NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investments in debt and equity securities (see note 1(g)), derivative financial instruments (see note 1(h)) and employee benefit assets (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.

(c) Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

1 Significant accounting policies (continued)

(d) Subsidiaries

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.

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

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

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

(e) Associates, joint ventures 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 venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

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 or a joint venture 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 or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and 1(n)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

1 Significant accounting policies (continued)

(e) Associates, joint ventures and joint operations (continued)

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

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the 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 or vice versa, the 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 or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

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.

(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.

1 Significant accounting policies (continued)

(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 and joint venture, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) 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.

- 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.

(ii) 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).

(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).

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).

(k) Other property, plant and equipment

Properties held for own use and other items of plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment (see note 1(l)), 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)).

1 Significant accounting policies (continued)

(k) Other property, plant and equipment (continued)

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	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.

(l) Leased assets

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

(i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to its present value, less any lease incentives received.

1 Significant accounting policies (continued)

(l) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(k) and 1(n)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Company has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(u)(vi).

(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)).

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.

1 Significant accounting policies (continued)

(n) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including bank deposits and cash, trade and other receivables, including loan to joint venture, which is held for the collection of contractual cash flows which represent solely payments of principal); and

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

Other financial assets measured at fair value, including equity securities measured at FVPL, 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.

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

1 Significant accounting policies (continued)

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

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (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 the 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.

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

1 Significant accounting policies (continued)

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

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income (continued)

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the 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.

(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.

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.

1 Significant accounting policies (continued)

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

(ii) Credit losses from financial guarantees issued (continued)

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.

(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, including right-of-use assets;
- interest in leasehold land;
- intangible assets;
- goodwill;
- interest in associates;
- interest in joint venture 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). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

1 Significant accounting policies (continued)

(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 Listing Rules, 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

Spare parts 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 its transaction price and subsequently stated at amortised cost, using the effective interest method and including an 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, except where the payables are interest-free loans advanced from related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at invoiced amounts.

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 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 when the Group or the Company has a legal or constructive obligation arising as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when 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 amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

(i) 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.

(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.

1 Significant accounting policies (continued)

(u) Revenue and other income (continued)

(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 asset. 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 ("PRC") 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.

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.

1 Significant accounting policies (continued)

(x) Employee benefits (continued)

(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)).

(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).

1 Significant accounting policies (continued)

(x) Employee benefits (continued)

(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.

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.

1 Significant accounting policies (continued)

(y) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the 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.

(z) 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.

1 Significant accounting policies (continued)

(aa) 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, 20(f), 21(c) and 32(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, fair value of share options and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation

Investment properties, interest in leasehold land and other property, plant and equipment, including right-of-use assets are depreciated 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 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, taking into account anticipated technological changes. The depreciation 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

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.

(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 26, is based on past claim experience and recent claim 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:

	2022 $'000	2021 $'000
Fare revenue from franchised public bus services	**6,090,564**	6,609,291
Revenue from non-franchised transport services	**195,832**	212,458
Licence fee income	**214,868**	256,968
Media sales revenue	**49,652**	71,597
Gross rentals from investment properties	**56,255**	51,694
	6,607,171	7,202,008

All revenue, except gross rentals from investment properties which are subject to HKFRS 16, *Leases*, falls 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

	2022 $'000	2021 $'000
Interest income on financial assets measured at FVOCI (recycling)	**57,806**	54,483
Interest income on financial assets measured at amortised cost	**23,144**	6,683
Dividend income from equity investments	**64,861**	38,539
Net gain/(loss) on derecognition of financial assets measured at FVOCI (recycling) (note 9)	**1,161**	(3,163)
Net foreign exchange gain	**12,719**	12,772
Expected credit loss on other financial assets (note 32(a))	**(92,000)**	–
	67,691	109,314
Claims received	**10,954**	24,963
Net miscellaneous business receipts	**12,464**	12,910
Net gain on disposal of other property, plant and equipment	**5,453**	9,233
Government subsidies (note)	**525,566**	5,394
Drawdown from toll exemption fund (note 5(d))	**–**	49,428
Sundry income	**83,638**	42,743
	705,766	253,985

Note: This mainly represented subsidies from the Government of the Hong Kong Special Administrative Region ("HKSAR") to relieve the operating pressure on corporates, including franchised and non-franchised bus operators as a result of the outbreak of the fifth wave of COVID-19.

5 Profit before taxation

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

	2022 $'000	2021 $'000
(a) Staff costs		
Defined benefit retirement plan expense (note 20(e))	22,662	53,786
Contributions to defined contribution retirement plans	166,868	163,327
Movements in provision for long service payments (note 29)	8,919	3,280
Total retirement cost	198,449	220,393
Equity-settled share-based payment expenses	1,194	4,108
Salaries, wages and other benefits	3,805,601	3,832,128
	4,005,244	4,056,629
Less: staff costs included in cost of mask production	(2,153)	(2,450)
	4,003,091	4,054,179
(b) Finance costs		
Interest on bank loans	81,164	28,932
Interest on lease liabilities (note 23(d))	92	94
Total interest expense on financial liabilities not at FVPL	81,256	29,026
Less: interest expense capitalised*	(43,646)	(14,676)
	37,610	14,350

* The borrowing costs have been capitalised at the average interest rate of 1.92% per annum (2021: 0.85% per annum).

	2022 $'000	2021 $'000
(c) Rentals received and receivable from investment properties		
Gross rentals (note)	(56,255)	(51,694)
Less: direct outgoings	12,127	12,855
	(44,128)	(38,839)

Note: Included contingent rental income of $61,000 (2021: $86,000).

	2022 $'000	2021 $'000
(d) Other items		
Depreciation#		
– owned property, plant and equipment	1,116,695	1,011,898
– right-of-use assets	6,773	6,678
Write-down of spare parts	454	2,531
Provision for passenger reward (note a)	–	–
Provision for toll exemption fund (note b)	130,304	149,559
Auditors' remuneration		
– audit services	4,378	4,103
– other services	961	985

5 Profit before taxation (continued)

Note a: 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 2022 and 2021 was 8.7% per annum. The balance of passenger reward of the Group as at 31 December 2022, included in accounts payable and accruals (note 25), was $Nil (2021: $Nil).

Note b: The HKSAR Government announced that with effect from 17 February 2019, all franchised buses are exempted from paying tolls when using Government tunnels and roads. However, each franchised bus operator is required to spend an equivalent amount of the toll saved to set up its own dedicated account known as the "Toll Exemption Fund" which will normally be used to lower the magnitude of future fare increases. In addition, any additional fare revenue resulting from the increase of the bus fare on the jointly operated routes with other franchised bus operators arising from a fare adjustment is required to be paid into the Toll Exemption Fund. The balance of the Toll Exemption Fund of the Group as at 31 December 2022, included in accounts payable and accruals (note 25), was $450,374,000 (2021: $417,258,000). The drawdown from the Toll Exemption Fund of $49,428,000 was recognised in the consolidated statement of profit or loss in 2021.

#: Cost of mask production includes depreciation of $415,000 (2021: $415,000), which amount is included in the total amount disclosed in note 5(d) for depreciation.

6 Income tax in the consolidated statement of profit or loss

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

	2022	2021
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**19,563**	13,804
Over-provision in respect of prior years	**(690)**	(148)
	18,873	13,656
PRC withholding tax	**978**	805
	19,851	14,461
Deferred tax		
Origination and reversal of temporary differences	**(107,630)**	12,588
Actual tax (credit)/expense	**(87,779)**	27,049

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tier Profits Tax rate regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

	2022	2021
	$'000	$'000
Profit before taxation	**55,861**	272,093
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**9,625**	46,120
Tax effect of non-deductible expenses	**18,715**	4,600
Tax effect of non-taxable income	**(116,618)**	(24,589)
Tax effect of unused tax losses not recognised	**1,135**	1,119
Over-provision in respect of prior years	**(690)**	(148)
Others	**54**	(53)
Actual tax (credit)/expense	**(87,779)**	27,049

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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:

	Note	2022						
		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total (note (b))	Share-based payment (note (c))	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Executive Director								
Roger Lee Chak Cheong	(a)	390	6,396	665	353	7,804	119	7,923
Non-executive Directors								
Raymond Kwok Ping Luen		654	-	-	-	654	50	704
Ng Siu Chan		390	-	-	-	390	50	440
Charles Lui Chung Yuen		654	-	-	-	654	50	704
William Louey Lai Kuen		654	-	-	-	654	50	704
Winnie Ng		714	-	-	-	714	50	764
Allen Fung Yuk Lun		636	-	-	-	636	50	686
Dr Cheung Wing Yui		390	-	-	-	390	50	440
Lee Luen Fai		390	-	-	-	390	50	440
Lung Po Kwan		450	-	-	-	450	50	500
Susanna Wong Sze Lai		-	-	-	-	-	-	-
Gao Feng		-	-	-	-	-	-	-
Independent non-executive Directors								
Dr Norman Leung Nai Pang		2,116	-	-	-	2,116	56	2,172
Dr John Chan Cho Chak		794	-	-	-	794	53	847
Dr Eric Li Ka Cheung		770	-	-	-	770	50	820
Professor Liu Pak Wai		636	-	-	-	636	50	686
Tsang Wai Hung		840	-	-	-	840	50	890
		10,478	6,396	665	353	17,892	828	18,720

7 Directors' emoluments (continued)

		2021						
	Note	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-total (note (b)) $'000	Share-based payment (note (c)) $'000	Total $'000
Executive Director								
Roger Lee Chak Cheong	(a)	390	6,269	628	345	7,632	300	7,932
Non-executive Directors								
Raymond Kwok Ping Luen		654	–	–	–	654	157	811
Ng Siu Chan		390	–	–	–	390	157	547
Charles Lui Chung Yuen		654	–	–	–	654	157	811
William Louey Lai Kuen		654	–	–	–	654	157	811
Winnie Ng		714	–	–	–	714	157	871
Allen Fung Yuk Lun		636	–	–	–	636	157	793
Dr Cheung Wing Yui		390	–	–	–	390	157	547
Lee Luen Fai		390	–	–	–	390	157	547
Lung Po Kwan		450	–	–	–	450	157	607
Susanna Wong Sze Lai		–	–	–	–	–	–	–
Gao Feng		–	–	–	–	–	–	–
Independent non-executive Directors								
Dr Norman Leung Nai Pang		2,116	–	–	–	2,116	177	2,293
Dr John Chan Cho Chak		794	–	–	–	794	167	961
Dr Eric Li Ka Cheung		770	–	–	–	770	157	927
Professor Liu Pak Wai		636	–	–	–	636	157	793
Tsang Wai Hung		840	–	–	–	840	157	997
		10,478	6,269	628	345	17,720	2,528	20,248

Notes:

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

(b) The amounts represented emoluments received or receivable by the Directors of the Company in cash.

(c) These represent the estimated value of share options granted to Directors 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 21.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2021: 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:

	2022 $'000	2021 $'000
Fees	390	390
Salaries, allowances and benefits in kind	16,016	15,433
Discretionary bonuses	1,499	1,392
Equity-settled share-based payment expenses	350	777
Retirement scheme contributions	764	732
	19,019	18,724

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

	Number of individuals	
	2022	2021
$2,000,001 - $2,500,000	2	2
$2,500,001 - $3,000,000	1	1
$3,000,001 - $3,500,000	1	1
$7,500,001 - $8,000,000	1	1

9 Other comprehensive income

	2022 $'000	2021 $'000
Investments in financial assets measured at FVOCI (recycling):		
Change in fair value recognised during the year	(259,844)	(123,608)
Reclassification adjustments for amounts transferred to profit or loss:		
– net (gain)/loss on derecognition of investments in financial assets measured at FVOCI (recycling) (note 4)	(1,161)	3,163
– expected credit loss on investments in financial assets measured at FVOCI (recycling) (note 32(a))	92,000	–
Net movement in the fair value reserve (recycling) during the year recognised in other comprehensive income	(169,005)	(120,445)

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 $143,640,000 (2021: $245,044,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022	2021
Issued ordinary shares at 1 January	**465,469,414**	457,820,696
Effect of shares issued in respect of scrip dividend	**4,800,198**	3,876,747
Weighted average number of ordinary shares at 31 December	**470,269,612**	461,697,443

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years presented and diluted earnings per share are the same as basic earnings per share.

11 Dividends

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

	2022		2021	
	Per share	**Total**	Per share	Total
	$	**$'000**	$	$'000
Final dividend proposed after the end of the reporting period	**0.50**	**237,470**	0.50	232,735

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

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

	2022		2021	
	Per share	**Total**	Per share	Total
	$	**$'000**	$	$'000
Final dividend in respect of the previous financial year, approved and paid during the year	**0.50**	**232,735**	0.50	228,910

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2021 was paid on 30 June 2022, of which $115,826,000 was settled by the issuance of 9,470,661 shares at an issue price of $12.23 per share under the scrip dividend scheme.

The final dividend with a scrip dividend alternative in respect of the year ended 31 December 2020 was paid on 30 June 2021, of which $119,472,000 was settled by the issuance of 7,648,718 shares at an issue price of $15.62 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 two 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.

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 mainly represented non-franchised transport operations and interest in associates.

(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.

12 Segment reporting (continued)

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

Information regarding the Group's reportable segments for the years ended 31 December 2022 and 2021 is set out below.

	Franchised bus operation		Property holdings and development		All other segments		Total	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Revenue from external customers	6,360,023	6,940,074	51,477	49,337	195,671	212,597	6,607,171	7,202,008
Inter-segment revenue	823	782	5,094	5,477	1,890	3,178	7,807	9,437
Reportable segment revenue	6,360,846	6,940,856	56,571	54,814	197,561	215,775	6,614,978	7,211,445
Reportable segment (loss)/profit	(33,013)	65,852	52,419	48,103	5,067	22,415	24,473	136,370
Interest income	4,016	28	-	–	-	37	4,016	65
Interest expense	(37,610)	(14,350)	-	–	-	–	(37,610)	(14,350)
Depreciation	(1,077,761)	(972,112)	(6,463)	(7,053)	(38,829)	(38,996)	(1,123,053)	(1,018,161)
Staff costs	(3,893,752)	(3,951,690)	-	–	(98,683)	(91,838)	(3,992,435)	(4,043,528)
Share of (losses)/profits of associates	-	–	-	–	(6,909)	19,635	(6,909)	19,635
Share of profit of joint venture	-	–	8,249	8,252	-	–	8,249	8,252
Income tax credit/(expense)	105,262	(14,142)	(6,785)	(7,719)	(10,698)	(5,188)	87,779	(27,049)
Reportable segment assets	11,281,358	10,931,735	5,316,616	4,698,759	1,497,166	1,847,096	18,095,140	17,477,590
– including interest in associates	-	–	-	–	599,796	681,749	599,796	681,749
– including interest in joint venture	-	–	751,187	750,799	-	–	751,187	750,799
Additions to non-current segment assets during the year	882,710	1,177,921	621,737	840,027	135,728	26,363	1,640,175	2,044,311
Reportable segment liabilities	5,211,220	4,381,960	2,421,777	1,758,496	94,860	83,013	7,727,857	6,223,469

12 Segment reporting (continued)

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

	2022 $'000	2021 $'000
Revenue		
Reportable segment revenue	6,417,417	6,995,670
Revenue from all other segments	197,561	215,775
Elimination of inter-segment revenue	(7,807)	(9,437)
Consolidated revenue	6,607,171	7,202,008
Profit		
Reportable segment profit	19,406	113,955
Profit from all other segments	5,067	22,415
Unallocated profits	119,167	108,674
Consolidated profit after taxation	143,640	245,044
Assets		
Reportable segment assets	16,597,974	15,630,494
Assets from all other segments	1,497,166	1,847,096
Unallocated assets	3,055,536	2,468,461
Consolidated total assets	21,150,676	19,946,051
Liabilities		
Reportable segment liabilities	7,632,997	6,140,456
Liabilities from all other segments	94,860	83,013
Unallocated liabilities	44,898	43,854
Consolidated total liabilities	7,772,755	6,267,323

(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, other property, plant and equipment, intangible assets, goodwill, interest in associates and interest in joint venture ("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 and interest in joint venture.

	Specified non-current assets	
	2022 $'000	2021 $'000
Hong Kong	13,585,437	13,062,809
The PRC	761,493	849,620
	14,346,930	13,912,429

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

(a) Reconciliation of carrying amount

	Buildings $'000	Other properties leased for own use carried at cost $'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 2022	1,580,159	19,981	12,220,847	453,736	3,875,229	18,149,952	3,846,624	189,218	112,372	22,298,166
Additions	22,511	5,290	118,161	426,860	361,041	933,863	620,595	1,223	-	1,555,681
Disposals	-	-	(433,278)	-	(52,224)	(485,502)	-	-	-	(485,502)
Transfers	-	-	624,582	(624,582)	-	-	-	-	-	-
At 31 December 2022	1,602,670	25,271	12,530,312	256,014	4,184,046	18,598,313	4,467,219	190,441	112,372	23,368,345
Accumulated depreciation:										
At 1 January 2022	1,232,548	13,205	5,881,504	-	3,096,219	10,223,476	2,020	93,818	61,881	10,381,195
Charge for the year	38,674	4,793	814,740	-	256,507	1,114,714	-	6,774	1,980	1,123,468
Written back on disposals	-	-	(432,810)	-	(52,051)	(484,861)	-	-	-	(484,861)
At 31 December 2022	1,271,222	17,998	6,263,434	-	3,300,675	10,853,329	2,020	100,592	63,861	11,019,802
Net book value:										
At 31 December 2022	331,448	7,273	6,266,878	256,014	883,371	7,744,984	4,465,199	89,849	48,511	12,348,543
Add: Deposits paid in respect of buses on order						34,263	-	-	-	34,263
						7,779,247	4,465,199	89,849	48,511	12,382,806

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	Other properties leased for own use carried at cost $'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 2021	1,561,570	13,939	12,050,514	567,507	3,470,737	17,664,267	3,007,436	182,560	115,513	20,969,776
Additions	18,589	6,042	104,363	617,247	457,481	1,203,722	839,188	3,517	-	2,046,427
Disposals	-	-	(665,048)	-	(52,989)	(718,037)	-	-	-	(718,037)
Transfers	-	-	731,018	(731,018)	-	-	-	3,141	(3,141)	-
At 31 December 2021	1,580,159	19,981	12,220,847	453,736	3,875,229	18,149,952	3,846,624	189,218	112,372	22,298,166
Accumulated depreciation:										
At 1 January 2021	1,195,305	8,539	5,781,305	-	2,943,353	9,928,502	2,020	84,685	62,195	10,077,402
Charge for the year	37,243	4,666	762,537	-	205,311	1,009,757	-	6,807	2,012	1,018,576
Written back on disposals	-	-	(662,338)	-	(52,445)	(714,783)	-	-	-	(714,783)
Transfers	-	-	-	-	-	-	-	2,326	(2,326)	-
At 31 December 2021	1,232,548	13,205	5,881,504	-	3,096,219	10,223,476	2,020	93,818	61,881	10,381,195
Net book value:										
At 31 December 2021	347,611	6,776	6,339,343	453,736	779,010	7,926,476	3,844,604	95,400	50,491	11,916,971
Add: Deposits paid in respect of buses on order						59,130	-	-	-	59,130
						7,985,606	3,844,604	95,400	50,491	11,976,101

(b) Right-of-use assets

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

	Note	2022 $'000	2021 $'000
Interest in leasehold land, carried at amortised cost, with remaining lease term between 10 and 50 years	(i)	**48,511**	50,491
Other properties leased for own use, carried at depreciated cost	(ii)	**7,273**	6,776
		55,784	57,267
Investment property under development with remaining lease term between 10 and 50 years		**2,153,903**	2,153,903
		2,209,687	2,211,170

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

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

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

	2022 **$'000**	2021 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Interest in leasehold land	**1,980**	2,012
Other properties leased for own use	**4,793**	4,666
	6,773	6,678
Interest on lease liabilities (note 5(b))	**92**	94
Expense relating to short-term leases	**1,686**	1,892
COVID-19-related rent concessions received	**(1,176)**	(2,338)

During the year, additions to right-of-use assets were $5,290,000 (2021: $6,042,000). This amount related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 23(e) and 27, respectively.

The Group early adopted the Amendment to HKFRS 16, *Leases, Covid-19-related rent concessions beyond 30 June 2022* in the financial statements for the year ended 31 December 2021, and applies the practical expedient to all eligible rent concessions received by the Group. Further details are disclosed in (ii) below.

(i) Interest in leasehold land

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

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its staff rest kiosks and bus regulators' offices through tenancy agreements. The leases typically run for an initial period of two to three years. During 2022, the Group received rent concessions in the form of a discount on fixed payments of $1,176,000 (2021: $2,338,000).

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

(c) 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

	2022			
		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	**3,122,330**	**–**	**–**	**3,122,330**
– industrial properties	**526,170**	**–**	**526,170**	**–**
Investment property under development in Hong Kong	**5,840,000**	**–**	**–**	**5,840,000**

	2021			
		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	3,407,870	–	–	3,407,870
– industrial properties	617,417	–	617,417	–
Investment property under development in Hong Kong	5,025,500	–	–	5,025,500

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The valuations were carried out by independent firms of surveyors, Centaline Surveyors Limited and Knight Frank Petty 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 2022, investment property under development of $4,465,199,000 (2021: $3,844,604,000) related to the Group's interest in a joint operation.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(c) Fair value measurement of properties (continued)

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

The fair value of its industrial properties in Hong Kong as at 31 December 2022 was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

(iii) 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	-75% to 30% (2021: -80% to 30%)
Investment property under development in Hong Kong	2022: Residual method	Capitalisation rate	3.5%
	2021: market comparison and residual valuation approaches	Discount/premium on quality of redevelopment	(2021: -25% to 0%)

The Group adopted a market comparison approach for all its commercial properties in Hong Kong for the years ended 31 December 2022 and 2021. The fair value of commercial properties using a market comparison approach is determined by reference to the 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 recent sales. Higher premiums for higher quality buildings will result in a higher fair value measurement.

As at 31 December 2022, the fair value of investment property under development located in Hong Kong was determined using the residual method by estimating the value of the property when completed using income capitalisation method with reference to comparable sales transactions assuming that the property had been completed in accordance with the current development plan on the valuation date less the costs that will be incurred to complete the development with appropriate allowance for profit and risk. A higher capitalisation rate will result in low gross development value.

As at 31 December 2021, 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, and the 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. A higher premium for higher quality redevelopment will result in a higher gross development value.

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

(d) 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.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 $'000	2021 $'000
Within 1 year	**30,305**	42,238
After 1 year but within 2 years	**21,036**	22,248
After 2 years but within 3 years	**17,394**	14,148
After 3 years but within 4 years	**6,265**	3,813
After 4 years but within 5 years	**3,090**	450
After 5 years	**1,759**	–
	79,849	82,897

(e) In 2022, subsidies totalling $96,846,000 (2021: $97,863,000) 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 termini. 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. 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
Cost:	
At 1 January 2021	364,964
Additions	54,765
At 31 December 2021 and 1 January 2022	419,729
Additions	109,361
At 31 December 2022	**529,090**
Accumulated amortisation:	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	–
Net book value:	
At 31 December 2022	**529,090**
At 31 December 2021	419,729

14 Intangible assets (continued)

In respect of those passenger service licences and transport operating rights of the Group that are regarded as having 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 as having 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

	2022 $'000	2021 $'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:

	2022 %	2021 %
Growth rate	1.5	1.5
Discount rate	7.1 – 8.3	5.8 – 6.7

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.

(Expressed in Hong Kong dollars unless otherwise indicated)

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: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
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)
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

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Interest in subsidiaries (continued)

			Percentage of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
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
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: Group's effective interest	Percentage of ownership interest: Held by the Company	Percentage of ownership interest: Held by subsidiaries	Principal activity
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

17 Interest in associates

	2022 $'000	2021 $'000
Share of net assets	**538,681**	615,239
Goodwill	**61,006**	66,392
Amount due from an associate	**109**	118
	599,796	681,749

Amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

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

Name of associate	Form of business structure	Place of establishment and business	Particulars of registered and paid-up capital	Percentage of ownership interest: Group's effective interest	Percentage of ownership 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	
	2022	2021
	$'000	$'000
Gross amounts of the associate		
Current assets	**4,547,801**	3,748,154
Non-current assets	**5,667,120**	7,078,614
Current liabilities	**3,599,541**	6,480,528
Non-current liabilities	**5,260,599**	2,838,060
Total equity	**1,354,781**	1,508,180
Non-controlling interest	**(6,501)**	(8,011)
Revenue	**1,718,171**	1,958,565
Profit for the year	**21,308**	72,063
Other comprehensive income	**1,234**	8,971
Total comprehensive income	**22,542**	81,034
Dividend from the associate	**17,356**	12,097
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate attributable to equity shareholders	**1,348,280**	1,500,169
Group's effective interest	**35%**	35%
Group's share of net assets of the associate	**471,898**	525,059
Goodwill	**61,006**	66,392
Carrying amount in the consolidated financial statements	**532,904**	591,451

Aggregate information of associates that are not individually material:

	2022	2021
	$'000	$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**66,892**	90,298
Aggregate amounts of the Group's share of those associates		
Loss for the year	**(14,367)**	(5,587)
Total comprehensive income	**(14,367)**	(5,587)

18 Interest in joint venture

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

Name of joint venture	Form of business structure	Place of establishment and business	Particulars of registered and paid-up capital	Percentage of ownership interest: Group's effective interest	Percentage of ownership interest: Held by subsidiaries	Principal activity
TM Properties Investment Limited	Incorporated	Incorporated in the British Virgin Islands and operates in Hong Kong	2 share of US$2	50	50	Property investment (note 1)

Note 1: TM Properties Investment Limited operates in Hong Kong and generates rental income from the leasing of an industrial building in Tuen Mun.

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

	TM Properties Investment Limited	
	2022 $'000	2021 $'000
Gross amounts of the joint venture		
Current assets	**24,543**	16,277
Non-current assets	**79,040**	78,945
Current liabilities	**70,511**	78,648
Total equity	**33,072**	16,574

	For the year ended 31 December 2022 $'000	For the year ended 31 December 2021 $'000
Revenue	**20,559**	20,048
Profit for the year	**16,498**	16,504
Total comprehensive income	**16,498**	16,504
Reconciled to the Group's interest in the joint venture		
Gross amounts of net assets of the joint venture attributable to equity shareholders	**33,072**	16,574
Group's effective interest	**50%**	50%
Group's share of net assets of the joint venture	**16,536**	8,287
Fair value of retained interest in the joint venture	**710,537**	710,537
Loan to a joint venture (note 2)	**24,114**	31,975
Carrying amount in the consolidated financial statements	**751,187**	750,799

Note 2: Loan to a joint venture is unsecured, interest-free and has no fixed terms of repayment.

19 Other financial assets

	Note	2022 $'000	2021 $'000
Equity investments designated at FVOCI (non-recycling)			
– Unlisted equity securities	(i)	**1,017,187**	708,809
Financial assets measured at FVOCI (recycling)			
– Debt securities listed outside Hong Kong	(ii)	**843,079**	1,351,530
Financial assets measured at amortised cost			
– Loan receivables		**64,419**	34,418
Other financial assets measured at FVPL		**7,577**	–
		1,932,262	2,094,757
Less: debt securities listed outside Hong Kong classified as current assets		**(194,761)**	(731,045)
loan receivables classified as current assets		**(13,639)**	(10,050)
other financial assets measured at FVPL classified as current assets		**(7,577)**	–
Other financial assets classified as current assets		**215,977**	741,095
Other financial assets classified as non-current assets		**1,716,285**	1,353,662

Notes:

(i) The unlisted equity securities mainly represented 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 $64,861,000 (2021: $38,539,000) were declared on these investments during the year.

(ii) During the year 2022, expected credit loss of $92,000,000 was recognised to reflect the change in credit risk for the investments in financial assets measured at FVOCI (recycling). As at 31 December 2021, none of the financial assets measured at FVOCI (recycling) had significant credit risk.

20 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 2022 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 246% (2021: 246%) 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:

20 Employee retirement benefits (continued)

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

	2022 $'000	2021 $'000
Present value of funded obligations (note 20(c))	**(1,053,336)**	(1,344,104)
Fair value of plan assets (notes 20(b) and 20(d))	**2,594,327**	3,303,566
	1,540,991	1,959,462
Represented by:		
Employee benefit assets	**1,540,991**	1,959,462

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable in the next twelve months, as future refund 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 2023 is $Nil (2022: $Nil).

(b) Plan assets consist of the following:

	2022 $'000	2021 $'000
Equity securities:		
– Hong Kong and Mainland China	**441,036**	618,181
– Rest of Asia Pacific	**302,852**	748,050
– Europe	**216,148**	450,730
– North America	**268,036**	660,713
	1,228,072	2,477,674
Bonds	**1,219,335**	717,288
Cash and others	**146,920**	108,604
	2,594,327	3,303,566

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

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

	2022 $'000	2021 $'000
At 1 January	**1,344,104**	1,703,054
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	**(2,668)**	(81)
– Actuarial gains arising from changes in financial assumptions	**(157,102)**	(69,344)
– Actuarial gains arising from liability experience	**(8,046)**	(72,913)
	(167,816)	(142,338)
Benefits paid by the plans	**(183,501)**	(281,712)
Current service cost	**44,067**	56,790
Interest cost	**16,482**	8,310
	(122,952)	(216,612)
At 31 December	**1,053,336**	1,344,104

The weighted average duration of the Monthly Rated and Daily Rated defined benefit obligations are 7.3 and 4.9 years respectively (2021: 8.5 and 5.6 years respectively).

20 Employee retirement benefits (continued)

(d) Movements in plan assets:

	2022 $'000	2021 $'000
At 1 January	**3,303,566**	3,404,549
Administrative expenses paid	**(3,289)**	(5,201)
Benefits paid by the plans	**(183,501)**	(281,712)
Interest income	**41,176**	16,515
(Loss)/return on plan assets, excluding interest income	**(563,625)**	169,415
At 31 December	**2,594,327**	3,303,566

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

	2022 $'000	2021 $'000
Current service cost	**44,067**	56,790
Net income on net defined benefit asset	**(24,694)**	(8,205)
Administrative expenses paid	**3,289**	5,201
Total amounts recognised in profit or loss	**22,662**	53,786
Actuarial gains	**(167,816)**	(142,338)
Loss/(return) on plan assets, excluding interest income	**563,625**	(169,415)
Amounts recognised in other comprehensive income	**395,809**	(311,753)
Total defined benefit cost/(income)	**418,471**	(257,967)

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

	2022	2021
Discount rate		
– Monthly Rated Employees Scheme	**3.6%**	1.4%
– Daily Rated Employees Scheme	**3.6%**	1.2%
Future salary increases	**4.0%**	4.0%

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

	2022		2021	
	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	**(14,908)**	**15,286**	(22,055)	21,985
Future salary increases	**13,643**	**(13,378)**	19,349	(19,611)

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.

21 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	Vesting condition	Contractual life of options
Options granted to Directors:			
– on 19 November 2020	**6,075**	i	five years from the date of grant
Options granted to employees:			
– on 19 November 2020	**7,850**	ii	five years from the date of grant
Total share options granted	**13,925**		

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:

Vesting condition (i):

	Percentage of options granted
On or after 19 November 2021	**50%**
On or after 19 November 2022	**100%**

Vesting condition (ii):

	Percentage of options granted
On or after 19 November 2021	**30%**
On or after 19 November 2022	**60%**
On or after 19 November 2023	**100%**

21 Equity-settled share-based transactions (continued)

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

	2022 Weighted average exercise price	2022 Number of share options '000	2021 Weighted average exercise price	2021 Number of share options '000
Outstanding at the beginning of the year	**$15.32**	**11,725**	$16.12	15,118
Forfeited during the year	**$15.32**	**(1,300)**	$15.62	(1,972)
Lapsed during the year	**–**	**–**	$23.45	(1,421)
Outstanding at the end of the year	**$15.32**	**10,425**	$15.32	11,725
Exercisable at the end of the year	**$15.32**	**8,685**	$15.32	4,673

The options outstanding at 31 December 2022 had a weighted average exercise price of $15.32 (2021: $15.32) and weighted average remaining contractual lives of 2.88 years (2021: 3.88 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

	19 November 2020
Fair value at measurement date	$0.5681 – $0.5819
Share price at the date of grant	$15.32
Exercise price	$15.32
Expected volatility	14%
Option life (expressed as weighted average life used in the modelling under binomial model)	5 years
Expected dividends	4.98%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.35%

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.

22 Accounts receivable

	2022 $'000	2021 $'000
Trade and other receivables	**924,397**	584,076
Interest receivable	**33,132**	21,421
Less: loss allowance (note 22(b))	**(360)**	(360)
	957,169	605,137

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:

	2022 $'000	2021 $'000
Current	**59,946**	62,636
Less than 1 month past due	**96,725**	60,320
1 to 3 months past due	**51,964**	52,107
More than 3 months past due	**126,903**	89,425
	335,538	264,488

According to the Group's credit policy set out in note 32(a) to the financial statements, the 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.

(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)).

No movement in the loss allowance account in respect of trade receivables during the year:

	2022 $'000	2021 $'000
Balance at 1 January and 31 December	**360**	360

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)).

23 Bank deposits and cash

(a) Bank deposits and cash comprise:

	2022 $'000	2021 $'000
Cash at banks and on hand	69,773	149,493
Bank deposits	2,172,710	1,088,043
	2,242,483	1,237,536
Less: restricted bank deposits (note 23(b))	(442,891)	(411,749)
Bank deposits and cash in the consolidated statement of financial position	1,799,592	825,787
Less: bank deposits with original maturities of over three months	(442,796)	–
Cash and cash equivalents in the consolidated cash flow statement	1,356,796	825,787

(b) The Group is required to maintain the balance of passenger reward (note 5(d)) under the revised MBOF approach and the balance of toll exemption fund (note 5(d)) in designated bank accounts. As at 31 December 2022, the related restricted bank deposits amounted to $Nil and $442,891,000 (2021: $4,077,000 and $407,672,000) respectively.

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

	Note	2022 $'000	2021 $'000
Profit before taxation		55,861	272,093
Adjustments for:			
Depreciation	5(d)	1,123,468	1,018,576
Finance costs	5(b)	37,610	14,350
Dividend income from equity investment	4	(64,861)	(38,539)
Interest income		(80,950)	(61,166)
Net (gain)/loss on derecognition of financial assets measured at FVOCI (recycling)	4	(1,161)	3,163
Share of losses/(profits) of associates		6,909	(19,635)
Share of profit of joint venture		(8,249)	(8,252)
Net gain on disposal of other property, plant and equipment	4	(5,453)	(9,233)
Equity-settled share-based payment expenses	5(a)	1,194	4,108
Receipt of government grant for the disposal of other property, plant and equipment		(3,409)	(1,085)
Expected credit loss on other financial assets	32(a)	92,000	–
COVID-19-related rent concessions received	13(b)	(1,176)	(2,338)
Effect of foreign exchange rate		(9,428)	(7,092)
Operating profit before changes in working capital		1,142,355	1,164,950
Changes in working capital:			
Decrease in employee benefit assets		22,662	53,786
Decrease/(increase) in spare parts		7,918	(8,121)
(Increase)/decrease in accounts receivable		(307,960)	59,902
(Increase)/decrease in deposits and prepayments		(5,133)	498
(Decrease)/increase in accounts payable and accruals		(16,934)	50,066
Decrease in contingency provision – insurance		(34,345)	(36,649)
Increase/(decrease) in provision for long service payments		582	(130)
Cash generated from operations		809,145	1,284,302

23 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 $'000 (Note 24)	Lease liabilities $'000 (Note 27)	Total $'000
At 1 January 2022	**3,132,549**	**6,819**	**3,139,368**
Changes from financing cash flows:			
Proceeds from new bank loans	**5,355,000**	**–**	**5,355,000**
Repayment of bank loans	**(3,520,000)**	**–**	**(3,520,000)**
Capital element of lease rentals paid	**–**	**(3,620)**	**(3,620)**
Interest element of lease rentals paid	**–**	**(92)**	**(92)**
Total changes from financing cash flows	**1,835,000**	**(3,712)**	**1,831,288**
Other changes:			
Increase in lease liabilities from entering into new leases during the year	**–**	**5,290**	**5,290**
Interest expenses (note 5(b))	**–**	**92**	**92**
COVID-19-related rent concessions received (note 13(b))	**–**	**(1,176)**	**(1,176)**
Amortisation of bank loans arrangement fee	**(21)**	**–**	**(21)**
Total other changes	**(21)**	**4,206**	**4,185**
At 31 December 2022	**4,967,528**	**7,313**	**4,974,841**

	Bank loans $'000 (Note 24)	Lease liabilities $'000 (Note 27)	Total $'000
At 1 January 2021	3,082,523	5,480	3,088,003
Changes from financing cash flows:			
Proceeds from new bank loans	2,895,000	–	2,895,000
Repayment of bank loans	(2,840,000)	–	(2,840,000)
Capital element of lease rentals paid	–	(2,365)	(2,365)
Interest element of lease rentals paid	–	(94)	(94)
Total changes from financing cash flows	55,000	(2,459)	52,541
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	6,042	6,042
Interest expenses (note 5(b))	–	94	94
COVID-19-related rent concessions received (note 13(b))	–	(2,338)	(2,338)
Amortisation of bank loans arrangement fee	(4,974)	–	(4,974)
Total other changes	(4,974)	3,798	(1,176)
At 31 December 2021	3,132,549	6,819	3,139,368

23 Bank deposits and cash (continued)

(e) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2022 $'000	2021 $'000
Within operating cash flows	**1,686**	1,892
Within financing cash flows	**3,712**	2,459
	5,398	4,351

24 Bank loans

At 31 December 2022, the bank loans were repayable as follows:

	2022 $'000	2021 $'000
Within 1 year or on demand	**1,674,567**	994,032
After 1 year but within 2 years	**299,525**	1,173,367
After 2 years but within 5 years	**2,993,436**	965,150
	3,292,961	2,138,517
	4,967,528	3,132,549

All of the bank loans were unsecured.

25 Accounts payable and accruals

	2022 $'000	2021 $'000
Trade payables	**121,700**	200,132
Balance of passenger reward (note 5(d))	**–**	–
Balance of toll exemption fund (note 5(d))	**450,374**	417,258
Other payables and accruals	**954,105**	1,043,155
Amount due to an associate	**4,922**	4,922
	1,531,101	1,665,467

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

Amount due to an associate is unsecured, interest-free and has no fixed terms of settlement.

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:

	2022 $'000	2021 $'000
Due within 1 month or on demand	**120,379**	190,075
Due after 1 month but within 3 months	**638**	8,761
Due after more than 3 months	**683**	1,296
	121,700	200,132

The credit period granted to the Group is generally between 30 days and 90 days.

26 Contingency provision – insurance

	2022 $'000	2021 $'000
At 1 January	**271,390**	308,039
Provision charged to profit or loss	**48,840**	46,776
Payments made during the year	**(83,185)**	(83,425)
At 31 December	**237,045**	271,390
Representing:		
Current portion	**88,592**	93,800
Non-current portion	**148,453**	177,590
	237,045	271,390

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.

27 Lease liabilities

At 31 December 2022, the lease liabilities were repayable as follows:

	2022 $'000	2021 $'000
Within 1 year	**4,082**	3,513
After 1 year but within 2 years	**2,707**	2,208
After 2 years but within 5 years	**524**	1,098
	3,231	3,306
	7,313	6,819

28 Income tax in the consolidated statement of financial position

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

	2022 $'000	2021 $'000
Provision for Hong Kong Profits Tax for the year	**19,563**	13,804
Provisional Profits Tax paid	**(8,633)**	(14,176)
	10,930	(372)
Balance of Profits Tax provision relating to prior years	**–**	(2,828)
Net current tax payable/(recoverable)	**10,930**	(3,200)
Representing:		
Current tax recoverable	**(2,551)**	(5,857)
Current tax payable	**13,481**	2,657
Net current tax payable/(recoverable)	**10,930**	(3,200)

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

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax liabilities/ (assets) arising from:	Depreciation allowances in excess of the related depreciation $'000	Intangible assets $'000	Provisions $'000	Tax losses $'000	Defined benefit assets $'000	Others $'000	Total $'000
At 1 January 2021	1,086,784	14,511	(41,777)	(211,631)	280,747	(5,667)	1,122,967
Charged/(credited) to profit or loss	37,189	–	5,660	(21,899)	(8,875)	513	12,588
Charged to reserves	–	–	–	–	51,439	–	51,439
At 31 December 2021 and 1 January 2022	**1,123,973**	**14,511**	**(36,117)**	**(233,530)**	**323,311**	**(5,154)**	**1,186,994**
(Credited)/charged to profit or loss	**(14,274)**	**-**	**5,495**	**(94,705)**	**(3,740)**	**(406)**	**(107,630)**
Credited to reserves	**-**	**-**	**-**	**-**	**(65,308)**	**-**	**(65,308)**
At 31 December 2022	**1,109,699**	**14,511**	**(30,622)**	**(328,235)**	**254,263**	**(5,560)**	**1,014,056**

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

	2022 $'000	2021 $'000
Net deferred tax assets	**(730)**	(528)
Net deferred tax liabilities	**1,014,786**	1,187,522
	1,014,056	1,186,994

(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 $21,267,000 (2021: $20,132,000) in respect of cumulative tax losses of $128,891,000 (2021: $122,012,000) 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 2022 and 2021, these tax losses do not expire under the current tax legislation.

29 Provision for long service payments

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

	2022 $'000	2021 $'000
At 1 January	**919**	1,049
Movements charged to profit or loss (note 5(a))	**8,919**	3,280
Payments made during the year	**(8,337)**	(3,410)
At 31 December	**1,501**	919

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.

30 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 2021		457,821	1,100,490	3,308	1,300,000	1,004,043	3,865,662
Changes in equity for 2021							
Shares issued in respect of scrip dividend – 2020 final dividend	30(b)	7,648	111,824	–	–	–	119,472
Forfeiture of share options		–	–	(681)	–	–	(681)
Lapse of share options		–	–	(2,707)	–	2,707	–
Equity-settled share-based transaction	5(a)	–	–	4,789	–	–	4,789
Dividends approved in respect of the previous year	11(b)	–	–	–	–	(228,910)	(228,910)
Profit and total comprehensive income for the year		–	–	–	–	225,002	225,002
Balance at 31 December 2021		465,469	1,212,314	4,709	1,300,000	1,002,842	3,985,334

30 Capital and reserves (continued)

(a) Movements in components of equity (continued)

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2022		465,469	1,212,314	4,709	1,300,000	1,002,842	3,985,334
Changes in equity for 2022							
Shares issued in respect of scrip dividend – 2021 final dividend	30(b)	9,471	106,355	-	-	-	115,826
Forfeiture of share options		-	-	(227)	-	227	-
Equity-settled share-based transaction	5(a)	-	-	1,194	-	-	1,194
Dividends approved in respect of the previous year	11(b)	-	-	-	-	(232,735)	(232,735)
Profit and total comprehensive income for the year		-	-	-	-	230,003	230,003
Balance at 31 December 2022		474,940	1,318,669	5,676	1,300,000	1,000,337	4,099,622

The Company's reserves available for distribution to shareholders at 31 December 2022 amounted to $2,300,337,000 (2021: $2,302,842,000). After the end of the reporting period, the Directors proposed a final dividend of $0.50 (2021: $0.50) per share, amounting to $237,470,000 (2021: $232,735,000). The final dividend proposed has not been recognised as a liability at the end of the reporting period.

(b) Share capital

Authorised and issued share capital

	2022 No. of shares	2022 $'000	2021 No. of shares	2021 $'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	465,469,414	465,469	457,820,696	457,821
Share issued in respect of scrip dividend – 2020 final dividend	-	-	7,648,718	7,648
Share issued in respect of scrip dividend – 2021 final dividend	9,470,661	9,471	–	–
At 31 December	474,940,075	474,940	465,469,414	465,469

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.

30 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 the Directors 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 policy set out in note 1(w).

(iv) Fair value reserve (recycling)

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

(v) 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)(ii)).

(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 its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines adjusted net debt as bank deposits and cash and restricted bank deposits less interest-bearing loans and borrowings and lease liabilities in the consolidated statement of financial position. Capital comprises all components of equity.

30 Capital and reserves (continued)

(d) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2022 and 2021 was as follows:

	Note	2022 $'000	2021 $'000
Current liabilities:			
Bank loans	24	**1,674,567**	994,032
Lease liabilities	27	**4,082**	3,513
Non-current liabilities:			
Bank loans	24	**3,292,961**	2,138,517
Lease liabilities	27	**3,231**	3,306
Total debt		**4,974,841**	3,139,368
Less: Bank deposits and cash	23(a)	**(1,799,592)**	(825,787)
Restricted bank deposits	23(a)	**(442,891)**	(411,749)
Adjusted net debt		**2,732,358**	1,901,832
Capital		**13,377,921**	13,678,728
Adjusted net debt-to-capital ratio		**20.4%**	13.9%

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

31 Commitments

(i) At 31 December 2022, 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:

	2022 $'000	2021 $'000
Contracted for	**345,704**	654,363

(ii) At 31 December 2022, 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:

	2022 $'000	2021 $'000
Contracted for	**380,010**	950,954

32 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 financial assets measured at FVOCI (recycling).

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.

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

The Group measures expected credit loss allowance for investments in financial assets measured at FVOCI (recycling) at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Movement in the expected credit loss allowance account in respect of investments in financial assets measured at FVOCI (recycling) during the year is as follows:

	12-month ECL $'000	Lifetime ECLs $'000	Total $'000
At 1 January 2021, 31 December 2021 and 1 January 2022	–	–	–
Expected credit loss recognised during the year	2,200	89,800	92,000
At 31 December 2022	**2,200**	**89,800**	**92,000**

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 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 financial assets measured at FVOCI (recycling) as well as trade and other receivables are set out in notes 19 and 22 respectively.

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

(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 and 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.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using 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

	2022					2021				
	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	1,871,779	461,046	3,310,433	5,643,258	4,967,528	1,017,852	1,187,506	984,896	3,190,254	3,132,549
Lease liabilities	4,173	2,747	532	7,452	7,313	3,564	2,227	1,101	6,892	6,819
Accounts payable and accruals	1,531,009	-	-	1,531,009	1,531,009	1,665,467	-	-	1,665,467	1,665,467
	3,406,961	463,793	3,310,965	7,181,719	6,505,850	2,686,883	1,189,733	985,997	4,862,613	4,804,835

(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 2022 and 2021, 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 prevailing market conditions.

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

(c) Interest rate risk (continued)

(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.

	2022		2021	
	Effective interest rate p.a. %	Amount $'000	Effective interest rate p.a. %	Amount $'000
Fixed rate assets:				
Bank deposits	**4.7**	**2,172,710**	0.6	1,088,043
Investments in financial assets measured at FVOCI (recycling)	**4.0**	**843,079**	3.7	1,351,530
		3,015,789		2,439,573
Fixed rate liabilities:				
Lease liabilities	**1.6**	**(7,313)**	1.1	(6,819)
Variable rate liabilities:				
Bank loans	**4.9**	**(4,967,528)**	0.8	(3,132,549)

(ii) Sensitivity analysis

At 31 December 2022, 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 $22,197,000 (2021: $13,701,000). Other components of consolidated equity would have decreased/increased by approximately $22,197,000 (2021: $17,538,000) 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 2021.

(d) Currency risk

The Group is exposed to currency risk primarily through purchases of new buses and motor vehicle components from overseas, investments in financial assets measured at FVOCI (recycling) 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 Pound Sterling and United States dollars.

(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.

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

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2022		2021	
	British Pound Sterling $'000	**United States dollars $'000**	British Pound Sterling $'000	United States dollars $'000
Bank deposits and cash	**2,633**	**540,413**	1,202	226,195
Accounts payable and accruals	**(67,410)**	**(929)**	(78,820)	(2,019)
Investments in financial assets measured at FVOCI (recycling)	**-**	**812,924**	–	1,351,530
Gross exposure arising from recognised assets and liabilities	**(64,777)**	**1,352,408**	(77,618)	1,575,706

(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 Hong Kong dollars and United States dollars would be materially unaffected by any changes in movement in value of United States dollars against other currencies.

	2022			2021		
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and retained profits $'000**	**Increase/ (decrease) in other components of equity $'000**	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits $'000	Increase/ (decrease) in other components of equity $'000
British Pound Sterling	**6%**	**(3,219)**	**-**	6%	(3,877)	–
	(6)%	**3,219**	**-**	(6)%	3,877	–
United States dollars	**1%**	**5,396**	**8,129**	1%	2,245	13,515
	(1)%	**(5,396)**	**(8,129)**	(1)%	(2,245)	(13,515)

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 2021.

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

(e) Fuel price risk

It is the Group's policy to closely monitor 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 2022 and 2021. The Group had not entered into any fuel oil swap contract during the years ended 31 December 2022 and 2021.

(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

	2022				2021			
		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 financial assets measured at FVOCI (recycling)	843,079	843,079	-	-	1,351,530	1,351,530	–	–
Other financial assets measured at FVPL	7,577	7,577	-	-	–	–	–	–
Unlisted equity investments	1,017,187	-	-	1,017,187	708,809	–	708,809	–
Derivative financial instruments – other forward foreign exchange contracts	25	-	25	-	169	–	169	–
Liabilities:								
Derivative financial instruments – other forward foreign exchange contracts	(92)	-	(92)	-	(12)	–	(12)	–

As at 31 December 2022, the fair value of unlisted equity instruments was determined using the market approach of comparable companies adjusted for lack of marketability discount. Accordingly, the fair value measurement was transferred from Level 2 to Level 3.

32 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)

As at 31 December 2021, the fair value of unlisted equity instruments is determined with reference to the pricing of a recent transaction.

Except for the abovementioned financial assets, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3 during the years ended 31 December 2022 and 2021. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The fair values of forward foreign exchange contracts as at 31 December 2022 in Level 2 were marked to market using quoted market prices 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	2022: 35%

The fair value of unlisted equity instruments is determined using the 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 2022, it is estimated that with all other variables held constant, a increased/decreased in the discount for lack of marketability by 5 percentage points would have decrease/increase the Group's other comprehensive income by $78,245,000.

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

	2022 $'000	2021 $'000
Unlisted equity securities:		
At 1 January	**–**	517,575
Transferred in/(out)	**790,528**	(517,575)
Net unrealised gains recognised in other comprehensive income during the year	**226,659**	–
At 31 December	**1,017,187**	–

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.

(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 2022 and 2021 except as follows:

Amounts due from/to associates and loan to joint venture 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.

33 Contingent liabilities

At 31 December 2022 and 2021, guarantees were 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 $2,490,000,000 (2021: $1,675,000,000).

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.

34 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) 2022 $'000	2021 $'000
Service fees for provision of coach services	(i) & (ii)	**42,582**	45,745
Insurance premium paid	(iii)	**(115,117)**	(136,470)
Amount paid and accrued for building management services	(iv)	**(851)**	(840)
Amount paid and accrued for project management service and lease modification	(v)	**–**	–
Amount paid and accrued for a building contract	(vi)	**–**	–
Advertising income	(vii)	**348**	2,501
Service income	(viii)	**3,677**	5,000
Platform fees income	(ix)	**2,473**	–

Notes:

(i) During the year, the Group provided coach services ("Shuttle Bus Services 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 5 August 2022. The amounts received and receivable under the Shuttle Bus Services Agreements amounted to $5,876,000 (2021: $2,776,000). During the year, the Group also provided coach services to certain subsidiaries of SHKP ("Other Shuttle Bus Service Agreements"). The amounts received and receivable under the Other Shuttle Bus Service Agreements amounted to $2,101,000 (2021: $4,230,000). Outstanding balances due from these companies at 31 December 2022 amounted to $2,976,000 (2021: $1,830,000).

(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 Arrangement amounted to $34,605,000 (2021: $38,739,000). Outstanding balances due from these companies at 31 December 2022 amounted to $8,915,000 (2021: $8,301,000).

(iii) In 2019, the Group entered into contracts with a subsidiary of SHKP, Sun Hung Kai Properties Insurance Limited ("SHKPI"), for the provision of medical and dental insurance services to the Group for the period from 1 January 2020 to 31 December 2021 (the "2020/21 Medical and Dental Insurance Arrangement"). In 2020, the Group entered into contracts with SHKPI for the provision of various kind of insurance services to the Group for the period from 1 January 2021 to 31 December 2022 (the "2021/22 Insurance Arrangements"). In 2021, the Group entered into certain supplemental insurance policies with SHKPI for the provision of motor vehicle third party and passengers' liability insurance for the period from 1 January 2022 to 31 December 2022 (the "2022 Supplemental Motor Insurance Arrangements"). The amount paid and payable under the 2020/21 Medical and Dental Insurance Arrangement, 2021/22 Insurance Arrangements and 2022 Supplemental Motor Insurance Arrangements during the year amounted to $115,117,000 (2021: $136,470,000). There was no outstanding balance payable for these contracts at 31 December 2022 (2021: $Nil).

34 Material related party transactions (continued)

(a) Transactions with related companies (continued)

Notes: (continued)

(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 $851,364 (2021: $840,000). Outstanding balance payable for this contract at 31 December 2022 amounted to $158,758 (2021: $90,000).

(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 No. 240, 98 How Ming Street, Kwun Tong, Kowloon, Hong Kong and its construction.

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 2022 amounted to $2,000,000 (2021: $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 Inland No. 240 (the "Building Contract"). KTRE and TRL shall pay 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. Outstanding balance payable for this contract as at 31 December 2022 amounted to $73,735,000 (2021: $235,140,000).

(vii) During the year, the Group provided advertising services to certain subsidiaries of SHKP. The amounts received and receivable for these advertising services amounted to $348,000 (2021: $2,501,000). Outstanding balances due from these companies at 31 December 2022 amounted to $8,000 (2021: $21,000).

(viii) During the year, the Group provided management service to a subsidiary of SHKP. The amount received and receivable for the service amounted to $3,677,000 (2021: $5,000,000). Outstanding balance due from the company at 31 December 2022 amounted to $3,677,000 (2021: $5,000,000).

(ix) During the year, the Group acted as a platform to connect transport operators and certain members of SHKP and its subsidiaries as per their demand and request for contract hire services. The platform fees income received and receivable amounted to $2,473,000 (2021: $Nil). Outstanding balances due from these companies at 31 December 2022 amounted to $259,000 (2021: $Nil).

(b) Key management personnel remuneration

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

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

The related party transactions as described in note 34(a)(i) 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 in respect of the Shuttle Bus Service Agreements by including the relevant disclosures in the section headed "Continuing Connected Transactions" under "Financial Review" on pages 112 to 115 of this Annual Report whereas the transactions under the Other Shuttle Bus Service Agreements were exempt from the disclosure requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.76.

The related party transactions as described in note 34(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 note 34(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 "Continuing Connected Transactions" under "Financial Review" on pages 112 to 115 of this Annual Report.

34 Material related party transactions (continued)

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

The related party transaction as described in notes 34(a)(iv), 34(a)(vii), 34(a)(viii) and 34(a)(ix) above constitute continuing connected transaction 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 notes 34(a)(v) and 34(a)(vi) above constitute connected transactions 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 transactions.

35 Company-level statement of financial position

	Note	2022 $'000	2021 $'000
Non-current assets			
Investments in subsidiaries		1,200,237	1,199,043
Property, plant and equipment		26	31
Deferred tax assets		535	535
		1,200,798	1,199,609
Current assets			
Deposits and prepayments		1,574	1,722
Amounts due from subsidiaries		10,777,001	10,593,037
Bank deposits and cash		15,203	3,901
		10,793,778	10,598,660
Current liabilities			
Accounts payable and accruals		24,966	13,765
Amounts due to subsidiaries		7,869,988	7,799,170
		7,894,954	7,812,935
Net current assets		2,898,824	2,785,725
NET ASSETS		4,099,622	3,985,334
CAPITAL AND RESERVES	30(a)		
Share capital		474,940	465,469
Reserves		3,624,682	3,519,865
TOTAL EQUITY		4,099,622	3,985,334

Approved and authorised for issue by the Board of Directors on 23 March 2023

Norman LEUNG Nai Pang
Chairman

Roger LEE Chak Cheong
Managing Director

(Expressed in Hong Kong dollars unless otherwise indicated)

36 Non-adjusting event after the reporting period

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.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes*: *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.