(6)	Minimum period for which an option must be held before exercise	:	To be determined by the board from time to time
(7)	Amount payable on application or acceptance of the option	:	HK$1.00
(8)	Basis of determining the exercise price	:	The exercise price shall be a price solely determined by the board but shall be not less than the higher of: (a) the closing price of the shares as stated in the Exchange's daily quotations sheet on the date of grant of the option which must be a business day; and (b) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option
(9)	Remaining life	:	Until 20 May 2025

Equity-linked Agreements *(continued)*

Share option scheme *(continued)*

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

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

Other Persons' Interests and Short Positions

As at 31 December 2021, the interests and long positions of other persons (not being directors or chief executives) in shares of the Company recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity	No. of shares held	Approximate % of interest
Windsor Dynasty	Interest of controlled corporation	258,415,585	69.33%
Rose Dynamics	Beneficial owner	258,415,585	69.33%

Note: Each parcel of 258,415,585 shares represents Rose Dynamics' direct interest in the Company. Windsor Dynasty was deemed to be interested in those shares by virtue of its direct control of Rose Dynamics.

Apart from the above and Mr. C.K. Cheung's interest already disclosed on page 56, there were no other interests or short positions in shares and underlying shares of the Company recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as at 31 December 2021.

Retirement Schemes

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

(I) Pension scheme

(i) Nature of the scheme

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

(ii) Funding of the scheme

The benefits of the scheme were funded in 2021 by a 5% contribution by employees and a 7.5% contribution by The Hong Kong School of Motoring Limited based on the annual salaries of employees. The contributions excluded the costs of administration and term life assurance.

(iii) Costs of the scheme

Total costs of the scheme, amounting to HK$0.6 million, were charged to the Group's statement of profit or loss for the year under review. The required contribution rate was calculated as 7.5% of the total salaries payable during the year.

(iv) Forfeited contributions of the scheme

There is no forfeited contribution that may be used to reduce the existing level of contributions under the scheme as at 31 December 2021. No forfeited contribution was utilised during the year.

Retirement Schemes *(continued)*

(II) MPF schemes

As from 1 December 2000, the Group has operated two MPF Schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement scheme. The MPF Schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF Schemes, the employer and its employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The total amount of contributions to the MPF Schemes charged to the Group's statement of profit or loss for the year was HK$7.9 million.

Management Discussion and Analysis

Further information of the Group which is required to be disclosed pursuant to the Listing Rules is set out on pages 10 to 15.

Sufficiency of Public Float

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

Purchase, Sale or Redemption of Shares

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

Indemnity of Directors

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

External Auditor

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

On behalf of the board

Cheung Chung Kiu
Chairman

Hong Kong, 22 March 2022

KPMG

Independent auditor's report to the members of
The Cross-Harbour (Holdings) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of The Cross-Harbour (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 65 to 128 which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

<table>
<tr><th colspan="2">Valuation of financial assets measured at FVPL - unlisted fund investments</th></tr>
<tr><td colspan="2">Refer to note 13 to the consolidated financial statements and the accounting policy in note 1(g) on pages 77 to 78.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2021 the Group's unlisted fund investments comprised unquoted investment funds with a carrying value of HK$2,822.2 million. These investments are carried at fair value through profit or loss (FVPL).

As set out in the financial statements, the underlying funds have been valued based on valuations performed by the fund managers, investment advisors or administrators of the underlying funds as at 31 December 2021.

We identified the valuation of these unquoted investment funds as a key audit matter because of the significance of these investments to the Group's total assets as at 31 December 2021 and the significance of changes in fair value of these investment funds to the Group's profit before taxation and because the valuation of these investments is an area of judgement and estimation which increases the risk of error or potential bias.</td><td>Our audit procedures to assess the valuation of investments in unlisted fund investments included the following:

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

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

• Obtaining the most recent audited financial statements for the underlying funds, where applicable, and assessing whether the opinion was unqualified and whether the basis of preparation was appropriate;

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

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

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

Revenue recognition: Motoring school operation	
Refer to note 2 to the consolidated financial statements and the accounting policy in note 1(s) on page 88.	
The Key Audit Matter	**How the matter was addressed in our audit**
Revenue of the Group mainly comprises driving course fee income which is derived from the Group's motoring school operation. The Group generally sells packaged driving courses which comprise multiple numbers of driving training lessons. When the package is sold, the Group receives the full driving course fees upfront which are initially recorded as contract liabilities in the consolidated statement of financial position. Driving course fee income is recognised as revenue in profit or loss when the related driving training lesson is delivered. The Group uses an information technology system (IT system) to track the details of the student attendance, the delivery of driving training lessons and the number of outstanding lessons. A record of the above details is generated by the IT system from which the Group manually calculates the driving course fee income arising from the driving lessons delivered, with reference to the number of outstanding lessons, on a monthly basis, and these details are input into the accounting system on a semi-annual basis. Given the significance of the amounts to the Group's total revenue, the high volume of transactions and the risk of overstatement of revenue, we identified the recognition of revenue from motoring school operation as a key audit matter.	Our audit procedures to assess the recognition of revenue from motoring school operation included the following: • With the involvement of our internal information technology specialist, evaluating the design, implementation and operating effectiveness of management's key internal controls which capture revenue transactions including the completeness and accuracy of the transaction details contained within the Group's IT system; • comparing the trend of the monthly number of driving lessons delivered with the trend of monthly driving course fee income recognised and assessing the reasons for any fluctuations which were not in line with our expectations based on our knowledge of the Group's operation; • comparing sales of driving training lesson packages recorded during the year with the receipt records, on a sample basis; and • inspecting underlying documentation for manual journal entries relating to revenue raised during the current year which were considered to meet the specific risk-based criteria.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG
Certified Public Accountants

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

22 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Revenue from contracts with customers within the scope of HKFRS 15	2(a)	**552,887**	489,590
Revenue from other sources	2(a)	**29,906**	65,887
Interest revenue from debt securities measured at fair value through profit or loss	2(a)	**3,874**	36,690
Other interest revenue	2(a)	**112,999**	168,355
Total revenue		**699,666**	760,522
Other revenue	3	**26**	26
Other net (losses)/gains	3	**(700,337)**	68,570
Direct costs and operating expenses		**(228,776)**	(209,917)
Selling and marketing expenses		**(30,194)**	(30,139)
Administrative and corporate expenses		**(191,324)**	(180,471)
Impairment losses on financial assets	21(a)	**(37,607)**	(35,472)
(Loss)/profit from operations		**(488,546)**	373,119
Finance costs	4(a)	**(2,729)**	(3,522)
Share of profits of associates	11	**522,808**	417,361
Share of profits of a joint venture	12	**25,553**	37,119
Profit before taxation	4	**57,086**	824,077
Income tax	5(a)	**(39,557)**	(34,586)
Profit for the year		**17,529**	789,491
Attributable to:			
Equity shareholders of the Company		**(49,245)**	725,243
Non-controlling interests		**66,774**	64,248
Profit for the year		**17,529**	789,491
(Loss)/earnings per share	8		
Basic and diluted		**($0.13)**	$1.95

The notes on pages 73 to 128 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 20(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2020 $'000
Profit for the year		**17,529**	789,491
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		**(1,469,170)**	1,202,092
Items that may be reclassified subsequently to profit or loss:			
– Financial assets measured at fair value through other comprehensive income (recycling)			
– changes in fair value of debt securities		**(258,409)**	(13,802)
– impairment losses (reversed)/recognised, net	4(b)	**(11,528)**	13,496
– net loss upon disposal of debt securities recycled to profit or loss	3	**166,899**	—
		(103,038)	(306)
– Share of other comprehensive income of a joint venture: – Exchange differences on translation of financial statements of subsidiary outside Hong Kong in joint venture		**(64)**	236
		(1,572,272)	1,202,022
Total comprehensive income for the year		**(1,554,743)**	1,991,513
Attributable to:			
Equity shareholders of the Company		**(1,621,498)**	1,927,194
Non-controlling interests		**66,755**	64,319
Total comprehensive income for the year		**(1,554,743)**	1,991,513

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

The notes on pages 73 to 128 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 $'000	2021 $'000	2020 $'000	2020 $'000
Non-current assets					
Property, plant and equipment	9		**320,433**		343,766
Interest in associates	11		**571,492**		575,222
Interest in a joint venture	12		**149,292**		141,304
Other financial assets	13		**2,968,717**		4,192,107
Deposits and prepayments	14		**74,441**		270,989
Deferred tax assets	19(b)		**3,065**		4,594
			4,087,440		5,527,982
Current assets					
Inventories		**1,211**		1,020	
Other financial assets	13	**1,341,532**		1,754,345	
Trade and other receivables	14	**45,172**		131,206	
Amount due from a joint venture	12(c)	**9,000**		9,000	
Tax recoverable	19(a)	**102**		—	
Dividend receivable		**77,500**		66,350	
Bank deposits and cash	15(a)	**2,805,940**		2,675,858	
		4,280,457		4,637,779	
Current liabilities					
Trade and other payables	16	**120,766**		228,312	
Contract liabilities	17	**597,589**		500,413	
Lease liabilities	18	**70,475**		56,064	
Taxation payable	19(a)	**10,863**		14,427	
Dividends payable		**854**		1,044	
		800,547		800,260	

Consolidated Statement of Financial Position

at 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2021 $'000	2020 $'000	2020 $'000
Net current assets			**3,479,910**		3,837,519
Total assets less current liabilities			**7,567,350**		9,365,501
Non-current liabilities					
Lease liabilities	18		**27,195**		64,142
Deferred tax liabilities	19(b)		**2,182**		2,494
			29,377		66,636
NET ASSETS			**7,537,973**		9,298,865
CAPITAL AND RESERVES	20				
Share capital			**1,629,461**		1,629,461
Reserves			**5,707,117**		7,485,144
Total equity attributable to equity shareholders of the Company			**7,336,578**		9,114,605
Non-controlling interests			**201,395**		184,260
TOTAL EQUITY			**7,537,973**		9,298,865

Approved and authorised for issue by the board of directors on 22 March 2022.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

The notes on pages 73 to 128 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital $'000	Capital reserve $'000	Fair value reserve (recycling) $'000	Fair value reserve (non-recycling) $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2020		1,629,461	1,984	(20,310)	398,209	(119)	5,334,715	7,343,940	158,881	7,502,821
Changes in equity for 2020:										
Profit for the year		–	–	–	–	–	725,243	725,243	64,248	789,491
Other comprehensive income		–	–	(306)	1,202,092	165	–	1,201,951	71	1,202,022
Total comprehensive income		–	–	(306)	1,202,092	165	725,243	1,927,194	64,319	1,991,513
Dividends approved in respect of the previous year	20(b)	–	–	–	–	–	(89,445)	(89,445)	–	(89,445)
Non-controlling interest's share of dividends		–	–	–	–	–	–	–	(38,940)	(38,940)
Dividends declared in respect of the current year	20(b)	–	–	–	–	–	(67,084)	(67,084)	–	(67,084)
Balance at 31 December 2020		1,629,461	1,984	(20,616)	1,600,301	46	5,903,429	9,114,605	184,260	9,298,865
Balance at 1 January 2021		**1,629,461**	**1,984**	**(20,616)**	**1,600,301**	**46**	**5,903,429**	**9,114,605**	**184,260**	**9,298,865**
Changes in equity for 2021:										
(Loss)/profit for the year		**–**	**–**	**–**	**–**	**–**	**(49,245)**	**(49,245)**	**66,774**	**17,529**
Other comprehensive income		**–**	**–**	**(103,038)**	**(1,469,170)**	**(45)**	**–**	**(1,572,253)**	**(19)**	**(1,572,272)**
Total comprehensive income		**–**	**–**	**(103,038)**	**(1,469,170)**	**(45)**	**(49,245)**	**(1,621,498)**	**66,755**	**(1,554,743)**
Transfer to retained profits upon disposal of financial assets		**–**	**–**	**–**	**(103,501)**	**–**	**103,501**	**–**	**–**	**–**
Dividends approved in respect of the previous year	20(b)	**–**	**–**	**–**	**–**	**–**	**(89,445)**	**(89,445)**	**–**	**(89,445)**
Non-controlling interest's share of dividends		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(49,620)**	**(49,620)**
Dividends declared in respect of the current year	20(b)	**–**	**–**	**–**	**–**	**–**	**(67,084)**	**(67,084)**	**–**	**(67,084)**
Balance at 31 December 2021		**1,629,461**	**1,984**	**(123,654)**	**27,630**	**1**	**5,801,156**	**7,336,578**	**201,395**	**7,537,973**

The notes on pages 73 to 128 part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2021 $'000	2020 $'000	2020 $'000
Operating activities					
Profit before taxation		**57,086**		824,077	
Adjustments for:					
Interest income		**(116,899)**		(205,071)	
Share of profits of associates		**(522,808)**		(417,361)	
Share of profits of a joint venture		**(25,553)**		(37,119)	
Net gains on sale of property, plant and equipment	3	**(264)**		(206)	
Net fair value loss/(gain) on other financial assets at FVPL	3	**532,636**		(68,364)	
Net loss upon disposal of debt securities at FVOCI	3	**166,899**		—	
Finance costs	4(a)	**2,729**		3,522	
Depreciation	4(b)	**89,305**		95,850	
Impairment losses on financial assets	4(b)	**37,607**		35,472	
Dividend income from equity securities	4(b)	**(27,503)**		(59,988)	
COVID-19-related rent concessions received	9(b)	**(42,968)**		(29,032)	
Operating profit before changes in working capital		**150,267**		141,780	
Increase in inventories		**(191)**		(308)	
Decrease/(increase) in trade and other receivables		**19,890**		(8,553)	
Increase in contract liabilities		**97,176**		137,402	
(Decrease)/increase in trade and other payables		**(107,546)**		10,458	
Cash generated from operations		**159,596**		280,779	
Hong Kong Profits Tax paid		**(42,006)**		(55,052)	
Net cash generated from operating activities			**117,590**		225,727

Consolidated Cash Flow Statement

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2021 $'000	2020 $'000	2020 $'000
Investing activities					
Decrease/(increase) in deposits with banks with original maturity over three months		**200,343**		(327,092)	
Payments for the purchase of property, plant and equipment		**(26,242)**		(19,943)	
Payment for acquisition of an associate		**(1)**		—	
Increase in loan to an associate		**(108,935)**		—	
Payments for purchase of debt securities at FVOCI (recycling)		**—**		(402,862)	
Payments for purchase of other financial assets at FVPL		**(2,174,770)**		(679,967)	
Payment for investment in interest-bearing instruments		**(420,000)**		(427,800)	
Proceeds from sale of property, plant and equipment		**667**		255	
Proceeds from repayment of interest-bearing instruments		**619,999**		817,801	
Proceeds from sale of equity securities at FVPL		**267,956**		315,549	
Proceeds from sale of equity securities at FVOCI (non-recycling)		**165,725**		—	
Proceeds from sale of debt securities at FVOCI (recycling)		**629,123**		—	
Proceeds from maturity of debt securities at FVPL		**99,161**		271,285	
Proceeds from distribution from unlisted funds at FVPL		**379,132**		18,762	
Dividend income from equity securities at FVOCI (non-recycling)		**2,635**		2,567	
Dividend income from equity securities at FVPL		**24,868**		57,421	
Dividends received from associates		**624,350**		596,006	
Dividends received from a joint venture		**5,000**		5,000	
Receipt of repayment of loan to a joint venture		**12,500**		—	
Interest received		**140,093**		195,747	
Net cash generated from investing activities			**441,604**		422,729

Consolidated Cash Flow Statement

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $'000	2021 $'000	2020 $'000	2020 $'000
Financing activities					
Interest element of lease rentals paid	15(b)	**(2,672)**		(3,466)	
Capital element of lease rentals paid	15(b)	**(19,701)**		(27,964)	
Other finance charges		**(57)**		(56)	
Dividends paid	15(b)	**(156,719)**		(156,131)	
Dividends paid to non-controlling interests		**(49,620)**		(38,940)	
Net cash used in financing activities			**(228,769)**		(226,557)
Net increase in cash and cash equivalents			**330,425**		421,899
Cash and cash equivalents at 1 January			**2,116,587**		1,694,688
Cash and cash equivalents at 31 December	15(a)		**2,447,012**		2,116,587

The notes on pages 73 to 128 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and its interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investments in debt and equity securities that are stated at their fair value (see note 1(g)).

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

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

1 Significant accounting policies *(continued)*

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

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:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 1(i)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from June 2021 to 30 June 2022. The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

(d) Subsidiaries and non-controlling interests

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

1 Significant accounting policies *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

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

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

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

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

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

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

1 Significant accounting policies *(continued)*

(e) Associates and joint ventures

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

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

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

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long term interests where applicable (see note 1(j)(ii)).

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

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

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

1 Significant accounting policies *(continued)*

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

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

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

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

(f) Goodwill

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

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

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

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

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

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

(g) Other investments in debt and equity securities

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

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

1 Significant accounting policies *(continued)*

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

Investments other than equity investments

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

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

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

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

Equity investments

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

(h) Property, plant and equipment

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

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

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner under of the property interest (see note 1(i)); and

– other items of property, plant and equipment.

1 Significant accounting policies *(continued)*

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

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

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

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

– Leasehold land is depreciated over the unexpired term of lease.

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the building's estimated useful lives, being no more than 50 years after the date of completion.

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

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

(i) Leased assets

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

As a lessee

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

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

1 Significant accounting policies *(continued)*

(i) Leased assets *(continued)*

As a lessee (continued)

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

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 1(g), 1(s)(vi) and 1(j)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

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

1 Significant accounting policies *(continued)*

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

– debt securities measured at FVOCI (recycling).

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

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

1 Significant accounting policies *(continued)*

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

Basis of calculation of interest income

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

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

1 Significant accounting policies *(continued)*

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

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

Basis of calculation of interest income (continued)

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

- property, plant and equipment, including right-of-use assets;
- investments in associates and a joint venture in the Group's consolidated statement of financial position; and
- investments in subsidiaries in the Company's statement of financial position.

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

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

1 Significant accounting policies *(continued)*

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

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

– Recognition of impairment losses

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

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

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

(k) Inventories

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

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

1 Significant accounting policies *(continued)*

(l) Contract assets and contract liabilities

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

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

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

(m) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs.

All receivables are subsequently stated at amortised cost using the effective interest method and including allowance for credit losses (see note 1(j)(i)).

(n) Trade and other payables

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

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i).

1 Significant accounting policies *(continued)*

(p) Employee benefits

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

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

(q) Income tax

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

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

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

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

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

1 Significant accounting policies *(continued)*

(q) Income tax *(continued)*

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

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

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

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

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

  – the same taxable entity; or

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

(r) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

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

1 Significant accounting policies *(continued)*

(s) Revenue and other income

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

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

Further details of the Group's revenue and other income recognition policies are as follows:

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

(ii) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

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

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

(v) The portion of change in fair value of debt securities at FVPL, arising from interest earned, is recognised as interest revenue from debt securities at FVPL, which is calculated using the effective interest method.

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

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

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

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

1 Significant accounting policies *(continued)*

(t) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

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

(u) Borrowing costs

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

(v) Related parties

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

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

(2) has significant influence over the Group; or

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

1 Significant accounting policies *(continued)*

(v) Related parties *(continued)*

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

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

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

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

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

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

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

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

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

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

(w) Segment reporting

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

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

2 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are motoring school operation, treasury management and securities investment. Given below is an analysis of the revenue of the Group:

(i) Disaggregation of revenue

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

	2021 $'000	2020 $'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Course fee from motoring school operation	537,787	474,490
– Management fee from tunnel operation	2,500	2,500
– Consultancy fee and management fee from electronic toll operation	12,600	12,600
	552,887	489,590
Revenue from other sources		
– Dividend income from equity instruments	27,503	59,988
– Others	2,403	5,899
	29,906	65,887
Interest revenue from debt securities measured at fair value through profit or loss	3,874	36,690
Other interest revenue		
– Interest income from debt securities at FVOCI	67,666	68,754
– Interest income from interest-bearing instruments	39,989	74,969
– Interest income from bank	5,344	24,632
	112,999	168,355
Total revenue	699,666	760,522

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

2 Revenue and segment reporting *(continued)*

(b) Segment reporting

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

- Motoring school operation: this segment invests in subsidiaries which operate four designated driving training centres.
- Tunnel operation: this segment invests in associates which operate the Western Harbour Tunnel franchise.
- Electronic toll operation: this segment invests in a joint venture which operates an electronic toll collection system, provides telematics services, and intelligent transportation and surveillance system solutions.
- Treasury management: this segment operates investing activities to receive dividend income and interest income, and manages an investment portfolio including unlisted funds, equity securities, debt securities, and bank deposits and cash.

(i) Segment results, assets and liabilities

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

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

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

2 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	Motoring school operation		Tunnel operation		Electronic toll operation		Treasury Management		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from contracts with customers within the scope of HKFRS 15	**537,787**	474,490	**2,500**	2,500	**12,600**	12,600	**–**	–	**552,887**	489,590
Dividend income from equity instruments	**–**	–	**–**	–	**–**	–	**27,503**	59,988	**27,503**	59,988
Interest revenue	**2,746**	8,350	**–**	–	**3**	34	**114,124**	196,661	**116,873**	205,045
Reportable segment revenue	**540,533**	482,840	**2,500**	2,500	**12,603**	12,634	**141,627**	256,649	**697,263**	754,623
Reportable segment profit/(loss) before tax	**223,932**	198,194	**462,680**	419,861	**38,042**	49,526	**(529,280)**	288,062	**195,374**	955,643
Finance costs	**(2,514)**	(3,197)	**–**	–	**–**	–	**(158)**	(269)	**(2,672)**	(3,466)
Depreciation	**(79,289)**	(79,530)	**–**	–	**–**	–	**(1)**	–	**(79,290)**	(79,530)
Share of profits of associates	**–**	–	**460,180**	417,361	**–**	–	**62,628**	–	**522,808**	417,361
Share of profits of a joint venture	**–**	–	**–**	–	**25,553**	37,119	**–**	–	**25,553**	37,119
Income tax	**(37,415)**	(32,242)	**–**	–	**(1,866)**	(1,941)	**(72)**	(403)	**(39,353)**	(34,586)
Reportable segment assets	**1,253,305**	1,142,597	**399,928**	575,222	**176,730**	156,337	**6,507,549**	8,262,549	**8,337,512**	10,136,705
Interest in a joint venture	**–**	–	**–**	–	**149,292**	141,304	**–**	–	**149,292**	141,304
Interest in associates	**–**	–	**399,928**	575,222	**–**	–	**171,564**	–	**571,492**	575,222
Additions to non-current segment assets	**66,121**	25,226	**–**	–	**–**	–	**1,842,154**	841,393	**1,908,275**	866,619
Reportable segment liabilities	**758,632**	684,542	**–**	–	**88**	195	**1,053**	110,459	**759,773**	795,196

2 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	2021 $'000	2020 $'000
Revenue		
Reportable segment revenue	697,263	754,623
Unallocated head office and corporate revenue	2,403	5,899
Consolidated revenue	699,666	760,522
Profit		
Reportable segment profit derived from the Group's external customers	195,374	955,643
Other revenue	26	26
Unallocated head office and corporate income and expenses	(138,314)	(131,592)
Consolidated profit before taxation	57,086	824,077
Assets		
Reportable segment assets	8,337,512	10,136,705
Unallocated head office and corporate assets	30,385	29,056
Consolidated total assets	8,367,897	10,165,761
Liabilities		
Reportable segment liabilities	759,773	795,196
Unallocated head office and corporate liabilities	70,051	71,700
Consolidated total liabilities	829,824	866,896

(iii) Geographic information

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

3 Other revenue and other net (losses)/gains

	2021 $'000	2020 $'000
Other revenue		
Interest income from loan to an associate	**26**	26
Other net (losses)/gains		
Change in fair value of other financial assets at FVPL		
– Unlisted fund investments	**(20,892)**	395,310
– Debt securities	**(15,689)**	(11,142)
– Equity securities	**(496,055)**	(315,804)
	(532,636)	68,364
Net gains on sale of property, plant and equipment	**264**	206
Net loss upon disposal of debt securities at FVOCI (recycling)	**(166,899)**	—
Others	**(1,066)**	—
	(700,337)	68,570

4 Profit before taxation

	2021 $'000	2020 $'000
Profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest on lease liabilities (note 15(b))	**2,672**	3,466
Other borrowing costs	**57**	56
	2,729	3,522

4 Profit before taxation *(continued)*

	2021 $'000	2020 $'000
(b) Other items		
Auditor's remuneration		
– Audit services	**3,104**	2,820
– Other services	**600**	568
	3,704	3,388
Depreciation (note 9)		
– Owned property, plant and equipment	**22,194**	32,841
– Right-of-use assets	**67,111**	63,009
	89,305	95,850
Impairment losses (reversed)/recognised on financial assets		
– Debt securities at FVOCI (recycling) (note 21(a))	**(11,528)**	13,496
– Interest bearing instruments, net (note 21(a))	**41,520**	20,050
– Trade and other receivables	**7,615**	1,926
	37,607	35,472
Dividend income		
– Equity instruments at FVOCI (non-recycling)	**(2,635)**	(2,567)
– Equity instruments at FVPL	**(24,868)**	(57,421)
	(27,503)	(59,988)
Contributions to defined contribution retirement scheme	**8,537**	8,292
Salaries, wages and other benefits	**315,418**	295,666
Cost of inventories consumed	**12,270**	8,489
Government grants	**–**	(31,175)
Net foreign exchange gains	**(2,862)**	(59)

5 Income tax in the consolidated statement of profit or loss

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

	2021 $'000	2020 $'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**38,638**	36,219
Over-provision in respect of prior years	**(298)**	(573)
	38,340	35,646
Deferred tax		
Origination and reversal of temporary differences (note 19(b))	**1,217**	(1,060)
	39,557	34,586

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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 2020.

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

	2021 $'000	2020 $'000
Profit before taxation	**57,086**	824,077
Notional tax on profit before taxation	**9,254**	135,808
Tax effect of non-deductible expenses	**48,050**	28,850
Tax effect of non-taxable income	**(123,238)**	(178,310)
Tax effect of unused tax losses not recognised	**107,454**	49,078
Tax effect of recognition of unused tax losses previously not recognised	**(1,665)**	(267)
Over-provision in prior years	**(298)**	(573)
Actual tax expense	**39,557**	34,586

6 Directors' emoluments

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

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
2021					
Executive directors					
Cheung Chung Kiu	–	–	22,000	2	22,002
Yeung Hin Chung, John	–	6,026	8,000	18	14,044
Yuen Wing Shing	–	6,026	6,500	18	12,544
Wong Chi Keung	–	–	2,500	2	2,502
Leung Wai Fai	–	–	4,000	2	4,002
Tung Wai Lan, Iris	–	5,200	6,500	18	11,718
Independent non-executive directors					
Luk Yu King, James	525	–	–	–	525
Ng Kwok Fu	410	–	–	–	410
Leung Yu Ming, Steven	410	–	–	–	410
	1,345	17,252	49,500	60	68,157
2020					
Executive directors					
Cheung Chung Kiu	–	–	22,000	2	22,002
Yeung Hin Chung, John	–	6,026	8,000	18	14,044
Yuen Wing Shing	–	6,026	6,500	18	12,544
Wong Chi Keung	–	–	2,500	2	2,502
Leung Wai Fai	–	–	4,000	2	4,002
Tung Wai Lan, Iris	–	4,940	6,500	18	11,458
Independent non-executive directors					
Luk Yu King, James	515	–	–	–	515
Ng Kwok Fu	400	–	–	–	400
Leung Yu Ming, Steven	400	–	–	–	400
	1,315	16,992	49,500	60	67,867

7 Individuals with highest emoluments

Of the 5 individuals with the highest emoluments for the year ended 31 December 2021 and 2020, all of them are directors during the year whose emoluments are disclosed in note 6.

8 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of $49,245,000 (2020: profit of $725,243,000) and the weighted average of 372,688,000 (2020: 372,688,000) ordinary shares in issue during the year.

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

9 Property, plant and equipment

(a) Reconciliation of carrying amounts

	Ownership interests in leasehold land and buildings held for own use carried at cost $'000	Other properties leased for own use carried at cost $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Yacht $'000	Leasehold improvements $'000	Sub-total $'000	Interests in leasehold land held for own use $'000	Total $'000
Cost:									
At 1 January 2020	214,484	227,811	47,173	163,375	123,312	20,498	796,653	79,328	875,981
Additions	–	5,529	1,746	4,426	–	13,771	25,472	–	25,472
Disposals	–	–	(3)	(999)	–	(538)	(1,540)	–	(1,540)
At 31 December 2020	214,484	233,340	48,916	166,802	123,312	33,731	820,585	79,328	899,913
At 1 January 2021	**214,484**	**233,340**	**48,916**	**166,802**	**123,312**	**33,731**	**820,585**	**79,328**	**899,913**
Additions	**15,695**	**40,133**	**2,185**	**6,834**	**–**	**1,528**	**66,375**	**–**	**66,375**
Disposals	**–**	**–**	**(44)**	**(1,736)**	**–**	**(190)**	**(1,970)**	**–**	**(1,970)**
At 31 December 2021	**230,179**	**273,473**	**51,057**	**171,900**	**123,312**	**35,069**	**884,990**	**79,328**	**964,318**
Accumulated depreciation:									
At 1 January 2020	96,750	57,600	35,402	125,968	115,469	12,333	443,522	18,266	461,788
Charge for the year	4,614	57,628	3,761	15,617	6,631	6,832	95,083	767	95,850
Written back on disposals	–	–	(3)	(950)	–	(538)	(1,491)	–	(1,491)
At 31 December 2020	101,364	115,228	39,160	140,635	122,100	18,627	537,114	19,033	556,147
At 1 January 2021	**101,364**	**115,228**	**39,160**	**140,635**	**122,100**	**18,627**	**537,114**	**19,033**	**556,147**
Charge for the year	**3,972**	**62,361**	**3,559**	**11,443**	**348**	**6,844**	**88,527**	**778**	**89,305**
Written back on disposals	**–**	**–**	**(25)**	**(1,493)**	**–**	**(49)**	**(1,567)**	**–**	**(1,567)**
At 31 December 2021	**105,336**	**177,589**	**42,694**	**150,585**	**122,448**	**25,422**	**624,074**	**19,811**	**643,885**
Net book value:									
At 31 December 2021	**124,843**	**95,884**	**8,363**	**21,315**	**864**	**9,647**	**260,916**	**59,517**	**320,433**
At 31 December 2020	113,120	118,112	9,756	26,167	1,212	15,104	283,471	60,295	343,766

Interest in leasehold land situated in Hong Kong held for own use at 31 December 2021 and 2020 are under medium-term leases.

9 Property, plant and equipment *(continued)*

(b) Right-of-use assets

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

	Note	**2021 $'000**	2020 $'000
Ownership interests in leasehold land and buildings held for own use, carried at cost in Hong Kong, with remaining lease term of:			
– between 10 and 50 years		**124,843**	113,120
Interest in leasehold land held for own use with remaining lease term of:			
– between 10 and 50 years		**59,517**	60,295
	(i)	**184,360**	173,415
Other properties leased for own use, carried at depreciated cost	(ii)	**95,884**	118,112
		280,244	291,527

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

	2021 $'000	2020 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**3,972**	4,614
Interest in leasehold land	**778**	767
Other properties leased for own use	**62,361**	57,628
	67,111	63,009
Interest on lease liabilities (note 4(a))	**2,672**	3,466
Expense relating to short-term leases	**519**	15
COVID-19-related rent concessions received	**(42,968)**	(29,032)

9 Property, plant and equipment *(continued)*

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

During the year, additions to right-of-use assets were $55,828,000 (2020: $5,529,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 15(c) and 21(b) respectively.

As disclosed in note 1(c), the Group has early adopted the Amendment to HKFRS 16, Leases, Covid-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment), and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year. Further details are disclosed in (ii) below.

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

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

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its driving schools, services centres and offices through tenancy agreements. The leases typically run for an initial period of 1 to 5 years. During 2021, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments in respect of properties leased for own use as driving schools for the year is summarised below:

		2021	
	Fixed payments $'000	**COVID-19 rent concessions $'000**	**Total payments $'000**
Properties leased for own use as driving schools	**57,778**	**(42,968)**	**14,810**

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

(Expressed in Hong Kong dollars)

10 Investments in subsidiaries

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

			Proportion of ownership interest			
Name of company	Place of incorporation	Particulars of issued and fully paid-up share capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Alpha Hero Limited	British Virgin Islands	50,000 shares of US$1 each	70%	–	70%	Holding company
Bigstar Limited	British Virgin Islands	1 share of US$1	100%	–	100%	Securities investment
Capital Choice Limited	Hong Kong	1 share	100%	–	100%	Money lending business
Clear Path Limited	British Virgin Islands	500 shares of US$1 each	100%	–	100%	Securities investment
Gold Faith Investments Limited	British Virgin Islands	1 share of US$1	100%	–	100%	Securities investment
High Fortune Group Limited	British Virgin Islands	1 share of US$1	100%	100%	–	Holding company
Master Warrior Holdings Limited	British Virgin Islands	1 share	100%	–	100%	Securities investment
MEG (HK) Limited	Hong Kong	1 share	70%	–	70%	Property holding
Motoring Excellence Group Limited	Hong Kong	1 share	70%	–	70%	Holding company
New Horizon School of Motoring Limited	Hong Kong	1 share	70%	–	70%	Designated driving school
Phenomenal Combo Limited	British Virgin Islands	1 share	100%	–	100%	Securities investment
HKSM Siu Lek Yuen Driving School Limited	Hong Kong	1 share	70%	–	70%	Designated driving school
HKSM Yuen Long Driving School Limited	Hong Kong	2 shares	70%	–	70%	Designated driving school
The Hong Kong School of Motoring Limited	Hong Kong	2,000,000 shares	70%	–	70%	Holding company
Newcheer Limited	British Virgin Islands	1 share of US$1	100%	–	100%	Securities investment
NKT Driving School Limited	Hong Kong	1 share	70%	–	70%	Designated driving school
The Autopass Company Limited	Hong Kong	70,000 "A" shares 30,000 "B" shares	100% –	100% –	– –	Investment holding and provision of consultancy services
Value Train Holdings Limited	British Virgin Islands	1 share	100%	–	100%	Securities investment

10 Investments in subsidiaries *(continued)*

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

	2021 $'000	2020 $'000
Gross amounts of AHL group's		
Current assets	**916,582**	795,426
Non-current assets	**344,585**	359,154
Current liabilities	**(737,219)**	(621,135)
Non-current liabilities	**(29,275)**	(64,359)
Net assets	**494,673**	469,086
NCI percentage	**30%**	30%
Carrying amount of NCI	**148,402**	140,726
Revenue	**541,004**	486,141
Profit for the year	**186,517**	165,951
Total comprehensive income	**186,517**	165,951
NCI percentage	**30%**	30%
Profit allocated to NCI	**55,955**	49,785
Dividend paid to NCI	**44,970**	34,290
Cash flows from operating activities	**330,038**	351,481
Cash flows from investing activities	**(257,063)**	108,517
Cash flows from financing activities	**(209,441)**	(169,542)

11 Interest in associates

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

Name of associates	Form of business structure	Place of incorporation	Proportion of Ownership interest: Group's effective interest	Proportion of Ownership interest: Held by a subsidiary	Principal activity	Financial year end
Western Harbour Tunnel Company Limited ("WHTCL")	Incorporated	Hong Kong	50%	50%	Operation of the Western Harbour Crossing	31 July
Ace Season Investments Limited ("ASIL")	Incorporated	British Virgin Islands	45%	45%	Securities investment	31 December

Note 1: WHTCL was granted a thirty-year franchise to construct and operate the Western Harbour Crossing in accordance with the Western Harbour Crossing Ordinance enacted on 22 July 1993.

Note 2: ASIL was acquired in May 2021 for the Group in expanding its treasury investment.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

11 Interest in associates *(continued)*

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

	Note	2021 $'000	2020 $'000
Gross amounts of the WHTCL's			
Revenue			
Toll revenue		**1,697,372**	1,489,777
Other revenue	(i)	**54,333**	53,931
		1,751,705	1,543,708
Other income		**300**	3,550
Expenditure			
Operating and administrative expenses		**(129,314)**	(121,058)
Rates and government rent		**(62,599)**	(73,311)
Amortisation and depreciation	(ii)	**(432,164)**	(330,200)
Operating profit before finance charges		**1,127,928**	1,022,689
Interest on shareholders' loans		**(52)**	(52)
Profit before taxation		**1,127,876**	1,022,637
Income tax	(iii)	**(188,798)**	(169,197)
Profit and total comprehensive income		**939,078**	853,440
Group's effective interest		**50%**	50%
Group's share of total comprehensive income		**469,539**	426,720
Fair value adjustments		**(9,359)**	(9,359)
		460,180	417,361
Dividend declared by the associate		**635,500**	557,000
Gross amounts of the WHTCL's			
Current assets		**406,362**	348,272
Non-current assets		**820,100**	1,252,076
Current liabilities	(iv)	**(334,705)**	(305,830)
Non-current liabilities		**(127,394)**	(198,233)
Equity		**764,363**	1,096,285

11 Interest in associates *(continued)*

	Note	2021 $'000	2020 $'000
Reconciled to the Group's interest in WHTCL			
Gross amounts of net assets of the associate		**764,363**	1,096,285
Group's effective interest		**50%**	50%
Group's share of net assets of the associate		**382,182**	548,143
Fair value adjustments		**14,653**	24,012
Amount due from the associate	(v)	**417**	417
Loan to and interest receivable from the associate	(vi)	**2,676**	2,650
Carrying amount in the consolidated financial statements		**399,928**	575,222

Notes:

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

(ii) Amortisation of the cost of tunnel is calculated to write-off the cost over the franchise period on a units-of-usage basis whereby amortisation is provided based on the share of traffic volume for a particular period over the projected total traffic volume for the remainder of the franchise period of the tunnel. The franchise operating right will expire on 31 July 2023, being the end of the franchising period.

(iii) Taxation for the year comprises current tax and movements in deferred tax liabilities for the year. The provision for Hong Kong Profits Tax for 2021 is calculated at 8.25% on assessable profits up to $2,000,000 and 16.5% on any part of assessable profits over $2,000,000 for the year (2020: 8.25% on assessable profits up to $2,000,000 and 16.5% on any part of assessable profits over $2,000,0000 for the year).

(iv) Current liabilities include current tax liabilities of $92.2 million (2020: $95.8 million).

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

(vi) The loan to the associate is unsecured and bears interest at a rate of 1% (2020: 1%) per annum as determined by the shareholders of the associate. Interest earned by the Group from the associate for the year ended 31 December 2021 amounted to $0.02 million (2020: $0.02 million). The loan is repayable on demand as may from time to time be agreed among the associate's shareholders. The loan is classified as non-current as the directors do not intend to demand repayment within the next twelve months.

(c) Aggregate information of ASIL:

	2021 $'000
Carrying amount in the consolidated financial statements	**171,564**
Group's share of ASIL	
Profit before taxation	**62,628**
Profit and total comprehensive income	**62,628**
Loan to an associate (Note)	**108,935**

Note: In accordance with the terms of the associate agreement, partners to ASIL have provided loan capital to ASIL in proportion to their shareholdings and under equal terms. The loans are unsecured, interest free and subordinated to the other financing obtained by ASIL. Repayment of any amount of the loan capital is subject to ASIL having sufficient assets after taking into account the external financing and retained earnings. Accordingly, the loan to ASIL forms an integral part of the Group's equity investment in the associate.

12 Interest in a joint venture

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

				Proportion of ownership interest				
Name of joint venture	Form of business structure	Place of incorporation	Particulars of issued and fully paid up share capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity	Financial year end
Autotoll (BVI) Limited	Incorporated	British Virgin Island	2 shares of US$1 each	50%	–	50%	Holding company	31 December

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

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

	2021	2020
	$'000	$'000
Share of net assets	**149,292**	128,804
Loan to a joint venture	**–**	12,500
Carrying amount in the consolidated financial statements	**149,292**	141,304
Amounts of the Group's share of the joint venture's		
– Profit from continuing operations	**25,553**	37,119
– Other comprehensive income	**(64)**	236
– Total comprehensive income	**25,489**	37,355

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

13 Other financial assets

	Note	2021 $'000	2020 $'000
Non-current			
Financial assets designated at FVOCI (non-recycling)			
– Equity securities listed in Hong Kong			
• Evergrande Vehicle*	(i)	–	1,638,501
• Others*	(ii)	59,931	56,323
		59,931	1,694,824
Financial assets measured at FVOCI (recycling)			
– Debt securities listed in Hong Kong*	(iii)	–	139,554
– Debt securities listed outside Hong Kong*	(iii)	–	559,782
		–	699,336
Financial assets measured at FVPL			
– Unlisted fund investments	(iv)	2,822,231	1,586,578
– Unlisted equity security		83,946	129,279
– Debt securities listed outside Hong Kong*		2,609	18,050
– Equity securities listed outside Hong Kong*	(vii)	–	64,040
		2,908,786	1,797,947
		2,968,717	4,192,107
Current			
Financial assets measured at amortised cost			
– Unsecured, interest-bearing instruments	(v)	275,000	474,999
Less: loss allowance	21(a)	(84,281)	(42,761)
		190,719	432,238
Financial assets measured at FVOCI (recycling)			
– Debt securities listed outside Hong Kong*	(iii)	102,960	291,157
Financial assets measured at FVPL			
– Debt securities listed outside Hong Kong*		–	99,409
– Equity securities listed in Hong Kong*	(vi)	913,434	931,541
– Equity securities listed outside Hong Kong*	(vii)	130,521	–
– Others*		3,898	–
		1,047,853	1,030,950
		1,341,532	1,754,345
Total		4,310,249	5,946,452

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

13 Other financial assets *(continued)*

Notes:

(i) During the year ended 31 December 2021, the Group disposed all of its investment in China Evergrande New Energy Vehicle Group Limited ("Evergrande Vehicle"), in response to an adjustment in its investment strategy. Fair value loss of $1,472,776,000 (2020: gain of $1,216,940,000) was recognised in other comprehensive income during the year. Net realised gains of $103,501,000 was transferred from fair value reserve (non-recycling) to retained profits upon the disposal.

(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. Net fair value gain of $3,606,000 (2020: loss of $14,848,000) was recognised in other comprehensive income and dividends amounted to $2,635,000 (2020: $2,567,000) were received and recognised in profit or loss during the year.

(iii) During the year ended 31 December 2021, the Group disposed of certain debt securities at fair value through other comprehensive income (recycling) in response to an adjustment in its investment strategy. Net realised losses of $166,899,000 was transferred from fair value reserve (recycling) to profit or loss upon the disposal. Net fair value loss net of impairment losses reversed/recognised of $269,937,000 (2020: loss of $306,000) was recognised in other comprehensive income during the year.

(iv) As at 31 December 2021, the Group's unlisted fund investments comprised of 35 (31 December 2020: 10) private funds. The Group managed the price risk through diversification of investment portfolio. The underlying investments held by these funds include listed and unlisted equity securities, debt securities, structured financing products and venture capital deals in various regions, covering various industries and sectors including biopharmaceuticals, biotechnology, e-Commerce, healthcare and related services, information technology, industrials, enterprise software, and transportation. The fair value of these investments may change significantly based on broader macroeconomic conditions, overall capital and investment markets conditions, and factors associated with underlying assets within the private fund portfolio.

(v) The balance as at 31 December 2021 represents 4 (2020: 8) interest-bearing instruments which are unsecured, interest-bearing from 7% to 12% per annum (2020: 8% to 12% per annum) and with remaining maturity of 6 to 12 months.

(vi) As at 31 December 2021, the fair value of equity securities listed in Hong Kong and classified at FVPL amounted to $913,434,000 (2020: $931,541,000), and a decrease in fair value of $462,941,000 (2020: $153,443,000) was recognised in profit or loss for the year.

(vii) As at 31 December 2021, the Group's investments in listed equity securities outside Hong Kong and classified at FVPL amounted to $130,521,000 (2020: $64,040,000) are equity securities listed in the in the USA, Canada, and Singapore, and an increase in fair value of $14,099,000 (2020: $2,445,000) was recognised in profit or loss for the year.

14 Trade and other receivables

	2021 $'000	2020 $'000
Trade receivables	3,016	11,715
Other receivables	21,830	100,138
	24,846	111,853
Deposits and prepayments (Note)	94,767	290,342
	119,613	402,195
Less: non-current portion	(74,441)	(270,989)
	45,172	131,206

Note: As at 31 December 2021, included in deposits and prepayments of the Group is an amount of $778,000 (2020: $232,635,000) which is related to a prepayment for unlisted fund investments.

Apart from the prepayment for unlisted fund investments of $778,000 (2020: $232,635,000) that will be converted into non-current financial assets, the Group's deposits, placed for the properties leased for own use as driving schools of $73,663,000 (2020: $38,354,000), are expected to be recovered or recognised as expense after more than one year. 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:

	2021 $'000	2020 $'000
Within 1 month	2,561	11,461
1 to 2 months	331	147
2 to 3 months	17	7
Over 3 months	107	100
	3,016	11,715

15 Bank deposits and cash

(a) Cash and cash equivalents comprise

	2021 $'000	2020 $'000
Deposits with banks and other financial institutions	769,797	1,944,650
Cash at bank and in hand	2,036,143	731,208
Bank deposits and cash in the consolidated statement of financial position	2,805,940	2,675,858
Less: Deposits with original maturity over three months	(358,928)	(559,271)
Cash and cash equivalents in the consolidated cash flow statement	2,447,012	2,116,587

(b) Reconciliation of liabilities arising from financing activities

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

	Dividends payable $'000	Lease liabilities $'000	Total $'000
At 1 January 2021	1,044	120,206	121,250
Changes from financing cash flows:			
Interest element of lease rentals paid	–	(2,672)	(2,672)
Capital element of lease rentals paid	–	(19,701)	(19,701)
Dividends paid	(156,719)	–	(156,719)
Total changes from financing cash flows	(156,719)	(22,373)	(179,092)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	40,133	40,133
Interest expenses (note 4(a))	–	2,672	2,672
COVID-19 - related rent concession received (note 9(b))	–	(42,968)	(42,968)
Dividends approval in respect of the previous years (note 20(b)(ii))	89,445	–	89,445
Dividends declared in respect of the current year (note 20(b)(i))	67,084	–	67,084
Total other changes	156,529	(163)	156,366
At 31 December 2021	854	97,670	98,524

15 Bank deposits and cash *(continued)*

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

	Dividends payable $'000	Lease liabilities $'000	Total $'000
At 1 January 2020	646	171,673	172,319
Changes from financing cash flows:			
Interest element of lease rentals paid	—	(3,466)	(3,466)
Capital element of lease rentals paid	—	(27,964)	(27,964)
Dividends paid	(156,131)	—	(156,131)
Total changes from financing cash flows	(156,131)	(31,430)	(187,561)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	—	5,529	5,529
Interest expenses (note 4(a))	—	3,466	3,466
COVID-19 - related rent concession received (note 9(b))	—	(29,032)	(29,032)
Dividends approval in respect of the previous years (note 20(b)(ii))	89,445	—	89,445
Dividends declared in respect of the current year (note 20(b)(i))	67,084	—	67,084
Total other changes	156,529	(20,037)	136,492
At 31 December 2020	1,044	120,206	121,250

(c) Total cash outflow for leases

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

	2021 $'000	2020 $'000
Within operating cash flows	**519**	15
Within financing cash flows	**22,373**	31,430
	22,892	31,445

These amounts relate to the following:

	2021 $'000	2020 $'000
Lease rentals paid	**22,892**	31,445

16 Trade and other payables

	2021 $'000	2020 $'000
Trade payables	**8,327**	11,892
Other payables and accruals	**112,439**	216,420
	120,766	228,312

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:

	2021 $'000	2020 $'000
Within 1 month	**2,082**	3,147
1 month to 3 months	**2,082**	2,710
Over 3 months but within 6 months	**4,163**	6,035
	8,327	11,892

17 Contract liabilities

	2021 $'000	2020 $'000
Course fee received in advance	**597,589**	500,413

Note:

The revenue recognised during the year that was included in the contract liabilities balance at the beginning of the period amounted to $347,261,000 (2020: $290,108,000).

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

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

18 Lease liabilities

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 $'000	2020 $'000
Within 1 year	**70,475**	56,064
After 1 year but within 2 years	**27,140**	50,513
After 2 years but within 5 years	**55**	13,629
	27,195	64,142
	97,670	120,206

19 Income tax in the consolidated statement of financial position

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

	2021 $'000	2020 $'000
Provision for Hong Kong Profits Tax for the year	**38,638**	36,219
Provisional Profits Tax paid	**(27,877)**	(21,792)
	10,761	14,427
Taxation recoverable recognised in the consolidated statement of financial position	**(102)**	—
Taxation payable recognised in the consolidated statement of financial position	**10,863**	14,427
	10,761	14,427

(b) Deferred tax assets and liabilities recognised:

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

	Unrealised gains on equity securities $'000	Tax losses recognised $'000	Depreciation allowances in excess of the related depreciation $'000	Total $'000
Deferred tax arising from:				
At 1 January 2020	60,887	(65,417)	3,490	(1,040)
(Credited)/charged to profit or loss	(25,318)	25,642	(1,384)	(1,060)
At 31 December 2020	35,569	(39,775)	2,106	(2,100)
At 1 January 2021	**35,569**	**(39,775)**	**2,106**	**(2,100)**
(Credited)/charged to profit or loss	**(35,569)**	**37,497**	**(711)**	**1,217**
At 31 December 2021	**–**	**(2,278)**	**1,395**	**(883)**

	2021 $'000	2020 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(3,065)**	(4,594)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**2,182**	2,494
	(883)	(2,100)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $1,697,681,000 (2020: $1,056,533,000) as it is not probable that future taxable profits against which the unused tax losses can be utilised will be available. The tax losses do not expire under the current tax legislation.

20 Capital, reserves and dividends

(a) Movements in components of equity

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

Company

	Share capital $'000	Retained profits $'000	Total $'000
Balance at 1 January 2020	1,629,461	3,722,559	5,352,020
Changes in equity for 2020:			
Dividends approved in respect of the previous year (note 20(b))	–	(89,445)	(89,445)
Profit and total comprehensive income for the year	–	28,039	28,039
Dividends declared in respect of the current year (note 20(b))	–	(67,084)	(67,084)
Balance at 31 December 2020 and 1 January 2021	1,629,461	3,594,069	5,223,530
Changes in equity for 2021:			
Dividends approved in respect of the previous year (note 20(b))	**–**	**(89,445)**	**(89,445)**
Loss and total comprehensive income for the year	**–**	**(468,054)**	**(468,054)**
Dividends declared in respect of the current year (note 20(b))	**–**	**(67,084)**	**(67,084)**
Balance at 31 December 2021	**1,629,461**	**2,969,486**	**4,598,947**

(b) Dividends

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

	2021 $'000	2020 $'000
Interim dividends declared of $0.18 per share (2020: $0.18 per share)	**67,084**	67,084
Final dividend proposed after the end of the reporting period $0.24 per share (2020: $0.24 per share)	**89,445**	89,445
	156,529	156,529

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

20 Capital, reserves and dividends *(continued)*

(b) Dividends *(continued)*

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

	2021 $'000	2020 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.24 per share (2020: $0.24 per share)	**89,445**	89,445

(c) Share capital

Issued share capital

	2021 No. of shares ('000)	2021 $'000	2020 No. of shares ('000)	2020 $'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**372,688**	**1,629,461**	372,688	1,629,461

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

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

(d) Nature and purpose of reserves

(i) Capital reserve

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

(ii) Fair value reserve (recycling)

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

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(g)).

(iv) Exchange reserve

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

20 Capital, reserves and dividends *(continued)*

(e) Capital management

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

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

At 31 December 2021, the Group did not have external borrowings. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

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

The adjusted capital at 31 December 2021 and 2020 was as follows:

	2021	2020
	$'000	$'000
Total equity	**7,537,973**	9,298,865
Less: proposed dividend (note 20(b))	**(89,445)**	(89,445)
	7,448,528	9,209,420

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

21 Financial risk management and fair values of financial instruments

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

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

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, loans to associates, debt securities, investment in interest-bearing instruments at amortised cost and trade and other receivables. Management monitors the Group's credit risk exposure on an ongoing basis.

Bank deposits

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limits to the amounts deposited in each of these financial institutions. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as at 31 December 2021 and 2020.

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

(a) Credit risk *(continued)*

Loans to associates

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

Such associates are considered to have sound financial position and the identified impairment loss was immaterial as at 31 December 2021 and 2020. The maximum exposure to credit risk at the end of the reporting period are disclosed in note 11.

Debt securities

All of the Group's debt security measured at FVOCI of $102,960,000 (2020: debt securities of $990,493,000) at 31 December 2021 represent listed debt security which is graded a credit rating B (2020: B to BB) by a major credit rating agency. Management assessed the credit risk of the Group's investment in debt security with reference to the grading by market credit rating agencies, where available, and default probability analysis performed by external agencies. As at the end of the reporting period, there was a significant increase in credit risk since the initial recognition of the debt security. Therefore, the loss allowance was measured based on lifetime expected credit losses, limited to the remaining maturity of the debt security which was less than 1 year.

The Group estimated credit loss based on the respective 12 months default risk rate as at 31 December 2021 for the issuer of the listed debt securities, which is obtained from external agencies. The loss allowance for investment in debt security measured at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in other comprehensive income.

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

	2021 **$'000**	2020 $'000
Balance at 1 January	**14,535**	1,039
(Decrease)/increase in loss allowance recognised in profit or loss during the year (note 4(b))	**(11,528)**	13,496
Balance at 31 December	**3,007**	14,535

The decrease in credit loss was mainly due to the disposal of certain debt securities during the year (note 13(ii)).

As at 31 December 2021, the Group also held listed debt securities measured at FVPL of $2,609,000 (2020: $117,459,000). The Group is exposed to market price risk arising from the instruments, as a result of a change in credit quality of the issuers. As at 31 December 2021, an increase/decrease of 5% in the fair value of such securities would have increased/decreased the Group's profit after tax (and retained profits) by $130,000 (2020: $5,873,000). Debt securities at FVPL are not subject to ECL assessment.

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

(a) Credit risk *(continued)*

Investment in unsecured interest-bearing instruments at amortised cost

As at 31 December 2021, the investment in unsecured interest-bearing instruments at amortised cost as disclosed in note 13 represents four (2020: eight) unquoted interest-bearing instruments. Management assessed the credit risk of the instrument issuers based on their past history of making repayments (including interest payment), financial position of the instrument issuers, and with reference to the relevant default probability analysis available in similar market. During the year ended 31 December 2021, there was significant increase in credit risk for one interest-bearing instrument of $65,000,000. Loss allowance of $50,033,000 was recognised in profit or loss during the year for this instrument. For the remaining interest-bearing instruments, there is no significant increase in credit risk identified since the initial recognition of the investment. Due to the short duration of the instruments, which maturity is 6 to 12 months, the loss allowance recognised during the period was measured at an amount equal to lifetime ECLs.

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

	2021	2020
	$'000	$'000
Balance at 1 January	**42,761**	22,711
Increase in loss allowance recognised in profit or loss during the year, net (note 4(b))	**41,520**	20,050
Balance at 31 December	**84,281**	42,761

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

Trade and other receivables

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

The Group applies the HKFRS 9 simplified approach under which credit losses on trade and other receivables are measured at an amount equal to the lifetime expected credit losses. The identified impairment loss was immaterial as at 31 December 2021. The maximum exposure to credit risk at the end of the reporting period equals the respective carrying amount as at 31 December 2021 as disclosed in note 14.

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

(b) Liquidity risk

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

The remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay, are within one year or on demand, except for the lease liabilities as disclosed below:

	2021 Contractual undiscounted cash out flow					2020 Contractual undiscounted cash out flow				
	Within 1 year $'000	After 1 year but within 2 years $'000	After 2 year but within 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 year $'000	After 1 year but within 2 years $'000	After 2 year but within 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Lease liabilities	72,402	27,604	56	100,062	97,670	58,469	51,769	13,822	124,060	120,206

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest income from floating rate income-earning financial assets, and the impact of rate changes on the fair value of fixed rate instruments at FVOCI and FVPL. The Group invests in interest-bearing instruments and listed debt securities with fixed coupon rate. The Group manages its interest rate risk regularly by monitoring the interest rate profile of its investments. The Group did not enter into any interest rate swaps instrument during 2020 and 2021.

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

		2021		2020	
	Fixed/floating	Effective interest rate	$'000	Effective interest rate	$'000
Bank deposits and cash	Floating	0.01% - 0.45%	1,395,097	0.01% - 0.36%	258,634
Bank deposits and cash	Fixed	0.11% - 0.47%	769,797	0.01% - 0.80%	1,944,650
Debt securities measured at FVOCI	Fixed	140.94%	102,960	2.85% - 15.13%	990,493
Interest-bearing instruments	Fixed	7.00% - 12.00%	275,000	8.00% - 12.00%	474,999
Debt securities measured at FVPL	Fixed	194.68%	2,609	6.73% - 14.54%	117,459

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

(c) Interest rate risk *(continued)*

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have:

(i) increased/decreased the Group's profit after tax and retained profits by approximately $3,488,000 (2020: $647,000) in response to the impact of general increase/decrease in interest rate on interest income from bank deposits and cash at floating rate;

(ii) decreased/increased the Group's profit after tax and retained profits by approximately $9,000 (2020: $157,000) in response to the impact of general increase/decrease in interest rate on the fair value of debt securities at FVPL; and

(iii) decreased/increased the other components of consolidated equity by approximately $217,000 (2020: $4,043,000) in response to the impact of general increase/decrease in interest rates on the fair value of debt securities measured at FVOCI.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis as 2020.

(d) Currency risk

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

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

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

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

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

(d) Currency risk *(continued)*

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

		Exposure to foreign currencies (expressed in Hong Kong dollars)	
	Foreign currency	**2021**	2020
		$'000	$'000
Bank deposits and cash	Australian dollar	**7,218**	7,604
Other financial assets	Singapore dollar	**16,484**	—

At 31 December 2021, it is estimated that a general increase of one percentage point in foreign exchange rates arising from recognised assets or liabilities denominated in currencies other than United States dollars and Hong Kong dollars would have an insignificant impact on the Group's earnings for the year.

(e) Equity price risk

The Group is exposed to market price risk arising from the equity investments held at the end of the reporting period (see note 13).

The following table details the Group's equity investments at the end of the reporting period and fair value (gain)/loss recognised during the year.

	2021		2020	
	Fair value loss	**Carrying amount at 31 December**	Fair value gain/(loss)	Carrying amount at 31 December
	$'000	**$'000**	$'000	$'000
Financial assets designated at FVOCI (non-recycling)				
– Equity securities listed in Hong Kong	**(1,469,170)**	**59,931**	1,202,092	1,694,824
Financial assets measured at FVPL				
– Unlisted fund investments	**(20,892)**	**2,822,231**	395,310	1,586,578
– Unlisted equity security	**(45,333)**	**83,946**	(4,259)	129,279
– Equity securities listed in and outside Hong Kong	**(450,722)**	**1,043,955**	(311,545)	995,581

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

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

(e) Equity price risk *(continued)*

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

As at 31 December 2021, the Group's unlisted fund investments (note 13) comprised mainly a number of investments in private funds. The Group managed the equity price risk through diversification of investment portfolio. The underlying investments held by these funds include listed and unlisted equity securities, debt securities, structured financing products and venture capital deals in various regions, covering various industries and sectors including biopharmaceuticals, biotechnology, e-Commerce, healthcare and related services, information technology, industrials, enterprise software, and transportation. The fair value of these investments may change significantly based on broader macroeconomic conditions, overall capital and investment markets conditions, and factors associated with underlying assets within the private fund portfolio.

At 31 December 2021, it is estimated that an increase/decrease of 10% (2020: 10%) in the fair value of the Group's all listed and unlisted equity securities, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2021			2020		
		Effect on profit after tax and retained profits $'000	Effect on other Components of equity $'000		Effect on profit after tax and retained profits $'000	Effect on other Components of equity $'000
Change in the relevant equity price risk variable:						
Increase	10%	377,788	5,993	10%	261,404	169,482
Decrease	(10)%	(377,788)	(5,993)	(10)%	(261,404)	(169,482)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that all other variables remain constant. The analysis is performed on the same basis as 2020.

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

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

	Fair value at 31 December	Fair value measurements as at 31 December 2021 categorised into			Fair value at 31 December	Fair value measurements as at 31 December 2020 categorised into		
	2021	Level 1	Level 2	Level 3	2020	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Recurring fair value measurements								
Assets								
Financial assets measured at FVOCI (non-recycling):								
– Equity securities listed in Hong Kong	59,931	59,931	–	–	1,694,824	1,694,824	–	–
Financial assets measured at FVOCI (recycling):								
– Debt securities listed outside Hong Kong	102,960	102,960	–	–	850,939	850,939	–	–
– Debt securities listed in Hong Kong	–	–	–	–	139,554	139,554	–	–
Financial assets measured at FVPL:								
– Unlisted fund investments	2,822,231	–	6,482	2,815,749	1,586,578	–	28,882	1,557,696
– Unlisted equity security	83,946	–	–	83,946	129,279	–	–	129,279
– Equity securities listed in Hong Kong	913,434	913,434	–	–	931,541	931,541	–	–
– Equity securities listed outside Hong Kong	130,521	130,521	–	–	64,040	64,040	–	–
– Debt securities listed outside Hong Kong	2,609	2,609	–	–	117,459	117,459	–	–
– Cryptocurrencies	3,898	3,898	–	–	–	–	–	–
	4,119,530	1,213,353	6,482	2,899,695	5,514,214	3,798,357	28,882	1,686,975

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

(f) Fair value measurement *(continued)*

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

Valuation techniques and inputs used in Level 2 fair value measurements

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

Information about Level 3 fair value measurements

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

Instruments	Valuation techniques	Significant unobservable inputs	Weighted average	Change in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss
As at 31 December 2021					
– Unlisted equity security	Market comparable companies	Discount for lack of marketability	20%	+/- 5%	+/- $5,300,000
As at 31 December 2020					
– Unlisted equity security	Market comparable companies	Discount for lack of marketability	20%	+/- 5%	+/- $8,080,000

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

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

(f) Fair value measurement *(continued)*

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

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

	2021 **$'000**	2020 $'000
Financial assets measured at FVPL:		
– *Unlisted fund investments:*		
At 1 January	**1,557,696**	1,028,935
Payment for capital contribution	**1,842,140**	285,745
Proceeds from distribution	**(569,536)**	(151,920)
Changes in fair value recognised in profit or loss during the period	**(14,551)**	394,936
At 31 December	**2,815,749**	1,557,696
– *Unlisted equity security:*		
At 1 January	**129,279**	–
Purchase	**–**	133,538
Changes in fair value recognised in profit or loss during the period	**(45,333)**	(4,259)
At 31 December	**83,946**	129,279

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021 and 2020. For the following intercompany amounts which are unsecured and have no fixed repayment terms, it is not meaningful to disclose their fair values. The Group has no intention of disposing of these loans and intercompany balances.

	2021 **Carrying amount** **$'000**	2020 Carrying amount $'000
Loan to an associate	**2,676**	2,650
Loan to a joint venture	**–**	12,500

22 Commitments

Investment commitment

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

	2021	2020
	$'000	$'000
Private funds	**1,978,696**	434,689

23 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

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

(b) Other related party transactions

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

(i) The Group extended a loan to and received interest from an associate, Western Harbour Tunnel Company Limited. The balance of the loan and interest receivable at 31 December 2021 was $2.7 million (2020: $2.7 million).

The Group received interest income and management fee income from Western Harbour Tunnel Company Limited of $0.03 million (2020: $0.03 million) and $2.5 million (2020: $2.5 million) respectively.

(ii) The Group received consultancy fees income from a joint venture of $12.6 million (2020: $12.6 million).

24 Company-level statement of financial position

	Note	2021 $'000	2020 $'000
Non-current assets			
Property, plant and equipment		**3,985**	11,793
Investments in subsidiaries		**851,049**	851,049
Amount due from subsidiaries		**5,578,017**	4,879,718
Amount due from an associate		**417**	417
		6,433,468	5,742,977
Current assets			
Trade and other receivables		**712**	2,025
Cash and cash equivalents		**1,078,312**	1,661,455
		1,079,024	1,663,480
Current liabilities			
Trade and other payables		**65,250**	63,407
Dividends payable		**854**	1,044
		66,104	64,451
Net current assets		**1,012,920**	1,599,029
Total assets less current liabilities		**7,446,388**	7,342,006
Non-current liability			
Amounts due to subsidiaries		**2,847,441**	2,118,476
NET ASSETS		**4,598,947**	5,223,530
CAPITAL AND RESERVES	20(a)		
Share capital		**1,629,461**	1,629,461
Reserve		**2,969,486**	3,594,069
TOTAL EQUITY		**4,598,947**	5,223,530

Approved and authorised for issue by the board of directors on 22 March 2022.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

(Expressed in Hong Kong dollars)

25 Non-adjusting event after the reporting period

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

26 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These includes the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, Property, *Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

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

Five Year Summary

(Expressed in Hong Kong dollars)

	2017 $'000	2018 $'000	2019 $'000	2020 $'000	**2021** **$'000**
Consolidated statement of profit or loss					
Revenue	461,591	640,937	695,937	760,522	**699,666**
(Loss)/profit attributable to equity shareholders of the Company for the year	1,180,048	447,391	727,306	725,243	**(49,245)**
Dividends payable to equity shareholders of the Company attributable to the year	141,622	149,075	156,529	156,529	**156,529**
Consolidated statement of financial position					
Property, plant and equipment	164,809	197,589	414,193	343,766	**320,433**
Interest in associates	1,355,539	1,211,607	714,835	575,222	**571,492**
Interest in a joint venture	98,326	97,925	108,949	141,304	**149,292**
Available-for-sale securities	1,177,266	—	—	—	**—**
Other financial assets	—	2,543,087	2,312,796	4,192,107	**2,968,717**
Deposits and prepayments	11,776	932	30,939	270,989	**74,441**
Deferred tax assets	2,030	2,285	4,964	4,594	**3,065**
Current assets	4,409,217	3,736,500	4,603,410	4,637,779	**4,280,457**
	7,218,963	7,789,925	8,190,086	10,165,761	**8,367,897**
Current liabilities	412,978	736,019	566,860	800,260	**800,547**
Deferred tax liabilities	66,153	4,939	3,924	2,494	**2,182**
Lease liabilities	—	—	116,481	64,142	**27,195**
Loan from an associate	272,866	—	—	—	**—**
NET ASSETS	6,466,966	7,048,967	7,502,821	9,298,865	**7,537,973**
Capital and reserves					
Share capital and other statutory capital reserves	1,629,461	1,629,461	1,629,461	1,629,461	**1,629,461**
Other reserves	4,695,964	5,266,677	5,714,479	7,485,144	**5,707,117**
Total equity attributable to equity shareholders of the Company	6,325,425	6,896,138	7,343,940	9,114,605	**7,336,578**
Non-controlling interests	141,541	152,829	158,881	184,260	**201,395**
TOTAL EQUITY	6,466,966	7,048,967	7,502,821	9,298,865	**7,537,973**