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 disclosure 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 ("Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in securities (see note 1(g)), derivative financial instruments (see note 1(h)) and employee benefit assets/liabilities (see note 1(x)(ii)) are stated at their fair value, as explained in the accounting policies set out below.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 Significant accounting policies (continued)

(c) Changes in accounting policies

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

– HKFRS 9, *Financial instruments*

Except for the above, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9, *Financial instruments*

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

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

The following table summarises the impact of transition to HKFRS 9 on reserves at 1 January 2018.

	$'000
Fair value reserve (non-recycling)	
Recognition of fair value reserve relating to equity securities (previously measured at cost less impairment losses now measured at FVOCI (non-recycling) at 1 January 2018)	**476,155**

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

a. Classification of financial assets and financial liabilities

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

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

a. Classification of financial assets and financial liabilities (continued)

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

	HKAS 39 carrying amount at 31 December 2017 $'000	Reclassification $'000	Remeasurement $'000	HKFRS 9 carrying amount at 1 January 2018 $'000
Financial assets carried at cost				
Other financial assets – unlisted equity securities (note (i))	15,356	(15,356)	–	–
Financial assets measured at FVOCI (non-recycling)				
Other financial assets – unlisted equity securities (note (i))	–	15,356	476,155	491,511
Financial assets classified as available-for-sale under HKAS 39 (note (ii))	1,477,946	(1,477,946)	–	–
Financial assets measured at FVOCI (recycling)				
Other financial assets – investments in debt securities listed outside Hong Kong (note (ii))	–	1,477,946	–	1,477,946
Financial assets carried at FVPL				
Other derivative financial assets (note (iii))	310	–	–	310

Notes:

(i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated these unlisted equity securities at FVOCI (non-recycling), as the investments are held for strategic purposes.

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

(iii) Derivative financial assets were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 1(g), (h), (n)(i), (p) and (s).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see note 1(n)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

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

1 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

b. Credit losses

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

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including bank deposits and cash and trade and other receivables);

– investments in debt securities measured at FVOCI (recycling); and

– financial guarantee contracts issued (see note 1(n)(ii)).

For further details on the Group's accounting policy for accounting for credit losses, see notes 1(n)(i) and (ii).

c. Transition

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

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

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

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

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

1 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less accumulated impairment losses (see note 1(n)(iii)).

1 Significant accounting policies (continued)

(e) Associates and joint operations

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

A joint operation is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. 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 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 1(n)(iii)). 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, 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.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investees, 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, retained interest is not measured. Instead, the investment continues to be accounted for under equity method.

In all other cases, when the Group ceases to have significant influence over an associate, 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 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)).

The Group recognises in the financial statements its share of a joint operation's assets and any liabilities incurred jointly with other operators according to their nature. Liabilities and expenses incurred directly in respect of its interest in the joint operation are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the joint operation, together with its share of any expenses incurred by the joint operation, are recognised in profit or loss when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

1 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in 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.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(n)(iii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's accounting policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

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 30(f). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

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(u)(iv)).

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

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

1 Significant accounting policies (continued)

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

(A) Policy applicable from 1 January 2018 (continued)

Equity investments

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

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(n)(i) – policy applicable prior to 1 January 2018). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 1(u)(v) and 1(u)(iv), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 1(n)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(i)).

1 Significant accounting policies (continued)

(i) Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates (cash flow hedges). The hedge accounting policy applied from 1 January 2018 is similar to that applicable prior to 1 January 2018. However, under the new hedge accounting policy, depending on the complexity of the hedge, the Group applies a more qualitative approach to assessing hedge effectiveness, and the assessment is always forward-looking.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(iii)). Depreciation is calculated to write off the cost of investment properties using the straight-line method over the shorter of their estimated useful lives of 40 years and the unexpired terms of the leases. No depreciation is provided for property that is being constructed or developed for future use as investment property.

Rental income from investment properties is accounted for as described in the accounting policies set out in note 1(u)(vi).

1 Significant accounting policies (continued)

(k) Other property, plant and equipment

Properties held for own use and other items of plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(n)(iii)).

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(v)).

Government grants that compensate the Group for the cost of an asset 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. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

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:

– Buildings situated on leasehold land	The shorter of 40 years and the unexpired terms of the leases
– Leasehold land classified as being held under finance leases	The unexpired terms of the leases
– Buses	14 years
– Other motor vehicles	5 to 14 years
– Others	2 to 7 years

No depreciation is provided for buses under construction.

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

1 Significant accounting policies (continued)

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Assets acquired under finance leases

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as interest in leasehold land and property, plant and equipment. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, in accordance with the accounting policies as set out in note 1(k). Impairment losses are accounted for in accordance with the accounting policies as set out in note 1(n)(iii). All of the Group's leasehold land classified as held under finance lease has been fully paid.

(ii) Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(m) Intangible assets (other than goodwill)

Intangible assets (other than goodwill) are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(n)(iii)).

(i) Passenger service licences and transport operating rights

Passenger service licences and transport operating rights are assessed and regarded by the Group to have indefinite useful lives and are not amortised. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and amortisation is charged to profit or loss on a straight-line basis over the asset's estimated remaining useful life.

(ii) Website and mobile apps

Amortisation of these intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, which are 5 years. Both the period and method of amortisation are reviewed annually.

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

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

– financial assets measured at amortised cost (including bank deposits and cash and trade and other receivables); and

– investments in debt securities measured at FVOCI (recycling).

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, 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 are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

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.

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

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

Significant increases in credit risk
In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) 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 note 1(u)(iv) is 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.

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 January 2018 (continued)

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower 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 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.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and unlisted equity securities carried at cost). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(n)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(iii) 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 and intangible assets that have indefinite useful lives, an impairment loss previously recognised no longer exists or may have decreased:

- investment properties and investment property under development;
- other property, plant and equipment;
- interest in leasehold land;
- intangible assets;
- goodwill;
- investments in associates and joint operations; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, their recoverable amounts are estimated annually whether or not there is indication of impairment.

- Calculation of the recoverable amount

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

- Recognition of impairment losses

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

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

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

– Reversals of impairment losses

In respect of assets other than goodwill, 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.

(iv) 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(n)(i) and 1(n)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(o) Spare parts and stores

Spare parts and stores are included within current assets and stated at cost, using the first-in-first-out method. Provision is made for obsolescence where appropriate.

(p) Accounts receivable

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.

Accounts receivable are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for credit losses (see note 1(n)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for credit losses.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(v)).

(r) Accounts payable and accruals

Accounts payable and accruals are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(n)(ii), accounts payable and accruals are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (continued)

(s) Bank deposits and cash

Bank deposits and cash 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. Bank deposits and cash are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(n)(i).

(t) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

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

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

(ii) Onerous contracts

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

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promise consideration to which the Group is expected to be entitled, excluding those amount 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) Fare revenue from franchised public bus services and revenue from non-franchised transport services are recognised when the related services are provided.

(ii) Income from media sales is recognised when the related advertisements are telecast or commercials appear before the public.

(iii) Income from media sales management and administrative services, production of advertisements, and advertising agency services is recognised when the related services are rendered.

1 Significant accounting policies (continued)

(u) Revenue and other income (continued)

(iv) Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(n)(i)).

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

(vi) 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. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vii) Government 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.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction 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 assets. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(w) Translation of foreign currencies

The functional currency of the Company and subsidiaries which operate in Hong Kong is Hong Kong dollars while that for subsidiaries which operate in The People's Republic of China is Renminbi. The presentation currency of the Group is Hong Kong dollars.

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 company 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.

1 Significant accounting policies (continued)

(w) Translation of foreign currencies (continued)

The results of operations outside Hong Kong 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, including goodwill arising on consolidation of operations outside Hong Kong acquired on or after 1 January 2005, 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. Goodwill arising on consolidation of an operation outside Hong Kong acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the operation outside Hong Kong.

On disposal of an operation outside Hong Kong, 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.

(x) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

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) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

1 Significant accounting policies (continued)

(x) Employee benefits (continued)

(iii) Lump sum long service amounts payable on cessation of employment

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the end of the reporting period on high quality corporate bonds (where there is no deep market in such corporate bonds, government bonds) that have maturity dates approximating the terms of the Group's obligations.

(iv) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(v) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(y) 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.

1 Significant accounting policies (continued)

(y) Income tax (continued)

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 and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

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 profit 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 profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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 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 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.

1 Significant accounting policies (continued)

(z) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(aa) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:
  (1) has control or joint control over the Group;
  (2) has significant influence over the Group; or
  (3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:
  (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  (3) Both entities are joint ventures of the same third party.
  (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  (6) The entity is controlled or jointly controlled by a person identified in (i).
  (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

1 Significant accounting policies (continued)

(ab)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 Accounting judgements and estimates

Notes 15, 19(f), 20(c) and 30(f) contain information about the assumptions and their risk factors relating to impairment of goodwill and intangible assets with indefinite useful lives, employee benefit assets/liabilities, fair value of share options and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation/amortisation

Investment properties, interest in leasehold land and other property, plant and equipment are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation expense for future periods is adjusted if there are material changes from previous estimates.

(b) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for ECLs on the asset. 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). In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition.

(B) Policy prior to 1 January 2018

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that accounts receivable may be impaired. If any such indication exists, the recoverable amount of the asset to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

2 Accounting judgements and estimates (continued)

(b) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually even if there is no indication of impairment.

(c) Contingency provision – insurance

Estimation of the contingency provision – insurance, as disclosed in note 25, is based on past claims experience and recent claims developments. The provision is assessed based on an independent valuation performed by a qualified external actuary. As the ultimate claim amount will be affected by future external events, for example, the amount of court awards, changes in standards of liability and the attitude of claimants towards settlement of their claims, actual claims may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future years.

3 Revenue

The principal activities of the Group are the operation of both franchised and non-franchised public transportation and property holdings and development.

The amount of each significant category of revenue is as follows:

	2018	2017	
		Continuing operations	Discontinued operations
	$'000	$'000	$'000
Fare revenue from franchised public bus services	**7,385,055**	7,280,930	–
Revenue from non-franchised transport services	**343,897**	351,009	–
Licence fee income	**180,986**	171,188	–
Media sales revenue	**29,507**	10,504	285,705
Gross rentals from investment properties	**69,830**	74,052	–
	8,009,275	7,887,683	285,705

All revenue, except gross rentals from investment properties which are subject to HKAS 17, *Leases*, fall within the scope of HKFRS 15, *Revenue from contracts with customers*. The Group's customer base is diversified and there was no customer with whom transactions have exceeded 10% of the Group's revenues. Further details regarding the Group's principal activities are disclosed in note 12 to the financial statements.

4 Other income

	2018	2017	
		Continuing operations	Discontinued operations
	$'000	$'000	$'000
Interest income on financial assets measured at FVOCI (recycling)	**57,189**	58,108	–
Interest income on financial assets measured at amortised cost	**24,352**	4,985	4,742
Dividend income from unlisted equity securities	**33,480**	28,580	–
Claims received	**34,495**	38,948	–
Net miscellaneous business receipts	**12,476**	10,147	–
Net gain on disposal of other property, plant and equipment	**11,139**	5,931	1,987
Net gain on disposal of subsidiaries (note 33)	**–**	–	439,585
Gain on disposal of available-for-sale debt securities	**–**	5,752	–
Available-for-sale debt securities: reclassified from equity on maturity (note 9)	**–**	2	–
Government subsidies (note)	**–**	1,004	–
Net foreign exchange gain	**3,537**	10,789	5,165
Sundry income	**40,887**	43,932	738
	217,555	208,178	452,217

Note: In 2017, subsidies totalling $1,004,000 were received or receivable under the HKSAR Government's ex-gratia payment scheme for the disposal of aged diesel commercial vehicles included in other property, plant and equipment. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2018	2017	
		Continuing operations	Discontinued operations
	$'000	$'000	$'000
(a) Staff costs			
Defined benefit retirement plan expense (note 19(e))	**59,709**	83,495	–
Contributions to defined contribution retirement plans	**148,001**	130,284	1,271
Movements in provision for long service payments (note 27)	**7,953**	8,094	–
Total retirement cost	**215,663**	221,873	1,271
Equity-settled share-based payment expenses	**853**	4,078	–
Salaries, wages and other benefits	**3,962,652**	3,724,744	51,528
	4,179,168	3,950,695	52,799
(b) Finance costs			
Total interest expense on bank loans not at fair value through profit or loss	**50,571**	39,952	–
Less: interest expense capitalised into investment property under development *	**(26,894)**	(18,455)	–
	23,677	21,497	–

* The borrowing costs have been capitalised at the average interest rate of 1.69% per annum (2017: 1.25% per annum).

	2018	2017	
		Continuing operations	Discontinued operations
	$'000	$'000	$'000
(c) Rentals received and receivable from investment properties			
Gross rentals (note)	**(69,830)**	(73,852)	–
Less: direct outgoings	**9,680**	10,514	–
	(60,150)	(63,338)	–

Note: Included contingent rental income of $Nil (2017: $17,000).

5 Profit before taxation (continued)

	2018	2017	
		Continuing operations	Discontinued operations
	$'000	$'000	$'000
(d) Other items			
Amortisation of land lease premium	**2,012**	2,012	–
Depreciation	**910,908**	876,250	3,909
Impairment loss on trade and other receivables (note 21(b))	**–**	167	1,812
Reversal of provision for onerous contracts	**–**	–	(13,259)
(Write-back)/write-down of spare parts and stores	**(8,093)**	7,147	–
Provision for passenger reward (note)	**–**	85	–
Operating lease charges: minimum lease payments	**32,185**	39,001	2,792
Auditors' remuneration			
– audit services	**4,111**	4,253	2,118
– other services	**1,210**	1,230	773

Note: Under the revised Modified Basket of Factors ("MBOF") approach, which is the existing basis for the assessment of bus fare adjustment applications, 50% of any return on a franchised bus operator in a given year in excess of a prescribed triggering point of return on its average net interest in leasehold land and other property, plant and equipment is required to be set aside and accumulated in a balance of passenger reward, which would be available to relieve the pressure for future fare increases and to facilitate the offer of bus fare concessions. The prescribed triggering point of return for 2018 and 2017 was 9.7% per annum. The balance of passenger reward of the Group as at 31 December 2018, included in accounts payable and accruals (note 24), was $6,052,000 (2017: $6,843,000).

6 Income tax in the consolidated statement of profit or loss

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

	2018	2017	
		Continuing operations	Discontinued operations
	$'000	$'000	$'000
Current tax – Hong Kong Profits Tax			
Provision for the year	**38,374**	86,498	1,116
(Over)/under-provision in respect of prior years	**(926)**	(298)	153
	37,448	86,200	1,269
Current tax – PRC Income Tax			
Provision for the year	**–**	–	423
PRC withholding tax	**1,562**	1,466	–
	39,010	87,666	1,692
Deferred tax			
Origination and reversal of temporary differences	**78,183**	60,493	2,627
	117,193	148,159	4,319

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries in the PRC is charged at the appropriate current rates of taxation ruling in the PRC.

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

	2018	2017	
		Continuing operations	Discontinued operations
	$'000	$'000	$'000
Profit before taxation	**837,265**	1,007,904	433,289
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**139,296**	166,673	71,637
Tax effect of non-deductible expenses	**8,166**	6,732	380
Tax effect of non-taxable income	**(28,968)**	(24,137)	(73,880)
Tax effect of unused tax losses not recognised	**67**	667	6,032
Tax effect of utilisation of unused tax losses not recognised in prior years	**(57)**	(32)	(3)
(Over)/under-provision in prior years	**(926)**	(298)	153
Others	**(385)**	(1,446)	–
Actual tax expense	**117,193**	148,159	4,319

7 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:

		2018						
	Note	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payment (note (j)) $'000	Total $'000
Executive Director								
Roger Lee Chak Cheong	(a)	372	5,791	1,250	352	7,765	398	8,163
Non-executive Directors								
Raymond Kwok Ping Luen		624	–	–	–	624	–	624
Ng Siu Chan		372	–	–	–	372	–	372
Charles Lui Chung Yuen		624	–	–	–	624	–	624
William Louey Lai Kuen		624	–	–	–	624	–	624
Winnie Ng		684	–	–	–	684	–	684
Edmond Ho Tat Man	(i)	140	–	–	–	140	–	140
Allen Fung Yuk Lun		612	–	–	–	612	–	612
Susanna Wong Sze Lai		–	–	–	–	–	–	–
Gao Feng	(d)	–	–	–	–	–	–	–
Dr Cheung Wing Yui	(f)	372	–	–	–	372	–	372
Lee Luen Fai	(g)	372	–	–	–	372	–	372
Lung Po Kwan	(h)	188	–	–	–	188	–	188
Independent non-executive Directors								
Dr Norman Leung Nai Pang		1,874	–	–	–	1,874	–	1,874
Dr John Chan Cho Chak		764	–	–	–	764	–	764
Dr Eric Li Ka Cheung		692	–	–	–	692	–	692
Professor Liu Pak Wai		612	–	–	–	612	–	612
Tsang Wai Hung	(e)	552	–	–	–	552	–	552
		9,478	5,791	1,250	352	16,871	398	17,269

7 Directors' emoluments (continued)

		2017						
	Note	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total $'000	Share-based payment (note (j)) $'000	Total $'000
Executive Director								
Roger Lee Chak Cheong	(a)	324	5,557	1,140	335	7,356	822	8,178
Non-executive Directors								
Raymond Kwok Ping Luen		576	–	–	–	576	–	576
Ng Siu Chan		324	–	–	–	324	–	324
Charles Lui Chung Yuen		576	–	–	–	576	–	576
William Louey Lai Kuen		324	–	–	–	324	–	324
Winnie Ng	(a)	839	–	–	–	839	–	839
Edmond Ho Tat Man		324	–	–	–	324	–	324
John Anthony Miller	(a) & (c)	340	–	–	–	340	–	340
Allen Fung Yuk Lun	(a)	600	–	–	–	600	–	600
Susanna Wong Sze Lai		–	–	–	–	–	–	–
Gao Feng	(d)	–	–	–	–	–	–	–
Independent non-executive Directors								
Dr Norman Leung Nai Pang		1,806	–	–	–	1,806	–	1,806
Dr John Chan Cho Chak	(a)	862	–	–	–	862	–	862
Dr Eric Li Ka Cheung	(a)	918	–	–	–	918	–	918
Gordon Siu Kwing Chue	(b)	213	–	–	–	213	–	213
Professor Liu Pak Wai		496	–	–	–	496	–	496
		8,522	5,557	1,140	335	15,554	822	16,376

Notes:

(a) The amounts included emoluments from the Company and certain of its subsidiaries.

(b) Mr Gordon Siu Kwing Chue retired on 18 May 2017.

(c) Mr John Anthony Miller retired on 18 May 2017.

(d) Mr Gao Feng was appointed as Alternate Director to Mr William Louey Lai Kuen with effect from 1 January 2017.

(e) Mr Tsang Wai Hung was appointed as Independent Non-executive Director with effect from 1 January 2018.

(f) Dr Cheung Wing Yui was appointed as Non-executive Director with effect from 1 January 2018.

(g) Mr Lee Luen Fai was appointed as Non-executive Director with effect from 1 January 2018.

(h) Mr Lung Po Kwan was appointed as Non-executive Director with effect from 1 July 2018.

(i) Mr Edmond Ho Tat Man retired on 17 May 2018.

(j) These represent the estimated value of share options granted to a Director under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 1(x)(iv).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the Directors' report and note 20.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2017: one) is a Director whose emolument is disclosed in note 7. The aggregate of the emoluments in respect of the five individuals with the highest emoluments (including the Director) are as follows:

	2018 **$'000**	2017 $'000
Fees	**372**	324
Salaries, allowances and benefits in kind	**19,797**	18,969
Discretionary bonuses	**4,242**	3,788
Equity-settled share-based payment expenses	**1,177**	2,427
Retirement scheme contributions	**853**	791
	26,441	26,299

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2018	2017
$3,000,001 – $3,500,000	**1**	–
$3,500,001 – $4,000,000	**–**	1
$4,000,001 – $4,500,000	**1**	1
$4,500,001 – $5,000,000	**–**	1
$5,000,001 – $5,500,000	**1**	–
$5,500,001 – $6,000,000	**1**	1
$8,000,001 – $8,500,000	**1**	1

9 Other comprehensive income

	2018	2017	
		Continuing operations	Discontinued operations
	$'000	$'000	$'000
Investments in/available-for-sale debt securities:			
Change in fair value recognised during the year	**39,453**	6,703	–
Reclassification adjustment for amount transferred to profit or loss on maturity (note 4)	**–**	2	–
	39,453	6,705	–

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $720,072,000 (2017: $1,294,834,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company

	2018 $'000	2017 $'000
Profit attributable to ordinary equity shareholders of the Company arises from		
– Continuing operations	**720,072**	862,271
– Discontinued operations	**–**	432,563
	720,072	1,294,834

(ii) Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares at 1 January	**422,455,810**	411,680,499
Effect of shares issued in respect of scrip dividend	**5,300,304**	4,598,187
Effect of shares issued in respect of share option	**–**	5,030
Weighted average number of ordinary shares at 31 December	**427,756,114**	416,283,716

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $720,072,000 (2017: $1,294,834,000) and the weighted average number of ordinary shares (diluted), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company

	2018 $'000	2017 $'000
Profit attributable to ordinary equity shareholders of the Company arises from		
– Continuing operations	**720,072**	862,271
– Discontinued operations	**–**	432,563
	720,072	1,294,834

10 Earnings per share (continued)

(b) Diluted earnings per share (continued)

(ii) Weighted average number of ordinary shares (diluted)

	2018	2017
Weighted average number of ordinary shares at 31 December	427,756,114	416,283,716
Effect of deemed issue of shares under the Company's share option scheme	–	79,045
Weighted average number of ordinary shares (diluted) at 31 December	427,756,114	416,362,761

The diluted earnings per share for the year ended 31 December 2018 is the same as basic earnings per share as the effect of deemed issue of shares under the Company's share option scheme is anti-dilutive.

11 Dividends

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

	2018		2017	
	Per share $	Total $'000	Per share $	Total $'000
Interim dividend declared and paid	0.30	129,488	0.35	146,861
Final dividend proposed after the end of the reporting period	0.90	391,138	0.90	380,210
	1.20	520,626	1.25	527,071

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.

The interim dividend with a scrip dividend alternative in respect of the six months ended 30 June 2018 was paid on 16 October 2018, of which $62,782,000 was settled by the issuance of 2,969,828 shares at an issue price of $21.14 per share under the scrip dividend scheme.

The interim dividend with a scrip dividend alternative in respect of the six months ended 30 June 2017 was paid on 17 October 2017, of which $70,818,000 was settled by the issuance of 2,799,123 shares at an issue price of $25.30 per share under the scrip dividend scheme.

11 Dividends (continued)

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

	2018 Per share $	**2018** Total $'000	2017 Per share $	2017 Total $'000
Final dividend in respect of the previous financial year, approved and paid during the year	**0.90**	**380,210**	0.90	370,512

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2017 was paid on 29 June 2018, of which $210,490,000 was settled by the issuance of 9,171,689 shares at an issue price of $22.95 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2016 was paid on 30 June 2017, of which $201,620,000 was settled by the issuance of 7,922,188 shares at an issue price of $25.45 per share under the scrip dividend scheme.

12 Segment reporting

The Group manages its business by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

Franchised bus operation: The provision of franchised public transport services in Hong Kong.

Property holdings and development: The holding and development of non-residential properties for the use as investment properties.

All other segments: The provision of non-franchised transport services, provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen) and investment holding.

Discontinued operations: The provision of audio-video programming through a multi-media on-board system and marketing of advertising spaces on transit vehicles, shelters and outdoor signages.

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8, *Operating segments*, for determining reportable segments are combined as "all other segments". Such operating segments generate profits mainly from the provision of non-franchised transport services and interest in associates.

12 Segment reporting (continued)

(a) Segment results, assets and liabilities

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

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated and expenses incurred by those segments. The measure used for reporting segment profit is net profit after taxation, adjusted for head office or corporate administration costs which are not specifically attributable to individual segments. Inter-segment revenue is priced with reference to the price charged to external parties for similar transactions.

Segment assets and segment liabilities include all current and non-current assets and liabilities, respectively, which are directly managed by the segments.

As discussed in note 33, subsequent to the disposal of RoadShow Holdings Limited ("RoadShow"), the Group no longer carried on the business of media sales services. The results of this business have been classified as discontinued operation of the Group for the year ended 31 December 2017.

12 Segment reporting (continued)

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

Information regarding the Group's reportable segments for the years ended 31 December 2018 and 2017 is set out below.

	Franchised bus operation		Property holdings and development		All other segments		Continuing operations sub-total		Discontinued operations		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue from external customers	7,593,067	7,323,012	69,830	73,852	346,378	349,278	8,009,275	7,746,142	–	285,705	8,009,275	8,031,847
Revenue from discontinued operations	–	141,541	–	–	–	–	–	141,541	–	–	–	141,541
Inter-segment revenue	491	532	5,298	5,816	11,569	10,790	17,358	17,138	–	–	17,358	17,138
Reportable segment revenue	7,593,558	7,465,085	75,128	79,668	357,947	360,068	8,026,633	7,904,821	–	285,705	8,026,633	8,190,526
Reportable segment profit	471,151	652,306	53,904	54,617	68,858	48,762	593,913	755,685	–	428,970	593,913	1,184,655
Interest income	416	326	–	–	–	1	416	327	–	4,742	416	5,069
Interest expense	(23,677)	(21,497)	–	–	–	–	(23,677)	(21,497)	–	–	(23,677)	(21,497)
Depreciation and amortisation for the year	(868,332)	(831,304)	(6,238)	(7,069)	(38,350)	(39,889)	(912,920)	(878,262)	–	(3,909)	(912,920)	(882,171)
Impairment loss on trade and other receivables	–	–	–	–	–	(167)	–	(167)	–	(1,812)	–	(1,979)
Reversal of provision for onerous contracts	–	–	–	–	–	–	–	–	–	13,259	–	13,259
Staff costs	(4,034,164)	(3,804,897)	–	–	(135,311)	(136,635)	(4,169,475)	(3,941,532)	–	(52,799)	(4,169,475)	(3,994,331)
Share of profits of associates	–	–	–	–	23,769	7,052	23,769	7,052	–	–	23,769	7,052
Income tax expense	(93,728)	(129,454)	(10,650)	(11,051)	(12,815)	(7,654)	(117,193)	(148,159)	–	(4,319)	(117,193)	(152,478)
Reportable segment assets	8,587,994	8,539,963	2,421,744	2,350,834	1,806,705	1,339,366	12,816,443	12,230,163	–	–	12,816,443	12,230,163
– including interest in associates	–	–	–	–	610,948	624,805	610,948	624,805	–	–	610,948	624,805
Additions to non-current segment assets during the year	1,319,159	1,148,541	83,889	37,235	91,833	93,110	1,494,881	1,278,886	–	2,233	1,494,881	1,281,119
Reportable segment liabilities	3,541,108	3,443,333	1,538,586	1,527,925	103,554	108,236	5,183,248	5,079,494	–	–	5,183,248	5,079,494

12 Segment reporting (continued)

(b) Reconciliation of reportable segment revenue, profit, assets and liabilities

	2018 $'000	2017 $'000
Revenue		
Reportable segment revenue		
– Continuing operations	**7,668,686**	7,544,753
– Discontinued operations	**–**	285,705
Revenue from all other segments		
– Continuing operations	**357,947**	360,068
Elimination of inter-segment revenue		
– Continuing operations	**(17,358)**	(17,138)
Consolidated revenue	**8,009,275**	8,173,388
Profit		
Reportable segment profit		
– Continuing operations	**525,055**	706,923
– Discontinued operations	**–**	428,970
Profit from all other segments		
– Continuing operations	**68,858**	48,762
Unallocated profits		
– Continuing operations	**126,159**	104,060
Consolidated profit after taxation	**720,072**	1,288,715
Assets		
Reportable segment assets	**11,009,738**	10,890,797
Assets from all other segments	**1,806,705**	1,339,366
Unallocated assets	**2,593,520**	2,425,843
Consolidated total assets	**15,409,963**	14,656,006
Liabilities		
Reportable segment liabilities	**5,079,694**	4,971,258
Liabilities from all other segments	**103,554**	108,236
Unallocated liabilities	**31,151**	33,581
Consolidated total liabilities	**5,214,399**	5,113,075

12 Segment reporting (continued)

(c) Geographic information

Substantially all of the Group's revenue from external customers, based on the location at which the services were provided, is generated in Hong Kong. The following table sets out information about the geographical location of the Group's investment properties, investment property under development, interest in leasehold land and other property, plant and equipment, intangible assets, goodwill and interest in associates ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset in the case of investment properties, investment property under development, interest in leasehold land and other property, plant and equipment, the location of the operation to which they are allocated in the case of intangible assets and goodwill, and the location of operations in the case of interest in associates.

	Specified non-current assets	
	2018	2017
	$'000	$'000
Hong Kong	**10,112,030**	9,387,521
The PRC	**784,092**	714,901
	10,896,122	10,102,422

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment

(a) Reconciliation of carrying amount

	Buildings $'000	Buses and other motor vehicles $'000	Buses under construction $'000	Tools and others $'000	Sub-total $'000	Investment property under development $'000	Investment properties $'000	Interest in leasehold land $'000	Total $'000
Cost:									
At 1 January 2017	1,528,939	11,409,445	184,514	3,204,039	16,326,937	2,188,225	202,423	115,513	18,833,098
Additions	5,690	62,463	854,446	234,634	1,157,233	35,969	1,256	–	1,194,458
Disposals	(3,145)	(773,117)	–	(279,280)	(1,055,542)	–	–	–	(1,055,542)
Discontinued operations	(10,594)	–	–	(95,659)	(106,253)	–	–	–	(106,253)
Exchange adjustments	–	–	–	27	27	–	–	–	27
Transfers	(1,614)	904,073	(904,073)	–	(1,614)	–	1,614	–	–
At 31 December 2017	1,519,276	11,602,864	134,887	3,063,761	16,320,788	2,224,194	205,293	115,513	18,865,788
Accumulated depreciation and amortisation:									
At 1 January 2017	1,051,920	5,944,844	–	2,866,793	9,863,557	2,020	88,623	54,147	10,008,347
Charge for the year	39,020	612,398	–	221,498	872,916	–	7,243	2,012	882,171
Written back on disposals	(3,112)	(771,029)	–	(280,728)	(1,054,869)	–	–	–	(1,054,869)
Discontinued operations	(3,633)	–	–	(90,709)	(94,342)	–	–	–	(94,342)
Exchange adjustments	–	–	–	27	27	–	–	–	27
At 31 December 2017	1,084,195	5,786,213	–	2,716,881	9,587,289	2,020	95,866	56,159	9,741,334
Net book value:									
At 31 December 2017	435,081	5,816,651	134,887	346,880	6,733,499	2,222,174	109,427	59,354	9,124,454
Add: Deposits paid in respect of buses on order					136,990	–	–	–	136,990
					6,870,489	2,222,174	109,427	59,354	9,261,444

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Buildings $'000	Buses and other motor vehicles $'000	Buses under construction $'000	Tools and others $'000	Sub-total $'000	Investment property under development $'000	Investment properties $'000	Interest in leasehold land $'000	Total $'000
Cost:									
At 1 January 2018	1,519,276	11,602,864	134,887	3,063,761	16,320,788	2,224,194	205,293	115,513	18,865,788
Additions	9,950	143,452	1,067,816	277,516	1,498,734	78,886	4,974	–	1,582,594
Disposals	(1,350)	(935,895)	–	(277,932)	(1,215,177)	–	–	–	(1,215,177)
Transfers	–	1,135,035	(1,135,035)	–	–	–	–	–	–
At 31 December 2018	1,527,876	11,945,456	67,668	3,063,345	16,604,345	2,303,080	210,267	115,513	19,233,205
Accumulated depreciation and amortisation:									
At 1 January 2018	1,084,195	5,786,213	–	2,716,881	9,587,289	2,020	95,866	56,159	9,741,334
Charge for the year	36,562	661,825	–	206,825	905,212	–	5,696	2,012	912,920
Written back on disposals	(1,350)	(933,395)	–	(277,531)	(1,212,276)	–	–	–	(1,212,276)
At 31 December 2018	1,119,407	5,514,643	–	2,646,175	9,280,225	2,020	101,562	58,171	9,441,978
Net book value:									
At 31 December 2018	408,469	6,430,813	67,668	417,170	7,324,120	2,301,060	108,705	57,342	9,791,227
Add: Deposits paid in respect of buses on order					49,277	–	–	–	49,277
					7,373,397	2,301,060	108,705	57,342	9,840,504

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(b) All the Group's buildings, investment properties, investment property under development and interest in leasehold land are held in Hong Kong. The analysis of the net book value of properties is as follows:

	2018 $'000	2017 $'000
Medium-term leases	**2,598,541**	2,536,792
Short-term leases	**277,035**	289,244
	2,875,576	2,826,036
Representing:		
Buildings	**408,469**	435,081
Investment property under development	**2,301,060**	2,222,174
Investment properties	**108,705**	109,427
Interest in leasehold land	**57,342**	59,354
	2,875,576	2,826,036

(c) Investment properties and investment property under development are stated at cost less accumulated depreciation and impairment loss. The fair values of the investment properties and investment property under development were $5,027,470,000 and $4,825,000,000 respectively (2017: $4,486,780,000 and $3,810,000,000 respectively) as at 31 December 2018. The valuations were carried out by an independent firm of surveyors, Centaline Surveyors Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's management have had discussions with the surveyors on the valuation assumptions and valuation results when the valuation was performed at each annual reporting date. As at 31 December 2018, investment property under development of $2,301,060,000 (2017: $2,222,174,000) related to the Group's interests in a joint operation.

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(d) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment property under development disclosed 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

	2018			
		Fair value measurements categorised into		
	Fair value $'000	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value disclosures				
Investment properties in Hong Kong				
– commercial properties	**3,530,470**	**–**	**–**	**3,530,470**
– industrial property	**1,497,000**	**–**	**–**	**1,497,000**
Investment property under development in Hong Kong	**4,825,000**	**–**	**–**	**4,825,000**

	2017			
		Fair value measurements categorised into		
	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value disclosures				
Investment properties in Hong Kong				
– commercial properties	3,214,780	–	–	3,214,780
– industrial property	1,272,000	–	–	1,272,000
Investment property under development in Hong Kong	3,810,000	–	–	3,810,000

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(d) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value disclosures

	Valuation techniques	Unobservable inputs	Range
Investment properties in Hong Kong – commercial properties	Market comparison approach	Discount/premium on quality of shops	-50% to 15% (2017: -40% to 15%)
Investment property in Hong Kong – industrial property	Market comparison and residual valuation approaches	Discount/premium on quality of redevelopment	-30% to 75% (2017: -10% to 65%)
Investment property under development in Hong Kong	Market comparison and residual valuation approaches	Discount/premium on quality of redevelopment	-30% to 10% (2017: -30% to 40%)

The Group has adopted market comparison approach for all its commercial properties in Hong Kong for the years ended 31 December 2018 and 2017. The fair value of commercial properties using market comparison approach is determined by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's commercial properties compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of the industrial property in Hong Kong, taken into account its future redevelopment value, is determined using market comparison and residual valuation approaches. The market comparison approach determined the fair value of the gross development value with reference to recent transaction data of nearby projects, adjusted for a premium or a discount specific to the quality of the Group's industrial property compared to the recent transactions. While the residual valuation approach is a modification of income approach based on discounted cash flows, by making reference to the development potential of the Group's industrial property after deduction of costs for completion of the development. The valuation relies upon a series of assumptions which produce an estimation of the expected current market value of the industrial property held for development or redevelopment. These assumptions include the statutory and non-statutory restrictions associated with development that may be imposed by the government. Comparable transactions of similar development in the locality were gathered for gross development value assessment. Higher premium for higher quality redevelopment will result in a higher gross development value. The redevelopment of the industrial property is considered as its highest and best use under HKFRS 13.

13 Investment properties, investment property under development, interest in leasehold land and other property, plant and equipment (continued)

(d) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value disclosures (continued)

The fair value of investment property under development located in Hong Kong is determined using market comparison and residual valuation approaches by reference to recent transaction data of nearby projects, recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's investment property under development compared to the recent transactions. Higher premium for higher quality redevelopment will result in a higher gross development value.

(e) The Group leased out investment properties under operating leases. The leases typically run for an initial period from two to three years, with an option to renew the leases after that date at which time all terms are renegotiated. Certain leases include contingent rentals being the excess of a percentage of the monthly revenue generated by the lessees over the monthly minimum lease rentals.

The total future minimum lease payments from investment properties under non-cancellable operating leases are receivable as follows:

	2018 **$'000**	2017 $'000
Within 1 year	**44,545**	52,445
After 1 year but within 5 years	**52,759**	14,028
	97,304	66,473

(f) In 2018, subsidies totalling $5,128,000 (2017: $52,383,000) were received or receivable from the HKSAR Government for purchase of diesel-electric hybrid buses and electric buses ("the Buses") and for installation of facilities at bus stops and terminus. The purposes of the subsidies are to encourage the use of the Buses by granting financial assistance to franchised public bus operators to purchase the Buses for trial and to expedite the installation of facilities for the convenience of passengers respectively. The Group has to use the Buses for trial on certain routes agreed with the HKSAR Government for two years. The subsidies received or receivable have been deducted from the carrying amount of the assets directly in accordance with the accounting policy set out in note 1(k).

14 Intangible assets

	Passenger service licences and transport operating rights $'000	Websites and mobile apps $'000	Total $'000
Cost:			
At 1 January 2017	132,122	4,438	136,560
Discontinued operations	–	(4,438)	(4,438)
At 31 December 2017 and 1 January 2018	**132,122**	**–**	**132,122**
Additions	**228,497**	**–**	**228,497**
At 31 December 2018	**360,619**	**–**	**360,619**
Accumulated amortisation:			
At 1 January 2017	–	4,438	4,438
Discontinued operations	–	(4,438)	(4,438)
At 31 December 2017, 1 January 2018 and 31 December 2018	–	–	–
Net book value:			
At 31 December 2018	**360,619**	**–**	**360,619**
At 31 December 2017	132,122	–	132,122

For those passenger service licences and transport operating rights of the Group that are regarded to have indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

Intangible assets that are regarded to have indefinite useful lives have been allocated to the cash-generating unit of non-franchised transport operations for the purpose of impairment testing. Details of impairment testing are set out in note 15 to the financial statements.

15 Goodwill

	2018 $'000	2017 $'000
Cost and carrying amount:		
At 1 January and 31 December	**84,051**	84,051

Impairment tests for cash-generating units containing goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives belong to the Group's non-franchised transport operations as a cash-generating unit.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations are as follows:

	2018 %	2017 %
Growth rate	**2.4**	1.5
Discount rate	**4.7 – 5.9**	4.2 – 5.4

The growth rate used does not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The discount rate used is pre-tax and reflects specific risks relating to the segment.

The recoverable amount of the cash-generating unit based on the value-in-use calculations is higher than its carrying amount. Accordingly, no impairment loss on goodwill or intangible assets with indefinite useful lives has been recognised in profit or loss.

16 Interest in subsidiaries

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

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
KMB Resources Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	100	–	Investment holding
The Kowloon Motor Bus Company (1933) Limited	Hong Kong	403,639,413 shares	100	–	100	Provision of franchised public bus services in Hong Kong
Long Win Bus Company Limited	Hong Kong	100,000,000 shares	100	–	100	Provision of franchised public bus services in Hong Kong
Sun Bus Limited	Hong Kong	2 shares	100	–	100	Provision of non-franchised bus services
Chomang Travel Transport Company Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Bun Tang Bus Service Company Limited	Hong Kong	120,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
Sau Luen P.L.B. Co., Limited	Hong Kong	10,000 shares	100	–	100	Provision of non-franchised bus services in Hong Kong
New Hong Kong Bus Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	1,000 shares	100	–	100	Provision of cross-boundary shuttle bus services between Lok Ma Chau (Hong Kong) and Huanggang (Shenzhen)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Interest in subsidiaries (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Hoi Tai Tours Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	20,000 shares	100	–	100	Provision of non-franchised bus services
GD Bonwell Champion Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares	100	–	100	Provision of non-franchised bus services
GD Bonwell Yip Wai Tours Co. Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	10,000 shares	100	–	100	Provision of non-franchised bus services
Zhan Gang Tourist Transportation Company Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	500,000 shares	100	–	100	Provision of non-franchised bus services
Right Concept Transportation Limited	Incorporated in Hong Kong and operates in Hong Kong and the PRC	5 shares	100	–	100	Provision of non-franchised bus services
Power Crown Limited	Hong Kong	1 share	100	–	100	Provision of non-franchised bus services in Hong Kong
Eagle Win Limited	Hong Kong	1 share	100	–	100	Provision of non-franchised bus services in Hong Kong
Lai Chi Kok Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property Investment
LCK Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
LCK Commercial Properties Limited	Hong Kong	1 share	100	–	100	Property investment
KT Real Estate Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment

16 Interest in subsidiaries (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Percentage of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
TM Properties Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Property investment
KMB Financial Services Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Group treasury management
KMB (Beijing) Taxi Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Investment holding
KMB (Shenzhen) Transport Investment Limited	Incorporated in the British Virgin Islands and operates in Hong Kong	1 share of US$1	100	–	100	Investment holding
KMB Design Company Limited	Hong Kong	10,000 shares	100	–	100	Trading of bus souvenirs

17 Interest in associates

	2018 $'000	2017 $'000
Share of net assets	**527,619**	563,048
Goodwill	**61,704**	64,930
Amount due from an associate	**26,547**	1,749
Amount due to an associate	**(4,922)**	(4,922)
	610,948	624,805

Amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment/settlement. The amount due from an associate is neither past due nor impaired.

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

				Percentage of ownership interest		
Name of associate	Form of business structure	Place of establishment and business	Particulars of registered and paid-up capital	Group's effective interest	Held by subsidiaries	Principal activity
Shenzhen Bus Group Company Limited	Sino-foreign joint stock company	The PRC	RMB951,430,306	35	35	Provision of bus and taxi hire services (note)

Note: Shenzhen Bus Group Company Limited, a transportation operator in the PRC, enables the Group to have exposure to this market through local expertise.

17 Interest in associates (continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Shenzhen Bus Group Company Limited 2018 $'000	2017 $'000
Gross amounts of the associate		
Current assets	**2,733,913**	2,258,509
Non-current assets	**6,306,728**	7,233,684
Current liabilities	**2,978,416**	3,758,740
Non-current liabilities	**4,817,401**	4,387,140
Total equity	**1,244,824**	1,346,313
Non-controlling interest	**(13,169)**	(17,878)
Revenue	**2,182,641**	1,661,629
Profit for the year	**74,852**	16,222
Total comprehensive income	**74,852**	16,222
Dividend from the associate	**30,045**	24,308
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attributable to equity shareholders	**1,231,655**	1,328,435
Group's effective interest	**35%**	35%
Group's share of net assets of the associate	**431,079**	464,952
Amount due from an associate	**24,810**	–
Goodwill	**61,704**	64,930
Carrying amount in the consolidated financial statements	**517,593**	529,882

Aggregate information of associates that are not individually material:

	2018 $'000	2017 $'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**93,355**	94,923
Aggregate amounts of the Group's share of those associates		
(Loss)/profit for the year	**(2,429)**	1,374
Total comprehensive income	**(2,429)**	1,374

18 Other financial assets

	Note	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Equity securities designated at FVOCI (non-recycling)				
– Unlisted equity securities	(i)	**512,019**	491,511	–
Financial assets measured at FVOCI (recycling)				
– Debt securities listed outside Hong Kong	(ii),(iii)	**1,428,067**	1,477,946	–
Financial assets measured at cost				
– Unlisted equity securities	(i)	**–**	–	15,356
Available-for-sale financial assets				
– Debt securities listed outside Hong Kong	(ii),(iii)	**–**	–	1,477,946
		1,940,086	1,969,457	1,493,302
Less: debt securities listed outside Hong Kong classified as current assets		**(231,223)**	–	–
Other financial assets classified as non-current assets		**1,708,863**	1,969,457	1,493,302

Notes:

(i) The unlisted equity securities mainly represented shares in a company incorporated in Hong Kong and engaged primarily in the business of managing a common ticketing and payment system. The Group designated its investments in unlisted equity securities at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of $33,480,000 (2017: $28,580,000) were received on these investments during the year.

(ii) Available-for-sale financial assets were reclassified to financial assets measured at FVOCI (recycling) upon the initial application of HKFRS 9 at 1 January 2018 (see note 1(c)).

(iii) Debt securities are issued by corporate entities with credit rating ranging from BB- to A. As at 31 December 2018 and 2017, the Group's investments in debt securities were neither past due nor impaired. Debt securities that will mature within one year are classified as current assets.

19 Employee retirement benefits

The Group makes contributions to two defined benefit retirement schemes which provide pension benefits for employees upon retirement. Both schemes are formally established under trust and are registered under the Occupational Retirement Schemes Ordinance. The schemes are administered by an independent trustee and the assets are held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interest of the plan participants and are responsible for setting investment policies of the plans. The members' benefits are determined based on the employees' final remuneration and length of service.

The plans are funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans at 31 December 2018 were prepared by Towers Watson Hong Kong Limited which has among its staff fellow members of the Society of Actuaries of the United States of America using the projected unit credit method, and were carried out by the appointed actuary, represented by Ms Wing Lui. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement schemes are 146% (2017: 157%) covered by the plan assets held by the trustee.

The plans expose the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Since the two retirement schemes have similar risks and features, information about the two plans is aggregated and disclosed below:

(a) The amount recognised in the consolidated statement of financial position is as follows:

	2018 $'000	2017 $'000
Present value of funded obligations (note 19(c))	**(1,997,136)**	(2,257,415)
Fair value of plan assets (notes 19(b) and 19(d))	**2,907,779**	3,544,072
	910,643	1,286,657
Represented by:		
Employee benefit assets	**913,234**	1,286,657
Employee benefit liabilities	**(2,591)**	–
	910,643	1,286,657

A portion of the above asset/liability is expected to be recovered/paid after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable/payable in the next twelve months, as future refund/contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The expected annual contribution to defined benefit retirement schemes for the year ending 31 December 2019 is $Nil (2018: $Nil).

19 Employee retirement benefits (continued)

(b) Plan assets consist of the following:

	2018 $'000	2017 $'000
Equity securities:		
– Hong Kong and Mainland China	**682,115**	896,513
– Europe	**319,856**	475,181
– North America	**497,958**	567,051
– Other Asia Pacific	**543,997**	740,299
	2,043,926	2,679,044
Bonds	**785,100**	773,158
Cash and others	**78,753**	91,870
	2,907,779	3,544,072

All of the equity securities and bonds have quoted prices in active markets.

(c) Movements in the present value of the defined benefit obligations:

	2018 $'000	2017 $'000
At 1 January	**2,257,415**	2,541,954
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	**(8,318)**	(11)
– Actuarial (gains)/losses arising from changes in financial assumptions	**(27,301)**	7,253
– Actuarial gains arising from liability experience	**(13,022)**	(53,625)
	(48,641)	(46,383)
Benefits paid by the plans	**(330,873)**	(375,570)
Current service cost	**81,290**	93,610
Interest cost	**37,945**	43,804
	(211,638)	(238,156)
At 31 December	**1,997,136**	2,257,415

The weighted average duration of the Monthly Rated and Daily Rated defined benefit obligations are 8.8 and 5.7 years respectively (2017: 9.8 and 5.8 years respectively).

19 Employee retirement benefits (continued)

(d) Movements in plan assets:

	2018 $'000	2017 $'000
At 1 January	**3,544,072**	3,159,263
Administrative expenses paid	**(592)**	(570)
Benefits paid by the plans	**(330,873)**	(375,570)
Interest income	**60,118**	54,489
(Loss)/return on plan assets, excluding interest income	**(364,946)**	706,460
At 31 December	**2,907,779**	3,544,072

(e) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2018 $'000	2017 $'000
Current service cost	**81,290**	93,610
Net income on net defined benefit asset	**(22,173)**	(10,685)
Administrative expenses paid	**592**	570
Total amounts recognised in profit or loss	**59,709**	83,495
Actuarial gains	**(48,641)**	(46,383)
Loss/(return) on plan assets, excluding interest income	**364,946**	(706,460)
Amounts recognised in other comprehensive income	**316,305**	(752,843)
Total defined benefit costs/(income)	**376,014**	(669,348)

19 Employee retirement benefits (continued)

(f) Significant actuarial assumptions and sensitivity analysis are as follows:

	2018	2017
Discount rate		
– Monthly Rated Employees Scheme	2.0%	1.8%
– Daily Rated Employees Scheme	1.9%	1.7%
Future salary increases	4.5%	4.5%

The below analysis shows how the defined benefit obligation would have increased/(decreased) as a result of a 0.25 percentage point change in the significant actuarial assumptions:

	2018		2017	
	Increase in 0.25 percentage point $'000	Decrease in 0.25 percentage point $'000	Increase in 0.25 percentage point $'000	Decrease in 0.25 percentage point $'000
Discount rate	(33,212)	34,230	(39,482)	40,759
Future salary increases	30,499	(29,769)	36,342	(35,419)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

20 Equity-settled share-based transactions

The Company has a share option scheme which was adopted on 26 May 2016 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including Directors of any company in the Group, to take up options at a consideration of $1 to subscribe for shares of the Company. The period within which the options must be exercised will be specified by the Company at the date of grant. This period must expire no later than 10 years from the relevant date of grant. The Directors of the Company may also provide restrictions on the exercise of an option during the period an option may be exercised. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments '000	Contractual life of options
Options granted to a Director:		
– on 31 October 2016	**860**	five years from the date of grant
Options granted to employees:		
– on 31 October 2016	**4,700**	five years from the date of grant
Total share options granted	**5,560**	

All the options are vested and exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follows:

	Percentage of options granted
On or after 31 October 2017	**30%**
On or after 31 October 2018	**60%**
On or after 31 October 2019	**100%**

20 Equity-settled share-based transactions (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2018 Weighted average exercise price	2018 Number of share options '000	2017 Weighted average exercise price	2017 Number of share options '000
Outstanding at the beginning of the year	**$23.45**	**4,300**	$23.45	5,020
Exercised during the year	**$23.45**	**–**	$23.45	(54)
Forfeited during the year	**$23.45**	**(720)**	$23.45	(666)
Outstanding at the end of the year	**$23.45**	**3,580**	$23.45	4,300
Exercisable at the end of the year	**$23.45**	**2,148**	$23.45	1,290

The weighted average share price at the date of exercise for shares exercised during the year was $23.45 (2017: $23.45).

The options outstanding at 31 December 2018 had an exercise price of $23.45 (2017: $23.45) and a weighted average remaining contractual life of 2.83 years (2017: 3.83 years).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options and assumptions for share options granted on 31 October 2016	
Fair value at measurement date	**$1.7937-$1.8457**
Share price at the date of grant	**$23.45**
Exercise price	**$23.45**
Expected volatility	**18%**
Option life (expressed as weighted average life used in the modelling under binomial model)	**5 years**
Expected dividends	**4.18%**
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	**0.709%**

The expected volatility is based on the historic volatility and is assumed to remain unchanged during the weighted average remaining life of the share options (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

21 Accounts receivable

	2018 $'000	2017 $'000
Trade and other receivables	**338,895**	437,620
Interest receivable	**32,588**	23,716
Less: loss allowance (note 21(b))	**(360)**	(1,703)
	371,123	459,633

All of the accounts receivable are expected to be recovered within one year.

(a) Ageing analysis

Included in accounts receivable are trade receivables (net of loss allowance) with the following ageing analysis, based on the due date, as of the end of the reporting period:

	2018 $'000	2017 $'000
Current	**49,661**	48,342
Less than 1 month past due	**45,964**	47,353
1 to 3 months past due	**7,963**	6,615
More than 3 months past due	**6,610**	4,971
	110,198	107,281

According to the Group's credit policy set out in note 30(a) to the financial statements, credit period granted to customers is generally between 30 days and 90 days. Therefore, all the balances which are not past due as disclosed above are within three months from the invoice date.

21 Accounts receivable (continued)

(b) Loss allowance of trade receivables

Loss allowance in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the loss allowance is written off against trade receivables directly (see note 1(n)(i)).

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 $'000	2017 $'000
Balance at 31 December 2017 under HKAS 39	1,703	
Impact on initial application of HKFRS 9	–	
Balance at 1 January	1,703	7,870
Amounts written off during the year	(1,343)	(6,334)
Impairment losses recognised during the year		
– From continuing operations (note 5(d))	–	167
– From discontinued operations (note 5(d))	–	1,812
Reversal of impairment losses recognised upon disposal of subsidiaries	–	(1,812)
Balance at 31 December	360	1,703

At 31 December 2018, the Group's trade receivables of $360,000 (2017: $1,703,000) were individually determined to be impaired. The individual impaired receivables related to customers that have defaulted on repayment and management's assessed that the receivables are not expected to be recovered. Consequently, specific allowance for credit losses of $360,000 (2017: $1,703,000) were recognised as at 31 December 2018.

(c) Accounts receivable that are not impaired

The ageing analysis of accounts receivable that are neither individually not collectively considered to be impaired is as follows:

	2018 $'000	2017 $'000
Neither past due nor impaired	310,586	400,694
Past due but not impaired		
– Less than 1 month past due	45,964	47,353
– 1 to 3 months past due	7,963	6,615
– More than 3 months past due	6,610	4,971
	60,537	58,939
	371,123	459,633

21 Accounts receivable (continued)

(c) Accounts receivable that are not impaired (continued)

Loss allowance of receivables 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) (see note 1(n)(i) – policy applicable from 1 January 2018). Normally, the Group does not hold any collateral over these balances.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(n)(i) – policy applicable prior to 1 January 2018).

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

The remaining receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no loss allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral over these balances.

22 Bank deposits and cash

(a) Bank deposits and cash comprise:

	2018 $'000	2017 $'000
Cash at bank and on hand	**156,405**	190,114
Bank deposits	**1,024,647**	1,042,687
	1,181,052	1,232,801
Less: pledged and restricted bank deposits (note 22(b))	**(6,803)**	(27,996)
Bank deposits and cash in the consolidated statement of financial position	**1,174,249**	1,204,805
Less: bank deposits with original maturities of over three months	**(949,647)**	–
Cash and cash equivalents in the consolidated cash flow statement	**224,602**	1,204,805

(b) The Group is required to maintain the balance of passenger reward (note 5(d)) in designated bank accounts under the revised MBOF approach. As at 31 December 2018, the related restricted bank deposits amounted to $6,803,000 (2017: $27,996,000).

22 Bank deposits and cash (continued)

(c) Reconciliation of profit before taxation to cash generated from operations:

	Note	2018 $'000	2017 (Note) $'000
Profit before taxation		**837,265**	1,441,193
Adjustments for:			
Depreciation and amortisation		**912,920**	882,171
Finance costs	5(b)	**23,677**	21,497
Dividend income from unlisted equity securities	4	**(33,480)**	(28,580)
Interest income		**(81,541)**	(67,835)
Reclassification from equity on disposal of available-for-sale debt securities		**–**	(2,824)
Share of profits of associates		**(23,769)**	(7,052)
Net gain on disposal of other property, plant and equipment	4	**(11,139)**	(7,918)
Net gain on disposal of subsidiaries	4	**–**	(439,585)
Government subsidies	4	**–**	(1,004)
Equity-settled share-based payment expenses	5(a)	**853**	4,078
Effect of foreign exchange rate		**980**	(17,074)
Operating profit before changes in working capital		**1,625,766**	1,777,067
Changes in working capital:			
Decrease in non-current prepayments		**–**	438
Decrease in employee benefit assets		**59,709**	83,495
(Increase)/decrease in spare parts and stores		**(26,494)**	429
Decrease in accounts receivable		**57,381**	6,184
Decrease/(increase) in deposits and prepayments		**7,053**	(8,010)
Increase/(decrease) in accounts payable and accruals		**73,020**	(103,374)
(Decrease)/increase in contingency provision – insurance		**(86,957)**	37,125
Decrease in provision for long service payments		**(46)**	(2,298)
Cash generated from operations		**1,709,432**	1,791,056

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 1(c).

22 Bank deposits and cash (continued)

(d) 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.

	Bank loans (note 23)	
	2018	2017
	$'000	$'000
At 1 January	**2,353,265**	2,724,366
Changes from financing cash flows:		
Proceeds from new bank loans	**1,605,000**	1,640,000
Repayment of bank loans	**(1,335,000)**	(2,015,000)
Total changes from financing cash flows	**270,000**	(375,000)
Other change:		
Amortisation of bank loans arrangement fee	**1,774**	3,899
At 31 December	**2,625,039**	2,353,265

23 Bank loans

At 31 December 2018, the bank loans were repayable as follows:

	2018	2017
	$'000	$'000
After 1 year but within 2 years	**–**	74,509
After 2 years but within 5 years	**2,625,039**	2,278,756
	2,625,039	2,353,265

All of the bank loans were unsecured.

24 Accounts payable and accruals

	2018 $'000	2017 $'000
Trade payables	**159,914**	143,759
Balance of passenger reward (note 5(d))	**6,052**	6,843
Other payables and accruals	**867,792**	988,169
	1,033,758	1,138,771

All of the accounts payable and accruals are expected to be settled within one year.

Included in accounts payable and accruals are trade payables with the following ageing analysis, based on the due date, as of the end of the reporting period:

	2018 $'000	2017 $'000
Due within 1 month or on demand	**154,114**	135,543
Due after 1 month but within 3 months	**3,138**	5,721
Due after more than 3 months	**2,662**	2,495
	159,914	143,759

Credit period granted to the Group is generally between 30 days and 90 days. Therefore, all the balances which are due within one month or on demand as disclosed above are within three months from the invoice date.

25 Contingency provision – insurance

	2018 $'000	2017 $'000
At 1 January	**473,354**	436,229
Provision charged to profit or loss	**11,122**	82,414
Payments made during the year	**(98,079)**	(45,289)
At 31 December	**386,397**	473,354
Representing:		
Current portion	**145,040**	187,970
Non-current portion	**241,357**	285,384
	386,397	473,354

The Group is involved from time to time in litigation and claims in connection with its bus operations. Contingency provision – insurance represents amounts set aside annually by the Group to meet liabilities which are expected to arise from third party claims for incidents which have occurred prior to the end of the reporting period in connection with the Group's bus operations. During the year, more cases were settled or closed, leading to the decrease in the amount of provision.

26 Income tax in the consolidated statement of financial position

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

	2018 $'000	2017 $'000
Provision for Hong Kong Profits Tax for the year	**38,374**	86,498
Provisional Profits Tax paid	**(47,626)**	(81,240)
Net current tax (recoverable)/payable	**(9,252)**	5,258
Representing:		
Current tax recoverable	**(10,270)**	(2,556)
Current tax payable	**1,018**	7,814
Net current tax (recoverable)/payable	**(9,252)**	5,258

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax (assets)/liabilities arising from:	Depreciation allowances in excess of the related depreciation $'000	Intangible assets $'000	Provisions $'000	Tax losses $'000	Defined benefit assets $'000	Cash flow hedge $'000	Others $'000	Total $'000
At 1 January 2017	877,762	14,511	(2,564)	(47,175)	101,857	–	(4,208)	940,183
Charged/(credited) to profit or loss	59,925	–	(3,103)	21,172	(13,776)	–	(1,098)	63,120
Charged to other comprehensive income	–	–	–	–	124,219	–	–	124,219
Discontinued operations	586	–	–	7,042	–	–	–	7,628
At 31 December 2017 and 1 January 2018	**938,273**	**14,511**	**(5,667)**	**(18,961)**	**212,300**	**–**	**(5,306)**	**1,135,150**
Charged/(credited) to profit or loss	**72,027**	**–**	**5,027**	**11,446**	**(9,853)**	**–**	**(464)**	**78,183**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**(52,190)**	**(222)**	**–**	**(52,412)**
At 31 December 2018	**1,010,300**	**14,511**	**(640)**	**(7,515)**	**150,257**	**(222)**	**(5,770)**	**1,160,921**

(ii) Amounts recognised in the consolidated statement of financial position:

	2018 $'000	2017 $'000
Net deferred tax assets	**(656)**	(656)
Net deferred tax liabilities	**1,161,577**	1,135,806
	1,160,921	1,135,150

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

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(y), the Group has not recognised deferred tax assets of $18,150,000 (2017: $18,083,000) in respect of cumulative tax losses of $110,003,000 (2017: $109,592,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. At 31 December 2018 and 2017, the tax losses do not expire under the current tax legislation.

27 Provision for long service payments

Details of the provision for long service payments of the Group are as follows:

	2018 $'000	2017 $'000
At 1 January	4,065	6,363
Movements charged to profit or loss (note 5(a))	7,953	8,094
Payments made during the year	(7,999)	(10,392)
At 31 December	4,019	4,065

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement schemes that are attributable to contributions made by the Group. The Group does not set aside any assets to fund the above remaining obligations.

28 Capital and reserves

(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:

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2017		411,680	162,804	990	1,300,000	546,413	2,421,887
Changes in equity for 2017							
Shares issued in respect of scrip dividend							
– 2016 final dividend	28(b)(i)	7,923	193,697	–	–	–	201,620
Shares issued in respect of scrip dividend							
– 2017 interim dividend	28(b)(i)	2,799	68,019	–	–	–	70,818
Equity-settled share-based transaction	5(a)	–	–	4,078	–	–	4,078
Issuance of shares upon exercise of share options	28(b)(ii)	54	1,311	(99)	–	–	1,266
Dividends approved in respect of the previous year	11(b)	–	–	–	–	(370,512)	(370,512)
Profit and total comprehensive income for the year		–	–	–	–	971,630	971,630
Dividends declared in respect of the current year	11(a)	–	–	–	–	(146,861)	(146,861)
Balance at 31 December 2017 and 1 January 2018		**422,456**	**425,831**	**4,969**	**1,300,000**	**1,000,670**	**3,153,926**
Changes in equity for 2018							
Shares issued in respect of scrip dividend							
– 2017 final dividend	28(b)(i)	**9,172**	**201,318**	**–**	**–**	**–**	**210,490**
Shares issued in respect of scrip dividend							
– 2018 interim dividend	28(b)(i)	**2,969**	**59,813**	**–**	**–**	**–**	**62,782**
Equity-settled share-based transaction	5(a)	**–**	**–**	**853**	**–**	**–**	**853**
Unclaimed dividends forfeited		**–**	**–**	**–**	**–**	**7,352**	**7,352**
Dividends approved in respect of the previous year	11(b)	**–**	**–**	**–**	**–**	**(380,210)**	**(380,210)**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**510,052**	**510,052**
Dividends declared in respect of the current year	11(a)	**–**	**–**	**–**	**–**	**(129,488)**	**(129,488)**
Balance at 31 December 2018		**434,597**	**686,962**	**5,822**	**1,300,000**	**1,008,376**	**3,435,757**

The Company's reserves available for distribution to shareholders at 31 December 2018 amounted to $2,308,376,000 (2017: $2,300,670,000). After the end of the reporting period, the Directors proposed a final dividend of $0.90 (2017: $0.90) per share, amounting to $391,138,000 (2017: $380,210,000). The final dividend proposed has not been recognised as a liability at the end of the reporting period.

28 Capital and reserves (continued)

(b) Share capital

(i) Authorised and issued share capital

	2018		2017	
	No. of shares	**$'000**	No. of shares	$'000
Authorised:				
Ordinary shares of $1 each	**600,000,000**	**600,000**	600,000,000	600,000
Ordinary shares of $1 each, issued and fully paid:				
At 1 January	**422,455,810**	**422,456**	411,680,499	411,680
Shares issued in respect of scrip dividend – 2016 final dividend	**–**	**–**	7,922,188	7,923
Shares issued in respect of scrip dividend – 2017 interim dividend	**–**	**–**	2,799,123	2,799
Shares issued in respect of scrip dividend – 2017 final dividend	**9,171,689**	**9,172**	–	–
Shares issued in respect of scrip dividend – 2018 interim dividend	**2,969,828**	**2,969**	–	–
Shares issued under the share option scheme	**–**	**–**	54,000	54
At 31 December	**434,597,327**	**434,597**	422,455,810	422,456

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 general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued under the share option scheme

During the year ended 31 December 2017, options were exercised to subscribe for 54,000 ordinary shares in the Company at a consideration of $1,266,000, of which $54,000 was credited to the share capital account and the balance of $1,212,000 was credited to the share premium account. $99,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(x)(iv).

28 Capital and reserves (continued)

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Company's Bye-laws and the Companies Act 1981 of Bermuda.

(ii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to a Director of the Company and certain employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(x)(iv).

(iii) Exchange reserve

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

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(i).

(v) 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)). Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39.

(vi) 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)).

28 Capital and reserves (continued)

(d) Capital management

The Group's primary objective when managing capital is 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 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.

The Group monitors capital structure on the basis of the level of net debt compared to the amount of capital. For this purpose, the Group defines net debt as bank deposits and cash and pledged and restricted bank deposits less interest-bearing loans and borrowings in the consolidated statement of financial position. Capital comprises all components of equity. Net debt and equity at 31 December 2018 and 2017 were as follows:

	2018 **$'000**	2017 $'000
Bank deposits and cash (note 22(a))	**1,174,249**	1,204,805
Pledged and restricted bank deposits (note 22(a))	**6,803**	27,996
Less: bank loans (note 23)	**(2,625,039)**	(2,353,265)
Net debt	**(1,443,987)**	(1,120,464)
Total equity	**10,195,564**	9,542,931

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

29 Commitments

(a) Capital commitments

(i) At 31 December 2018, the Group had the following capital commitments in relation to the purchase of other property, plant and equipment not provided for in the financial statements:

	2018 **$'000**	2017 $'000
Contracted for	**533,234**	1,114,546

(ii) At 31 December 2018, the Group's share of capital commitments of the joint operation in respect of investment property under development not provided for in the financial statements is as follows:

	2018 **$'000**	2017 $'000
Contracted for	**144,675**	74,021

(b) Operating leases commitments

At 31 December 2018, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2018 **$'000**	2017 $'000
Within 1 year	**4,342**	3,895
After 1 year but within 5 years	**4,286**	2,200
	8,628	6,095

The Group leases a number of properties under operating leases. The leases typically run for a period of one to three years. The leases do not include contingent rentals.

30 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate, currency and fuel price risks arises in the normal course of the Group's business. 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and investments in debt securities.

In respect of trade and other receivables, credit evaluations are performed on all major customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and their ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. A credit period of between 30 days and 90 days is normally granted to customers of the Group's non-franchised transport operations and media sales business. All the trade and other receivables included in current assets are expected to be recoverable within one year. Due to the financial strength of these customers and the short duration of the trade and other receivables, the ECL allowance is considered insignificant.

Investments in debt securities are only made with counterparties of a high credit rating. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations. No loss allowance for investments in debt securities was recognised as at 31 December 2018.

The Group's exposure to credit risk arising from bank deposits and cash is limited because the counterparties are banks, for which the Group considers to have low credit risk.

Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

The Group has no significant concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any loss allowance. The Group does not provide any guarantee to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from investments in debt securities and trade and other receivables are set out in notes 18 and 21 respectively.

(b) Liquidity risk

The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development. Major operating companies of the Group arrange for their own financing to meet specific requirements. The Group's other subsidiaries are mainly financed by the Company's capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

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

(b) Liquidity risk (continued)

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using interest rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

Non-derivative financial liabilities

	2018					2017				
	Contractual undiscounted cash flow					Contractual undiscounted cash flow				
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Total $'000	Carrying amount at 31 December $'000
Bank loans	81,246	81,246	2,737,395	2,899,887	2,625,039	49,795	123,577	2,384,870	2,558,242	2,353,265
Accounts payable and accruals	1,032,412	–	–	1,032,412	1,032,412	1,138,771	–	–	1,138,771	1,138,771
	1,113,658	81,246	2,737,395	3,932,299	3,657,451	1,188,566	123,577	2,384,870	3,697,013	3,492,036

Derivative financial liabilities

	2018 Contractual undiscounted cash flow		2017 Contractual undiscounted cash flow	
	Within 1 year or on demand $'000	Total $'000	Within 1 year or on demand $'000	Total $'000
Derivatives settled gross:				
Forward foreign exchange contracts held as cash flow hedging instruments:				
– outflow	(101,887)	(101,887)	–	–
– inflow	100,541	100,541	–	–
Other forward foreign exchange contracts:				
– outflow	(11,898)	(11,898)	(116,107)	(116,107)
– inflow	11,986	11,986	116,417	116,417

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is the Group's policy to closely monitor the market conditions and devise suitable strategies against interest rate risk. As at 31 December 2018 and 2017, all the Group's borrowings were denominated in Hong Kong dollars and on a floating interest rate basis. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition.

(i) Interest rate profile

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

	2018		2017	
	Effective interest rate p.a.	**Amount**	Effective interest rate p.a.	Amount
	%	**$'000**	%	$'000
Fixed rate assets:				
Bank deposits	**3.0**	**1,024,647**	1.6	1,042,687
Investments in/available-for-sale debt securities	**3.9**	**1,428,067**	3.9	1,477,946
		2,452,714		2,520,633
Variable rate liabilities:				
Bank loans	**3.3**	**(2,625,039)**	2.0	(2,353,265)

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately $9,475,000 (2017: $7,187,000). Other components of consolidated equity would have decreased/increased by approximately $23,961,000 (2017: $38,156,000) in response to the general increase/decrease in interest rates.

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 expense or income of such a change in interest rates. The analysis is performed on the same basis for 2017.

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

(d) Currency risk

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in debt securities and deposits placed at banks that are denominated in a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily British Pounds Sterling, United States dollars and Renminbi.

The Group hedges approximately 96% (2017: 29%) of its estimated foreign currency exposure in respect of highly probable forecast purchases denominated in British Pounds Sterling. The Group uses forward foreign exchange contracts to manage its currency risk. For the year ended 31 December 2018, the Group designates those forward foreign exchange contracts as hedging instruments in cash flow hedges and does not separate the forward and spot elements of a forward foreign exchange contract but instead designates the forward foreign exchange contract in its entirety in a hedging relationship. Correspondingly, the hedged item is measured based on the forward exchange rate.

The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the forward foreign exchange contracts and the highly probable forecast transactions based on their currency amounts and the timing of their respective cash flows. The main sources of ineffectiveness in these hedging relationships are:

(i) the effect of the counterparty's and the Group's own credit risk on the fair value of the forward foreign exchange contracts which is not reflected in the change in the value of the hedged cash flows attributable to the forward rate; and

(ii) changes in the timing of the hedged transactions.

At 31 December 2018, the Group had liabilities arising from forward foreign exchange contracts outstanding of $1,346,000 (2017: assets of $310,000), which were recognised as derivative financial liabilities/assets and included in "Accounts payable and accruals" (note 24)/"Accounts receivable" (note 21) line items in the consolidated statement of financial position. These forward foreign exchange contracts were for the purchases of British Pounds Sterling totalling 10,100,000 (2017: 11,028,000). They had maturities of less than one year after the end of the reporting date and have an average exchange rate of 10.10 between British Pounds Sterling and Hong Kong dollars (2017: 10.51).

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2018 $'000
Balance at 1 January	–
Effective portion of the cash flow hedge recognised in other comprehensive income	(1,346)
Related tax	222
Balance at 31 December (note)	(1,124)
Change in fair value of the forward foreign exchange contracts during the year	(1,346)
Hedge ineffectiveness recognised in profit or loss	–
Effective portion of the cash flow hedge recognised in other comprehensive income	(1,346)

Note: The entire balance in the hedging reserve relates to continuing hedges.

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

(d) Currency risk (continued)

(i) Exposure to currency risk

The table below details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2018			2017		
	Renminbi $'000	British Pounds Sterling $'000	United States dollars $'000	Renminbi $'000	British Pounds Sterling $'000	United States dollars $'000
Bank deposits and cash	2,032	73,113	198,664	2,770	83,819	–
Accounts payable and accruals	–	(35,877)	(3,141)	–	(196,690)	(2,415)
Investments in/available-for-sale debt securities	–	–	1,428,069	–	–	1,477,946
Gross exposure arising from recognised assets and liabilities	2,032	37,236	1,623,592	2,770	(112,871)	1,475,531
Notional amount of forward foreign exchange contracts used as economic hedge	–	–	–	–	116,417	–
Net exposure arising from recognised assets and liabilities	2,032	37,236	1,623,592	2,770	3,546	1,475,531
Highly probable future purchases	–	(101,887)	–	–	–	–
Notional amount of forward foreign exchange contracts used as cash flow hedge	–	100,541	–	–	–	–
Net exposure arising from committed future purchases	–	(1,346)	–	–	–	–
Overall net exposure	2,032	35,890	1,623,592	2,770	3,546	1,475,531

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

(d) Currency risk (continued)

(ii) Sensitivity analysis

The table below indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

	2018			2017		
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits $'000	Increase/ (decrease) in other components of equity $'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits $'000	Increase/ (decrease) in other components of equity $'000
Renminbi	3%	61	–	3%	83	–
	(3)%	(61)	–	(3)%	(83)	–
British Pounds Sterling	6%	2,522	–	6%	1,007	–
	(6)%	(2,522)	–	(6)%	(1,007)	–
United States dollars	1%	1,960	14,281	1%	(20)	14,779
	(1)%	(1,960)	(14,281)	(1)%	20	(14,779)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2017.

Renminbi is not a fully convertible currency. All foreign exchange transactions involving Renminbi must take place either through the People's Bank of China or other institutions authorised to buy and sell foreign exchange.

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

(e) Fuel price risk

It is the Group's policy to closely monitor the fuel price movements. Certain subsidiaries of the Group have entered into price cap arrangements to limit the risk exposure in the event that oil prices rise above the cap level during the years ended 31 December 2018 and 2017. The Group had not entered into any fuel oil swap contract during the years ended 31 December 2018 and 2017.

(f) Fair values measurement

(i) Financial instruments 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

	2018				2017			
		Fair value measurements categorised into				Fair value measurements categorised into		
	Fair value $'000	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurements								
Assets:								
Investments in/available-for-sale debt securities – listed	**1,428,067**	**1,428,067**	**–**	**–**	1,477,946	1,477,946	–	–
Unlisted equity securities (note)	**512,019**	**–**	**–**	**512,019**	–	–	–	–
Derivative financial instruments – other forward foreign exchange contracts	**88**	**–**	**88**	**–**	310	–	310	–
Liability:								
Derivative financial instruments – forward foreign exchange contracts held as cash flow hedge	**(1,346)**	**–**	**(1,346)**	**–**	–	–	–	–

Note: Unlisted equity securities were reclassified to financial assets designated at FVOCI (non-recycling) upon the initial adoption of HKFRS 9 at 1 January 2018 (see note 1(c)). They were stated at cost less accumulated impairment losses at 31 December 2017.

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

(f) Fair values measurement (continued)

(i) Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

During the years ended 31 December 2018 and 2017, there were no transfers between instruments in Level 1 and Level 2. The unlisted equity securities were reclassified to financial assets designated at FVOCI (non-recycling) and their fair values are measured under Level 3 upon the adoption of HKFRS 9 at 1 January 2018.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of forward foreign exchange contracts as at 31 December 2018 and 2017 in Level 2 were marked to market using quoted market price from financial institutions.

(iii) Information about Level 3 fair value measurement

	Valuation technique	Significant unobservable inputs	Percentage
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	35% (2017: N/A)

The fair value of unlisted equity instruments is determined using market approach of comparable companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2018, it is estimated that with all other variables held constant, a decrease/increase in the discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by $39,386,000.

The movement during the year in the balance of Level 3 fair value measurement is as follows:

	2018 **$'000**
Unlisted equity securities	
At 1 January	**–**
Transfer to Level 3 upon the initial adoption of HKFRS 9	**491,511**
Net unrealised gains recognised in other comprehensive income during the year	**20,508**
At 31 December	**512,019**

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, any gains arising from the disposal of the unlisted equity securities were presented in the "Other income" line item in the consolidated statement of profit or loss.

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

(f) Fair values measurement (continued)

(iv) Fair values of financial instruments carried at other than fair value

All financial instruments carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 31 December 2018 and 2017 except as follows:

Amounts due from/to associates of the Group are unsecured, interest-free and have no fixed terms of repayment/settlement. Given these terms, it is not meaningful to disclose their fair values.

31 Contingent liabilities

At 31 December 2018 and 2017, guarantees are given to banks by the Company in respect of bank loans extended to certain wholly-owned subsidiaries.

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under these guarantee arrangements. The maximum liability of the Company at the end of the reporting period under the guarantees is the amount of the facilities drawn down by the subsidiaries that are covered by the guarantees, being $1,500,000,000 (2017: $1,575,000,000).

The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and there is no transaction price.

32 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has entered into the following material related party transactions:

(a) Transactions with related companies

Nature of transactions	Note	Income/(expense) 2018 $'000	2017 $'000
Service fees for provision of coach services	(i) & (ii)	**52,371**	42,132
Insurance premium paid	(iii)	**(90,118)**	(69,163)
Amount paid and accrued for building management services	(iv)	**(818)**	(786)
Amount paid and accrued for project management service and lease modification	(v)	**–**	–
Amount paid and accrued for a building contract	(vi)	**–**	–
Advertising income	(vii)	**5,849**	556

32 Material related party transactions (continued)

(a) Transactions with related companies (continued)

Notes:

(i) During the year, the Group provided coach services ("Shuttle Bus Service Agreements") to certain subsidiaries of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company, details of which were disclosed in the announcement of the Company dated 29 June 2018. The amounts received and receivable under the Shuttle Bus Service Agreements amounted to $8,379,000 (2017: $2,340,000). Subsequently during the year, the Group also provided coach services to certain subsidiaries of SHKP and the amounts received and receivable thereunder amounted to $4,463,000 (2017: $6,666,000). Outstanding balances due from these companies at 31 December 2018 amounted to $3,312,000 (2017: $3,092,000).

(ii) The Group also provided coach services to residents of certain residential property developments managed by certain members of SHKP and its subsidiaries ("SHKP Group") where the SHKP Group acts as agent for collection of the service fees ("Coach Service Arrangement"). The amounts received and receivable for these Coach Service Arrangements amounted to $39,529,000 (2017: $33,126,000). Outstanding balances due from these companies at 31 December 2018 amounted to $10,619,000 (2017: $8,370,000).

(iii) In 2016, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of various kind of insurance services to the Group for the period from 1 January 2017 to 31 December 2018 (the "2017/18 Insurance Arrangements"). In 2017, the Group entered into contracts with SHKPI for the provision of medical and dental insurance services to the Group for the period from 1 January 2018 to 31 December 2019 (the "2018/19 Medical and Dental Insurance Arrangements"). The amount paid and payable under the 2017/18 Insurance Arrangements and 2018/19 Medical and Dental Insurance Arrangements during the year amounted to $90,118,000 (2017: $69,163,000). Outstanding balance receivable for these contracts at 31 December 2018 amounted to $437,000 (2017: $92,000).

(iv) On 3 July 2007, Lai Chi Kok Properties Investment Limited, Royal Elite Service Company Limited ("Royal Elite"), a subsidiary of SHKP, and the first assignee of a residential unit of Manhattan Hill entered into a deed of mutual covenant (the "Deed") pursuant to which the parties agreed that Royal Elite would act as the manager of Manhattan Hill. The amount paid and payable under the Deed during the year amounted to $818,000 (2017: $786,000). Outstanding balance payable for this contract at 31 December 2018 amounted to $201,000 (2017: $Nil).

(v) On 26 April 2010, KT Real Estate Limited ("KTRE"), a wholly-owned subsidiary of the Company, and Turbo Result Limited ("TRL"), a subsidiary of SHKP, entered into an agreement with Sun Hung Kai Real Estate Agency Limited ("SHKRE"), pursuant to which KTRE and TRL agreed to appoint SHKRE as the project manager for the management, supervision and control of the application for planning permission, the surrender and regrant of an industrial site at Kwun Tong Inland Lot No. 240, No. 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong (the "Kwun Tong Site") and the construction of the Kwun Tong Site.

The amount payable for project management services shall be a sum equivalent to whichever is the higher of (1) $20,000,000; and (2) the lower of (a) 1% of the project cost and (b) $25,000,000. The amount payable for lease modification services shall be in the sum of the lower of (1) $3.2 for each square foot of the permitted maximum gross floor area as approved under the lease modification; and (2) $3,840,000. Outstanding balance payable for this contract as at 31 December 2018 amounted to $2,000,000 (2017: $2,000,000).

(vi) On 20 December 2018, KTRE, TRL and Yee Fai Construction Company Limited ("Yee Fai") (a wholly-owned subsidiary of SHKP) entered into a building contract in which KTRE and TRL have engaged Yee Fai to carry out and complete the building works involving the construction of a commercial building at the Kwun Tong Site (the "Building Contract"). KTRE and TRL shall pay to Yee Fai, in equal shares, the contract sum of HK$4,436,057,000 (i.e. HK$2,218,028,500 each), subject to adjustments in accordance with the Building Contract. No outstanding balance payable for this contract as at 31 December 2018.

(vii) During the year, the Group provided advertising services to certain subsidiaries of SHKP, a substantial shareholder of the Company. The amounts received and receivable for these advertising services amounted to $5,849,000 (2017: $556,000). Outstanding balances due from these companies at 31 December 2018 amounted to $48,000 (2017: $Nil).

(b) Key management personnel remuneration

Remuneration for key management personnel represents amounts paid to the Company's Directors as disclosed in note 7.

32 Material related party transactions (continued)

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions as described in notes 32(a)(i) and 32(a)(iii) above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the reporting requirements under Chapter 14A of the Listing Rules by including the relevant disclosures in the section headed "Connected Transactions and Continuing Connected Transactions" under "Financial Review" on pages 83 to 85 of this Annual Report.

The related party transactions as described in note 32(a)(ii) above, in which the relevant SHKP Group companies acted as agents for collection of the coach service fees, did not fall within the definition of connected transactions of the Company under Chapter 14A of the Listing Rules.

The related party transactions as described in notes 32(a)(iv) and 32(a)(vii) above constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. However, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.76.

The related party transaction as described in note 32(a)(v) above constitutes connected transaction of the Company as defined in Chapter 14A of the Listing Rules. The relevant reporting requirements pursuant to Chapter 14A of the Listing Rules have been complied with by including disclosures in the Company's annual report published immediately following the entering into of such transaction. No transaction amount in respect of that transaction has been incurred during the year ended 31 December 2018.

The related party transaction as described in note 32(a)(vi) above constitutes connected transaction of the Company as defined in Chapter 14A of the Listing Rules. The Company has complied with the reporting requirements under Chapter 14A of the Listing Rules by including the relevant disclosures in the section headed "Connected Transactions and Continuing Connected Transactions" under "Financial Review" on pages 83 to 85 of this Annual Report. No transaction amount in respect of that transaction has been incurred during the year ended 31 December 2018.

33 Discontinued operations

On 26 October 2017, the Group entered into a Sale and Purchase Agreement with an independent third party, Bliss Chance Global Limited, to dispose of its entire 73% equity interest in RoadShow and its subsidiaries at a total consideration of $795,809,000. As such, a net gain on disposal of $439,585,000 was recognised in profit or loss for the year ended 31 December 2017. The transaction was completed on 27 October 2017.

The disposed businesses related to the provision of media sales services. Upon completion of the disposal, the principal business of the Group has become the operation of both franchised and non-franchised public transportation and property holdings and development. As the disposed businesses are considered as separate major lines of businesses, the corresponding operations have been classified as discontinued operations as a result of the completion of such disposal.

The carrying amounts of assets and liabilities as at 27 October 2017, the disposal date, were as follows:

	$'000
Other property, plant and equipment	11,911
Non-current prepayments	1,085
Deferred tax assets	7,733
Accounts receivable	88,597
Deposits and prepayments	11,599
Current tax recoverable	1,914
Pledged and restricted bank deposits	98,248
Bank deposits and cash	344,267
Accounts payable and accruals	(74,153)
Current tax payable	(290)
Deferred tax liabilities	(105)
Net assets disposed of	490,806
Less: non-controlling interests	(138,520)
Net assets disposed of attributable to the equity shareholders of the Company	352,286
Less: consideration	(795,809)
Other costs directly attributable to the disposal	13,479
	(430,044)
Release of exchange reserve upon disposal of subsidiaries	(9,541)
Net gain on disposal of subsidiaries	(439,585)

33 Discontinued operations (continued)

The result of these discontinued operations for the period from 1 January 2017 to 27 October 2017 is set out below:

	Period from 1 January 2017 to 27 October 2017 $'000
Revenue	285,705
Other income	12,632
Staff costs	(52,799)
Depreciation and amortisation	(3,909)
Other operating expenses	(259,372)
Loss from operations	(17,743)
Impairment loss on trade and other receivables	(1,812)
Reversal of provision for onerous contracts	13,259
Loss before taxation	(6,296)
Income tax	(4,319)
Loss after tax from discontinued operations	(10,615)
Net gain on disposal of subsidiaries	439,585
Profit for the period from discontinued operations	428,970
Attributable to:	
Equity shareholders of the Company	432,563
Non-controlling interests	(3,593)
Profit for the period from discontinued operations	428,970
Cash flow	
Operating cash outflows	(44,241)
Investing cash inflows	172,711
Net cash inflows	128,470

34 Company-level statement of financial position

	Note	2018 $'000	2017 $'000
Non-current assets			
Investments in subsidiaries		**1,194,345**	1,193,491
Deferred tax assets		**535**	598
		1,194,880	1,194,089
Current assets			
Deposits and prepayments		**188**	398
Amounts due from subsidiaries		**8,567,384**	7,936,914
Other receivables		**–**	1,032
Bank deposits and cash		**3,668**	6,817
		8,571,240	7,945,161
Current liabilities			
Accounts payable and accruals		**11,207**	18,400
Amounts due to subsidiaries		**6,319,156**	5,966,924
		6,330,363	5,985,324
Net current assets		**2,240,877**	1,959,837
NET ASSETS		**3,435,757**	3,153,926
CAPITAL AND RESERVES	28(a)		
Share capital		**434,597**	422,456
Reserves		**3,001,160**	2,731,470
TOTAL EQUITY		**3,435,757**	3,153,926

Approved and authorised for issue by the Board of Directors on 21 March 2019

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

(Expressed in Hong Kong dollars unless otherwise indicated)

35 Non-adjusting event after the reporting period

(a) Proposal of a final dividend

After the end of the reporting period, the Directors proposed a final dividend for the year. Further details are disclosed in note 11(a) to the financial statements.

(b) Approval of the Building Contract of Kwun Tong Site

On 20 December 2018, KTRE (a wholly-owned subsidiary of the Company), TRL (a wholly-owned subsidiary of SHKP) and Yee Fai (a wholly-owned subsidiary of SHKP) entered into the Building Contract in which KTRE and TRL have engaged Yee Fai to carry out and complete the building works involving the construction of a commercial building at Kwun Tong Site. KTRE and TRL shall pay to Yee Fai, in equal shares, the contract sum of $4,436,057,000 (i.e. $2,218,028,500 each), subject to adjustments in accordance with the Building Contract. The Building Contract was approved by independent shareholders at the special general meeting of the Company held on 1 February 2019.

36 Comparative figures

The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

Certain comparative figures have been reclassified to conform with the presentation of the current year, which management consider would better facilitate analysis of the financial information and better reflect the Group's financial performance. Such reclassification has no impact on the Group's prior year overall results and net assets.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 (continued)

HKFRS 16, *Leases*

As disclosed in note 1(l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group has decided to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group has decided to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group has decided to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 29(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to $4,286,000 for properties, which are payable after 1 year but within 5 years after the reporting date. Upon the initial adoption of HKFRS 16, the recognition of interest expense on the lease liability and depreciation charge for the right-of-use asset is not expected to have material impact on the Group's consolidated statement of profit or loss.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.