

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



THE CROSS-HARBOUR (HOLDINGS) LIMITED

港通控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 32)

2022 Results Announcement

The board of directors of The Cross-Harbour (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022. The results have been reviewed by the audit committee of the Company.

GROUP RESULTS

The Group reported a loss attributable to shareholders of HK\$445.3 million for the year ended 31 December 2022 (2021: HK\$49.2 million). The loss was primarily due to the net loss of treasury management business of HK\$861.0 million (2021: HK\$529.3 million). The profit contribution from tunnel operation also decreased for the year, which fully offset the increase in profit contributions from motoring school operation and electronic toll operation. Loss per share was HK\$1.19 (2021: loss per share HK\$0.13).

DIVIDENDS

The first, second and third quarterly interim dividends each of \$0.06 per share (2021: \$0.06 per share) were paid on 8 July 2022, 16 September 2022 and 23 December 2022 respectively. The directors recommend the payment of a final dividend of \$0.24 per share (2021: \$0.24 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2022 of \$0.42 per share (2021: \$0.42 per share), representing a total distribution of approximately \$156.5 million (2021: \$156.5 million) for the year.

Subject to shareholder approval of the proposed final dividend being obtained in the forthcoming annual general meeting on 22 May 2023 (the “AGM”), it is expected that the dividend warrants will be despatched on Wednesday, 7 June 2023 to shareholders registered at the close of business on Wednesday, 31 May 2023. The register of members and transfer books of the Company will be closed from Monday, 29 May 2023 to Wednesday, 31 May 2023, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for the final dividend, all transfer documents and accompanying share certificates must be lodged for registration with the Company’s share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m., Thursday, 25 May 2023.

LAST SHARE REGISTRATION DATE FOR AGM

For determining the right of shareholders to attend and to speak and vote at the AGM, the deadline for share registration will be Tuesday, 16 May 2023. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with the Company’s share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m., Tuesday, 16 May 2023.

Consolidated statement of profit or loss for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
Revenue from contracts with customers within the scope of HKFRS 15	4(a)	572,888	552,887
Revenue from treasury operation and others	4(a)	57,572	29,906
Interest revenue from debt securities measured at fair value through profit or loss	4(a)	9,814	3,874
Other interest revenue	4(a)	61,886	112,999
Total revenue		<u>702,160</u>	<u>699,666</u>
Other revenue	5	14	26
Other net losses	5	(766,945)	(700,337)
Direct costs and operating expenses		(245,462)	(228,776)
Selling and marketing expenses		(41,068)	(30,194)
Administrative and corporate expense, net		(161,894)	(191,324)
Impairment losses on financial assets	6(b)	(62,939)	(37,607)
Loss from operations		<u>(576,134)</u>	<u>(488,546)</u>
Finance costs	6(a)	(1,517)	(2,729)
Share of profits of associates, net		221,438	522,808
Share of profits of a joint venture		29,549	25,553
(Loss)/profit before taxation	6	<u>(326,664)</u>	<u>57,086</u>
Income tax	7(a)	(41,538)	(39,557)
(Loss)/profit for the year		<u><u>(368,202)</u></u>	<u><u>17,529</u></u>
Attributable to:			
Equity shareholders of the Company		(445,250)	(49,245)
Non-controlling interests		77,048	66,774
(Loss)/profit for the year		<u><u>(368,202)</u></u>	<u><u>17,529</u></u>
Loss per share	8		
Basic and diluted		<u><u>(\$1.19)</u></u>	<u><u>(\$0.13)</u></u>

Details of dividends payable to equity shareholders of the Company attributable to the (loss)/profit for the year are set out in note 12.

Consolidated statement of profit or loss and
other comprehensive income
for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	<i>Note</i>	2022 \$'000	2021 \$'000
(Loss)/profit for the year		(368,202)	17,529
Other comprehensive income for the year (after tax and reclassification adjustments)			
<i>Items that will not be reclassified to profit or loss:</i>			
- Financial assets measured at fair value through other comprehensive income (non-recycling)			
- changes in fair value of equity securities		1,861	(1,469,170)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
- Financial assets measured at fair value through other comprehensive income (recycling)			
- changes in fair value of debt securities		(34,223)	(258,409)
- impairment losses recognised/(reversed), net	6(b)	5,745	(11,528)
- net loss recycled to profit or loss upon derecognition of debt securities	5	152,132	166,899
		123,654	(103,038)
- Share of other comprehensive income of a joint venture:			
- Exchange differences on translation of financial statements of subsidiary outside Hong Kong in joint venture		3	(64)
		125,518	(1,572,272)
Total comprehensive income for the year		(242,684)	(1,554,743)
Attributable to:			
Equity shareholders of the Company		(319,733)	(1,621,498)
Non-controlling interests		77,049	66,755
Total comprehensive income for the year		(242,684)	(1,554,743)

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

Consolidated statement of financial position

at 31 December 2022

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2022</i>		<i>2021</i>	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment			236,037		320,433
Interest in associates			291,315		571,492
Interest in a joint venture			148,844		149,292
Other financial assets	9		3,343,861		2,968,717
Deposits and prepayments			45,315		74,441
Deferred tax assets			2,216		3,065
			<u>4,067,588</u>		<u>4,087,440</u>
Current assets					
Inventories			1,363		1,211
Other financial assets	9		1,115,170		1,341,532
Trade and other receivables	10		158,405		45,172
Amount due from a joint venture			9,000		9,000
Tax recoverable			512		102
Dividend receivable			34,892		77,500
Bank deposits and cash			2,453,206		2,805,940
			<u>3,772,548</u>		<u>4,280,457</u>
Current liabilities					
Trade and other payables	11		111,348		120,766
Contract liabilities			644,016		597,589
Lease liabilities			15,500		70,475
Taxation payable			11,117		10,863
Dividends payable			604		854
			<u>782,585</u>		<u>800,547</u>
Net current assets			<u>2,989,963</u>		<u>3,479,910</u>

Consolidated statement of financial position at 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

	<i>Note</i>	2022		2021	
		\$'000	\$'000	\$'000	\$'000
Total assets less current liabilities			7,057,551		7,567,350
			<u>-----</u>		<u>-----</u>
Non-current liabilities					
Lease liabilities			11,994		27,195
Deferred tax liabilities			1,957		2,182
			<u>-----</u>		<u>-----</u>
			13,951		29,377
			<u>-----</u>		<u>-----</u>
NET ASSETS			7,043,600		7,537,973
			<u>-----</u>		<u>-----</u>
CAPITAL AND RESERVES					
Share capital			1,629,461		1,629,461
Reserves			5,230,855		5,707,117
			<u>-----</u>		<u>-----</u>
Total equity attributable to equity shareholders of the Company			6,860,316		7,336,578
Non-controlling interests			183,284		201,395
			<u>-----</u>		<u>-----</u>
TOTAL EQUITY			7,043,600		7,537,973
			<u>-----</u>		<u>-----</u>

Notes to the financial information:

(Expressed in Hong Kong dollars)

1 Corporate and Group information

The Cross-Harbour (Holdings) Limited (the “Company”) is incorporated in Hong Kong with limited liability under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The registered address of the Company is 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

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

In the opinion of the directors of the Company, the immediate holding company of the Company is Rose Dynamic Limited, which is incorporated in the British Virgin Islands (“BVI”), and the ultimate holding company of the Company is Windsor Dynasty Limited, which is incorporated in the BVI.

2 Basis of preparation

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2022 in due course.

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

Statement of compliance

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

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.

3 Changes in accounting policies

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

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendment to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

4 Revenue and segment reporting

(a) Revenue

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

(i) Disaggregation of revenue

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

	2022 \$'000	2021 \$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
- Course fee from motoring school operation	556,888	537,787
- Management fee from tunnel operation	2,500	2,500
- Consultancy fee and management fee from electronic toll operation	13,500	12,600
	<u>572,888</u>	<u>552,887</u>
Revenue from other sources		
- Dividend income from equity instruments	53,822	27,503
- Others	3,750	2,403
	<u>57,572</u>	<u>29,906</u>
Interest revenue from debt securities measured at fair value through profit or loss	<u>9,814</u>	<u>3,874</u>
Other interest revenue		
- Interest income from debt securities at FVOCI	18,374	67,666
- Interest income from interest-bearing instruments	14,157	39,989
- Interest income from bank	29,355	5,344
	<u>61,886</u>	<u>112,999</u>
Total revenue	<u><u>702,160</u></u>	<u><u>699,666</u></u>

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

(b) *Segment reporting*

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

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

(i) Segment results, assets and liabilities

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	<i>Motoring school operation</i>		<i>Tunnel operation</i>		<i>Electronic toll operation</i>		<i>Treasury Management</i>		<i>Total</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15	556,888	537,787	2,500	2,500	13,500	12,600	-	-	572,888	552,887
Dividend income from equity instruments	-	-	-	-	-	-	53,822	27,503	53,822	27,503
Interest revenue	12,603	2,746	-	-	-	3	59,167	114,124	71,770	116,873
Reportable segment revenue	569,491	540,533	2,500	2,500	13,500	12,603	112,989	141,627	698,480	697,263
Reportable segment profit/(loss) before tax	256,457	223,932	345,929	462,680	42,819	38,042	(861,029)	(529,280)	(215,824)	195,374
Finance costs	(1,284)	(2,514)	-	-	-	-	(233)	(158)	(1,517)	(2,672)
Depreciation	(65,998)	(79,289)	-	-	-	-	-	(1)	(65,998)	(79,290)
Share of profits/(loss) of associates	-	-	343,429	460,180	-	-	(121,991)	62,628	221,438	522,808
Share of profits of a joint venture	-	-	-	-	29,549	25,553	-	-	29,549	25,553
Income tax	(39,680)	(37,415)	-	-	(1,866)	(1,866)	99	(72)	(41,447)	(39,353)
Reportable segment assets	1,168,203	1,253,305	241,682	399,928	162,792	176,730	6,238,912	6,507,549	7,811,589	8,337,512
Interest in a joint venture	-	-	-	-	148,844	149,292	-	-	148,844	149,292
Interest in associates	-	-	241,682	399,928	-	-	49,636	171,564	291,318	571,492
Additions to non-current segment assets	11,925	66,121	-	-	-	-	954,676	1,842,154	966,601	1,908,275
Reportable segment liabilities	719,953	758,632	-	-	91	88	-	1,053	720,044	759,773

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

	2022 \$'000	2021 \$'000
Revenue		
Reportable segment revenue	698,480	697,263
Unallocated head office and corporate revenue	3,680	2,403
	<u>702,160</u>	<u>699,666</u>
(Loss)/Profit		
Reportable segment (loss)/profit derived from the Group's external customers	(215,824)	195,374
Other revenue	14	26
Unallocated head office and corporate income and expenses	(110,854)	(138,314)
	<u>(326,664)</u>	<u>57,086</u>
Assets		
Reportable segment assets	7,811,589	8,337,512
Unallocated head office and corporate assets	28,547	30,385
	<u>7,840,136</u>	<u>8,367,897</u>
Liabilities		
Reportable segment liabilities	720,044	759,773
Unallocated head office and corporate liabilities	76,492	70,051
	<u>796,536</u>	<u>829,824</u>

(iii) Geographic information

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

5 Other revenue and other net losses

	2022	2021
	\$'000	\$'000
Other revenue		
Interest income from loan to an associate	<u>14</u>	<u>26</u>
Other net losses		
Change in fair value of other financial assets at FVPL		
- Unlisted fund investments	(480,831)	(20,892)
- Debt securities	(7,338)	(15,689)
- Equity securities	<u>(126,911)</u>	<u>(496,055)</u>
	(615,080)	(532,636)
Net gains on sale of property, plant and equipment	1,336	264
Net loss upon derecognition of debt securities at FVOCI (recycling)	(152,132)	(166,899)
Others	<u>(1,069)</u>	<u>(1,066)</u>
	<u>(766,945)</u>	<u>(700,337)</u>

6 (Loss)/profit before taxation

	2022 \$'000	2021 \$'000
(Loss)/profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest on lease liabilities	1,517	2,672
Other borrowing costs	-	57
	<u>1,517</u>	<u>2,729</u>
(b) Other items		
Auditor's remuneration		
- Audit services	3,215	3,104
- Other services	600	600
	<u>3,815</u>	<u>3,704</u>
Depreciation		
- Owned property, plant and equipment	19,525	22,194
- Right-of-use assets	54,677	67,111
	<u>74,202</u>	<u>89,305</u>
Impairment losses recognised/(reversed) on financial assets		
- Debt securities at FVOCI (recycling)	5,745	(11,528)
- Interest bearing instruments, net	44,117	41,520
- Trade and other receivables	9,069	7,615
- Others	4,008	-
	<u>62,939</u>	<u>37,607</u>
Dividend income		
- Equity instruments at FVOCI (non-recycling)	(2,768)	(2,635)
- Equity instruments at FVPL	(51,054)	(24,868)
	<u>(53,822)</u>	<u>(27,503)</u>
Contributions to defined contribution retirement scheme	8,895	8,537
Salaries, wages and other benefits	315,238	315,418
Cost of inventories consumed	14,163	12,270
Net foreign exchange gains/(losses)	1,191	(2,862)

7 Income tax in the consolidated statement of profit or loss

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

	2022 \$'000	2021 \$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	41,068	38,638
Over-provision in respect of prior years	(154)	(298)
	<u>40,914</u>	<u>38,340</u>
Deferred tax		
Origination and reversal of temporary differences	624	1,217
	<u>41,538</u>	<u>39,557</u>

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 one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

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

	2022 \$'000	2021 \$'000
(Loss)/profit before taxation	<u>(326,664)</u>	<u>57,086</u>
Notional tax on (loss)/profit before taxation	(54,064)	9,254
Tax effect of non-deductible expenses	135,792	48,050
Tax effect of non-taxable income	(81,991)	(123,238)
Tax effect of unused tax losses not recognised	43,792	107,454
Tax effect of recognition of unused tax losses previously not recognised	(1,837)	(1,665)
Over-provision in prior years	<u>(154)</u>	<u>(298)</u>
Actual tax expense	<u>41,538</u>	<u>39,557</u>

8 Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of \$445,250,000 (2021: \$49,245,000) and the weighted average of 372,688,000 (2021: 372,688,000) ordinary shares in issue during the year.

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

9 Other financial assets

	<i>Note</i>	2022 \$'000	2021 \$'000
<i>Non-current</i>			
Financial assets designated at FVOCI (non-recycling)			
- Equity securities listed in Hong Kong	(i)	61,793	59,931
Financial assets measured at FVPL			
- Unlisted fund investments	(ii)	3,125,590	2,822,231
- Unlisted equity security		156,478	83,946
- Debt securities listed outside Hong Kong*		-	2,609
		<u>3,282,068</u>	<u>2,908,786</u>
		<u>3,343,861</u>	<u>2,968,717</u>
<i>Current</i>			
Financial assets measured at amortised cost			
- Unsecured, interest-bearing instruments	(iii)	145,000	275,000
Less: loss allowance		(128,397)	(84,281)
		<u>16,603</u>	<u>190,719</u>
Financial assets measured at FVOCI (recycling)			
- Debt security listed outside Hong Kong*	(iv)	-	102,960
Financial assets measured at FVPL			
- Debt securities listed outside Hong Kong*	(v)	82,825	-
- Equity securities listed in Hong Kong*	(vi)	788,179	913,434
- Equity securities listed outside Hong Kong*	(vii)	227,563	130,521
- Others*		-	3,898
		<u>1,098,567</u>	<u>1,047,853</u>
		<u>1,115,170</u>	<u>1,341,532</u>
Total		<u>4,459,031</u>	<u>4,310,249</u>

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

Notes:

- (i) The Group designated these investments at FVOCI (non-recycling), as they are held for strategic purposes. Net fair value gain of \$1,861,000 (2021: \$3,109,000) was recognised in other comprehensive income and dividends amounted to \$2,768,000 (2021: \$2,635,000) were received and recognised in profit or loss during the year.
- (ii) As at 31 December 2022, the Group's unlisted fund investments comprised of 49 (31 December 2021: 35) private funds. The Group managed the price risk through diversification of investment portfolio. The underlying investments held by these funds include listed and unlisted equity securities, debt securities, structured financing products and venture capital deals in various regions, covering various industries and sectors including automobile, biotechnology, e-Commerce, enterprise software, healthcare and related services, information technology, internet services, industrials, logistic, pharmaceuticals, and transportation. The fair value of these investments may change significantly based on broader macroeconomic conditions, overall capital and investment markets conditions, and factors associated with underlying assets within the private fund portfolio.
- (iii) As at 31 December 2022, the interest-bearing instruments are unsecured and interest-bearing at 12% per annum (2021: 7% to 12% per annum). Loss allowances are fully provided for the two of the instruments amounting to \$85,000,000 as they are overdue for more than one year.
- (iv) During the year, the management considered the debt security measured at FVOCI (recycling) is substantially modified as a result of debt restructuring by the issuer, and it is subsequently recognised and measured at FVPL. Net realised losses of \$152,132,000 (2021: \$166,899,000) was transferred from fair value reserve (recycling) to profit or loss upon the derecognition. Net fair value loss net of impairment losses reversed/recognised of \$28,478,000 (2021: \$269,937,000) was recognised in other comprehensive income during the year.
- (v) As at 31 December 2022, included in the amount is a debt security amounting to HK\$87,554,000 which were recognised as financial assets measured at FVPL after the substantial modification of the asset mentioned in note (iv).
- (vi) As at 31 December 2022, the fair value of equity securities listed in Hong Kong and classified at FVPL amounted to \$788,179,000 (2021: \$913,434,000), and a decrease in fair value of \$146,299,000 (2021: \$462,941,000) was recognised in profit or loss for the year.
- (vii) As at 31 December 2022, the Group's investments in listed equity securities outside Hong Kong and classified at FVPL amounted to \$227,563,000 (2021: \$130,521,000) are equity securities listed in the United States, England, and Singapore, and decrease in fair value of \$53,143,000 (2021: increase in fair value of \$12,220,000) was recognised in profit or loss for the year.

10 Trade and other receivables

	2022 \$'000	2021 \$'000
Trade receivables	9,717	3,016
Other receivables	88,685	21,830
	<u>98,402</u>	<u>24,846</u>
Deposits and prepayments (Note)	105,318	94,767
	<u>203,720</u>	<u>119,613</u>
Less: non-current portion	<u>(45,315)</u>	<u>(74,441)</u>
	<u>158,405</u>	<u>45,172</u>

Note: As at 31 December 2022, included in deposits and prepayments of the Group is an amount of \$102,912,000 (2021: \$73,663,000) which is related to Group's deposits placed for the properties leased for own use as driving schools. These amounts are expected to be recovered or recognised as expense after more than one year.

The remaining balance of the trade and other receivables as at 31 December 2021 and 2022 are expected to be recovered or recognised as expense within one year.

Ageing analysis

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

	2022 \$'000	2021 \$'000
Within 1 month	9,308	2,561
1 to 2 months	291	331
2 to 3 months	55	17
Over 3 months	63	107
	<u>9,717</u>	<u>3,016</u>

11 Trade and other payables

	2022 \$'000	2021 \$'000
Trade payables	7,901	8,327
Other payables and accruals	103,447	112,439
	<u>111,348</u>	<u>120,766</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis, based on the invoice date, as of the end of the reporting period:

	2022 \$'000	2021 \$'000
Within 1 month	2,078	2,082
1 month to 3 months	910	2,082
Over 3 months but within 6 months	4,913	4,163
	<u>7,901</u>	<u>8,327</u>

12 Dividends

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

	2022 \$'000	2021 \$'000
Interim dividends declared of \$0.18 per share (2021: \$0.18 per share)	67,084	67,084
Final dividend proposed after the end of the reporting period \$0.24 per share (2021: \$0.24 per share)	89,445	89,445
	<u>156,529</u>	<u>156,529</u>

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

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

	2022 \$'000	2021 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.24 per share (2021: \$0.24 per share)	<u>89,445</u>	<u>89,445</u>

13 Financial information in announcement

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

BUSINESS REVIEW AND OUTLOOK

During the year, the fifth wave of COVID-19 severely affected the economic activities of Hong Kong. Its GDP recorded negative growth again in 2022. This wave of COVID-19 hindered the local recovery process, the unemployment rate rose back to 5.4% in April, the total retail sales decreased by 7.6% in the first half of 2022, and GDP continued to contract at 4.2% in the fourth quarter of 2022. Since the conflict between Russia and Ukraine in February 2022, the global energy and food supply chains were disrupted, further leading to higher inflation, and declining global economic growth. The sharp interest rate hikes by the major central banks shrink global liquidity and increase funding costs heavily. The investment sentiment and market confidence were dragged down, and as a result, the local and global financial assets markets underwent substantial adjustments in the year.

Looking into 2023, the impact of COVID-19 begins to weaken in Hong Kong. From 6 February 2023, normal travel between Hong Kong and Mainland is fully resumed and travelers can visit Hong Kong with no quarantine, no isolation, and no vaccination requirements. All these changes are beneficial for Hong Kong's economic recovery. Local consumption and foreign investment are expected to return to Hong Kong in 2023. However, global economic growth may slow down further, and inflation may remain at a relatively high level. Further interest rate hikes are expected in the first half of 2023. Moreover, the global economy and financial markets would be affected by big-power politics and geopolitical risks. Uncertainties over the ongoing strategic competition between China and the United States and the conflict between Russia and Ukraine could not be underestimated. The Group's operating environments and investment portfolio would be subject to unexpected risks, which may in turn adversely affect the overall performance and financial position of the Group.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools. Its revenue and profit contributions both increased in the year despite the outbreak of the fifth wave of COVID-19 in the first half of 2022, which caused the Transport Department to suspend all driving tests service in January. Operating income increased mainly because of the increase in revenue from motorcycle driving training courses as well as has a higher demand for motorcyclists. Revenue from non-motorcycle driving training lessons also maintained the same level as last year. After the resumption of driving tests by the Transport Department in April, the number of non-motorcycle driving lessons delivered also recovered in the second half of 2022 as we successfully arranged to make up all canceled tests.

The availability of sizeable training sites remains a pivotal factor for the operation of designated driving schools in addition to the supply of qualified driving instructors. Due to the extensive land requirement for off-street driving training, the operations of the driving centres at Ap Lei Chau, Siu Lek Yuen and Kwun Tong are dependent on the availability of government land. The tenancy for operating the Ap Lei Chau Driving School, the Siu Lek Yuen Driving School, and the Kwun Tong Driving School will last until May 2026, February 2028, and July 2028 respectively. Further, the designations for the driving training centres at Yuen Long was also extended till September 2025.

Although COVID-19 would not be eliminated completely, its impact on Hong Kong's economy will weaken in 2023. The labor market continues to improve, and the unemployment rate dropped to 3.5% in December 2022. Local consumption activities will gradually recover in the year 2023. We expect that the driving training market of 2023 would be better than in previous years. However, the operating environment of AHG does not appear to be encouraging as the price competition of private cars and light truck training remains vigorous. AHG will continue to adopt a proactive sales strategy and deploy continuous efforts in market segmentation and penetration to maintain our leading market position.

Electronic Toll Operation

Autotoll (BVI) Limited (“Autotoll”), a jointly controlled entity, 50% owned by The Autopass Company Limited (a 70% owned subsidiary), operates electronic toll collection (“ETC”) system and provides telematics services, intelligent transportation and surveillance system solutions, and smart city service solution in Hong Kong.

Autotoll had been awarded four government tenders of the free-flow tolling system (“FFTS”), namely the development of backend system, the data acquisition systems, the provision of toll tags and the toll collection services at government tolled tunnels and Tsing Sha Control Area. As the toll service provider, Autotoll is responsible for providing and managing the FFTS related duties, including the issuance of toll tags, collection and recovery of tolls, as well as the provision of account management and customer service. FFTS is now known as “HKeToll” in Hong Kong, and is one of the major smart mobility initiatives of the Transport Department. HKeToll will be implemented by phases at all government tolled tunnels and roads and eventually replace the current ETC facilities and manual toll booths.

The ETC facilities cover a total of nine different toll roads and tunnels, and there are forty-seven auto-toll lanes in operation as of 31 December 2022. The number of ETC tag subscriptions net decreased by 2% in the year because of the negative impacts of the COVID-19 and the arrangements of toll waivers for the Lautau link and Tseung Kwan O Tunnel. Moreover, the rollout of HKeToll also has impacted the subscription of ETC tags. HKeToll will be first introduce in the Tsing Sha Control Area in May 2023 and will be extended to the Shing Mun Tunnel and Lion Rock Tunnel in the first half of 2023 and to all government tolled tunnels within 2023. The number of ETC tags and related income would further drop in the coming year, but it would be partially compensated by the income from the operation of the HKeToll service.

To capture the business opportunities of Smart City initiatives, Autotoll has expanded its technology capability to Smart City service solutions. Management will be alert to the development of Smart City and would endeavor to capture more opportunities in smart areas, including Smart Mobility, Smart Logistics, Smart Living, and Smart Environment. On top of this, Autotoll is eager to expand its business from Hong Kong to the Greater Bay Area.

Tunnel Operation

Western Harbour Tunnel Company Limited (“WHTCL”), a 50% owned associate, operates the Western Harbour Tunnel (“WHT”) under a 30-years’ franchise. The franchise of WHT will expire on 1 August 2023. On expiration, the ownership of the WHT will vest in the Government and WHTCL’s contribution to the Group therefore will reduce significantly in 2023.

The performance of the WHTCL in the year was affected by the fifth wave of COVID-19. The average daily throughput decreased by 13.1% to 49,753 vehicle journeys as compared to 57,231 vehicle journeys in the last year. The average toll per vehicle increased from HK\$81.3 in the last year to HK\$82.2 in the current year. WHT's market share was decreased to 22.1% in 2022 (2021: 23.4%).

Social distancing measures are removed in recent months, and Hong Kong and Mainland China resume normal travel since 6 February 2023. The impact of COVID-19 begins to dissipate and many economic activities in Hong Kong have started to resume. WHT’s traffic volume and toll revenue in the first half of 2023 are expected to be improved as compared with the corresponding period in 2022.

The planned connecting roads leading to WHT has not yet fully materialized. Because of the COVID-19 pandemic, the major progress of other development projects, including Central-Kowloon Route and West Kowloon Cultural District, had been deferred. The road traffic to West Kowloon area was affected. It is anticipated that when the

developments resumed and are put in operation, they could create additional vehicular traffic as well as demand for cross harbour services at the WHT. Nevertheless, the increased supply of rail transport and toll differentials between the WHT and the other two government-owned cross-harbour tunnels remain the principal risks and uncertainties facing WHTCL in the remaining period of the franchise. When the MTR's Shatin to Central Link (cross harbour section) is completed, demand for cross harbour road transport might be reduced.

Treasury Management Business

The Group's investment objective is to increase the value of its treasury management business, and ultimately to enhance returns for its shareholders. In making investment or divestment decisions on individual financial instrument, the Company considers not only past financial performance such as the financial health and dividend policy, but also the business prospects in the form of capital appreciation, dividend/interest income and trading gains, prevailing market sentiments on different sectors of the investment markets as well as macroeconomic outlook for each individual investment. As the performance of the investments depends to a large extent on the performances of the relevant financial markets, which are subject to rapid and unpredictable changes, the Company will continue to adopt a prudent investment strategy by maintaining a diversified investment portfolio and cautious approach in assessing the performance of the investments, so as to make timely and appropriate adjustments to its investments holding with a view to achieving consistent risk adjusted returns for its shareholders. In the future, the Company will continue to diversify its investments, including but not limited to unlisted funds, equity securities and debt securities.

2022 was a very volatile year for the financial market with rising interest rates due to multi-decade high inflation and geopolitical tensions resulting from the Russia-Ukraine war. Market sentiment and activities were hard hit by sharp tightening of monetary policy as well as the slackening global economic growth. Major stock market indices have undergone large corrections, such as Dow Jones Industrial Average dropped around 8.8% to 33,147, Nasdaq Composite dropped around 33.1% to 10,466, SSE Composite Index dropped around 15.1% to 3,089, and Hang Seng Index dropped around 15.5% to 19,781. The private equity market was also under pressure. The fundraising and acquisition activity level was slowed down compared to last year. Under this unusual volatile market situation, the performance of treasury management business was adversely affected and a significant net fair value loss on the Group's investment portfolio was recorded for the year.

During the year, the Group continued to make capital contributions to various unlisted funds of different sectors and industries and increased the investment in equity securities listed outside Hong Kong, to diversify the investment portfolio of the Group. The Group further reduced the investments in interest-bearing instruments to minimize the associated credit risk exposure. As of 31 December 2022, the Group's investment portfolio has a total of 87 (2021: 69) investments, which mainly comprised 49 (2021: 35) investments in unlisted funds and 33 (2021: 28) investments in equity securities. Overall, the value of the Group's investment portfolio during the year increased slightly to HK\$4,459.0 million (2021: HK\$4,310.2 million).

The market sentiment is improving in 2023 as several of the negative factors in 2022 have begun to subside. Inflation may be under control and appears peaked, so the pace of interest rate hikes may be slowing down. Moreover, China's COVID-19 restrictions continue to relax, providing support for the recovery of China's economy. However, the demand for investment has not yet fully returned under the threat of global recession and the tension of market liquidity. In view of this, we remain conservative and cautious about the performance of the Hong Kong and overseas financial markets, as well as the prospects of the Group's investments in the near term. The Group will continue to review the performance of its investments' portfolio from time to time and take corresponding actions.

On 6 October 2022, the Group, through its wholly-owned subsidiary, XHarbour Limited, has obtained licenses to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities

and Futures Ordinance from the Securities and Futures Commission.

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2022 Results

The Group reported a loss attributable to shareholders of HK\$445.3 million (2021: HK\$49.2 million) for the year ended 31 December 2022. The loss was primarily due to the net loss of treasury management business of HK\$861.0 million (2021: HK\$529.3 million). The profit contribution from tunnel operation also decreased by HK\$116.8 million for the year, which fully offset the increase in profit contributions from motoring school operation and electronic toll operation.

The Group recorded a total revenue of HK\$702.2 million (2021: HK\$699.7 million) for the year ended 31 December 2022. Revenue from motoring school operation increased to HK\$569.5 million (2021: HK\$540.5 million) but revenue from treasury management business decreased to HK\$114.6 million (2021: HK\$141.6 million).

Performance of the treasury management business in the year

The net loss of treasury management business of HK\$861.0 million mainly includes net fair value loss on financial assets measured at fair value through profit or loss (“FVPL”) of HK\$615.0 million, accumulated loss in fair value reserve recycled to profit or loss upon derecognition of debt securities measured at fair value through other comprehensive income (“FVOCI”) of HK\$152.1 million, share of losses of an associate of HK\$122.0 million, dividend income and interest income from investment portfolio of HK\$96.2 million, and impairment losses on investment portfolio of HK\$53.7 million. Taking into account of net fair value loss on financial assets measured at FVOCI recognized in the fair value reserve, the total loss of the treasury management business was reduced in the year as compared with last year.

The net fair value loss on financial assets measured at FVPL of HK\$615.0 million (2021: HK\$532.6 million) was mainly attributable to (i) the net fair value loss on unlisted fund investments of HK\$480.8 million (2021: HK\$20.9 million), (ii) the net fair value loss on equity securities of HK\$126.8 million (2021: HK\$496.0 million), and (iii) the net fair value loss on debt securities of HK\$7.4 million (2021: HK\$15.7 million).

The net fair value loss on unlisted fund investments measured at FVPL of HK\$480.8 million was mainly attributable to (i) the fair value loss of Tisé Opportunity SPC - Tisé Equity Segregated Portfolio 1 of HK\$187.2 million (2021: HK\$0.3 million), (ii) the fair value loss of VMS Investment Fund II of HK\$49.1 million (2021: HK\$26.9 million), (iii) the fair value loss of Princeville Global II of HK\$43.7 million (2021: gain of HK\$18.4 million), (iv) the fair value loss of Multicoins Capital Offshore, SPC of HK\$33.2 million (2021: Nil), against (v) the fair value gain of Banner Ridge Secondary Fund IV (Offshore) of HK\$52.0 million (2021: HK\$12.7 million). The remaining net fair value loss on unlisted fund investments of HK\$219.6 million was attributable to a total of 45 funds.

The net fair value loss on equity securities measured at FVPL of HK\$126.8 million was mainly attributable to (i) the net fair value loss on listed securities in Hong Kong of HK\$146.3 million (2021: HK\$462.9 million) and (ii) the net fair value loss of listed securities outside Hong Kong of HK\$53.1 million (2021: gain of HK\$12.2 million), against the fair value gain of unlisted equity security of HK\$72.6 million (2021: loss of HK\$45.3 million).

The net fair value loss of listed securities in Hong Kong of HK\$146.3 million included the fair value loss of Oshidori International Holdings Limited (Stock Code: 622) of HK\$74.1 million (2021: HK\$13.0 million), the fair value loss of Alibaba Group Holding Limited (Stock Code: 9988) of HK\$40.6 million (2021: HK\$129.5 million), the fair value loss of China Dili Group (Stock Code: 1387) of HK\$36.1 million (2021: HK\$21.9 million), the fair value loss of Tencent Holdings Limited (Stock Code: 700) of HK\$33.2 million (2021: HK\$37.7 million), against the fair value gain of China Telecom Corporation Limited (Stock Code: 728) of HK\$41.1 million (2021: loss of HK\$3.5 million).

The share of loss of an associate, ACE Season Investment Limited (“ASIL”), which holds an investment in an unlisted company, was HK\$122.0 million (2021: share of profit of HK\$62.6 million). The loss of ASIL was mainly due to the fair value loss of its unlisted equity security recorded during the year.

Out of the dividend income and interest income from investment portfolio of HK\$96.2 million (2021: HK\$139.0 million), the dividend income from listed equity securities increased to HK\$53.8 million (2021: HK\$27.5 million) for the year and it was mainly due to the higher dividend received from China Telecom Corporation Limited (Stock Code: 728) to HK\$25.8 million (2021: HK\$5.9 million). Interest income from listed debt securities decreased to HK\$28.2 million (2021: HK\$71.5 million) for the year because of the disposal of various listed debt securities in the second half of 2021. Interest income derived from interest-bearing instruments reduced to HK\$14.2 million (2021: HK\$40.0 million) for the year as a result of net decrease in loan balances.

The impairment loss on investment portfolio increased to HK\$53.7 million (2021: HK\$30.0 million) for the year. Interest income from bank deposits increased to HK\$29.4 (2021: HK\$5.3 million) for the year.

The financial assets measured at FVOCI recorded a net fair value loss of HK\$26.6 million (2021: HK\$1,739.1 million) in the fair value reserve for the year ended 31 December 2022. The fair value loss of last year was mainly attributable to fair value loss of China Evergrande New Energy Vehicle Group Limited (Stock Code: 708) of HK\$1,472.8 million, such investment had been fully disposed of in 2021 and thus no such fair value changes would be recorded for the year.

Performance of other reportable segments in the year

The motoring school operation recorded an increase in revenue of 3.6% to HK\$556.9 million mainly due to an increase in income from motorcycle driving training courses. Operating expenses decreased during the year because of the increase in receipts of subsidies from the Hong Kong Government for COVID-19. Bank interest income earned also increased during the year. The profit before taxation from the motoring school operation increased to HK\$256.5 million, an increase of 14.6% as compared to the HK\$223.9 million recorded in the previous year.

The Group’s share of profits of an associate, Western Harbour Tunnel Company Limited, which operates Western Harbour Tunnel (“WHT”), decreased by 25.3% to HK\$343.4 million as compared to HK\$460.2 million in 2021. Toll revenue of WHT decreased by 12.1% to HK\$1,492.3 million as compared to the HK\$1,697.4 million in 2021, because of the decrease in traffic volume of the tunnel by 13.1%. Lower traffic was mainly due to the negative impact of the fifth wave of COVID-19 during the year.

The Group’s share of profits of a joint venture, Autotoll (BVI) Limited, which operates an electronic toll collection system, provides telematics services, intelligent transport and surveillance system

solutions, and smart city service solutions, was HK\$29.5 million for the year as compared to HK\$25.6 million recorded in the previous year. The increase was mainly due to the more bank interest income earned during the year.

(II) Treasury Investments and Significant Investments Held

As at 31 December 2022, the Group maintained an investment portfolio with a carrying amount of HK\$4,459.0 million (2021: HK\$4,310.2 million). The portfolio composed of HK\$3,125.6 million (2021: HK\$2,822.2 million) unlisted fund investments, HK\$1,234.0 million (2021: HK\$1,187.8 million) listed and unlisted equity securities, HK\$82.8 million (2021: HK\$105.6 million) listed debt securities, and HK\$16.6 million (2021: HK\$190.7 million) interest-bearing instruments. Certain securities were pledged to the various financial institutions to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. As at 31 December 2022 and 31 December 2021, these facilities were not utilized by the Group.

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

	1 January 2022 HK\$ million	Addition HK\$ million	Disposal/ Distribution/ Redemption HK\$ million	Fair value change in OCI HK\$ million	Fair value change in profit and loss /ECL HK\$ million	31 December 2022 HK\$ million
Financial assets measured at						
FVOCI						
– Listed equity securities	59.9	-	-	1.9	-	61.8
– Listed debt securities	103.0	18.8	(87.6)	(28.5)	(5.7)	-
Financial assets measured at						
FVPL						
– Unlisted fund investments	2,822.2	954.7	(170.5)	-	(480.8)	3,125.6
– Listed equity securities	1,044.0	317.5	(146.4)	-	(199.4)	1,015.7
– Unlisted equity security	83.9	-	-	-	72.6	156.5
– Listed debt securities	2.6	87.6	-	-	(7.4)	82.8
– Others	3.9	-	-	-	(3.9)	-
	3,956.6	1,359.8	(316.9)	-	(618.9)	4,380.6
Financial assets measured at						
amortised cost						
– Interest-bearing instruments	190.7	-	(130.0)	-	(44.1)	16.6
	4,310.2	1,378.6	(534.5)	(26.6)	(668.7)	4,459.0

The aggregate value of the investment portfolio increased by HK\$148.8 million during the year.

Additions of financial assets during the year totalled HK\$1,378.6 million, including investments in 34 unlisted funds amounted to HK\$954.7 million, investments in 14 listed equity securities amounted to HK\$317.5 million, investment in a listed debt security amounted to HK\$18.8 million. During the year, a listed debt security with amount of HK\$87.6 million was transferred from financial assets measured at FVOCI to financial assets measured at FVPL as the bond issuer restructured the bond.

Disposals of financial assets during the year totalled HK\$534.5 million, including divestments of 9 unlisted funds amounted to HK\$170.5 million, divestments of 10 listed equity securities amounted to HK\$146.4 million, and divestment of an interest-bearing instruments amounted to HK\$130.0 million.

Other movements of the investment portfolio during the year included net fair value loss on financial assets measured at FVPL of HK\$615.0 million, net fair value loss on financial assets measured at FVOCI of HK\$26.6 million, and impairment loss on investment portfolio of HK\$53.7 million.

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

Diversified Absolute Return Fund

Diversified Absolute Return Fund (“DARF”) is an unlisted fund managed by asset manager who applied various investment strategies to accomplish their respective investment objectives. The principal business of DARF is to invest for returns from capital appreciation and investment income, either through the use of special purpose vehicles or by investing directly. As at 31 December 2022, the Group held about 41,805 class A shares and 26,700 class E1 shares of DARF and recorded a fair value of HK\$726.9 million (2021: HK\$754.8 million) in respect of its holding in about 31.0% of the shares of such investment, which exceeded the purchase cost of HK\$610.2 million for such investment and represented 9.3% of the Group's total assets and 16.3% of the aggregate fair value of the Group's investment portfolio. In terms of performance, a fair value loss of HK\$27.9 million (2021: HK\$74.2 million) on such investment was recognised in profit or loss for the year 2022. No distribution was received from such investment for the year (2021: HK\$31.3 million).

Other than the significant investment mentioned above, the carrying amount of each of the financial assets of the Group's investment portfolio represented less than 5% of the Group's total assets as at 31 December 2022. Other financial assets composed of unlisted fund investments, listed and unlisted equity securities, listed debt securities, and interest-bearing instruments, (accounting for 53.8%, 27.7%, 1.8% and 0.4% of the carrying amount of the Group's investment portfolio respectively).

The Group invested in various unlisted funds with different focuses on industries, sectors, regions, and asset types, in order to achieve investment objectives of reducing investment concentration risk and to enhance returns for its shareholders. Apart from the significant unlisted fund “DARF” mentioned above, the Group at 31 December 2022 held a total of 48 unlisted funds with an aggregate fair value of HK\$2,398.7 million (accounting for 30.6% of the Group's total assets) and their underlying investments include listed and unlisted equity securities, debt securities, structured products and venture capital deals in various regions, covering various industries and sectors including automobile, biotechnology, e-Commerce, enterprise software, healthcare and related services, information technology, internet services, industrials, logistic, pharmaceuticals, and transportation.

Equity securities held by the Group at 31 December 2022 comprised a total of 33 listed and unlisted equity securities with an aggregate fair value of HK\$1,234.0 million (accounting for 15.7% of the Group's total assets) covering various industry sectors including telecommunications, information technology, e-Commerce, software, securities investment, asset management, financial services, port operation, property (development, investment and management), healthcare and related services, industrial and infrastructure. The listed equity securities are listed in various stock exchanges including Hong Kong, the United States, England, and Singapore.

Listed debt securities held by the Group at 31 December 2022 comprised a total of 2 listed bonds with an aggregate fair value of HK\$82.8 million (accounting for 1.1% of the Group's total assets) with coupon rates ranging from 6.5% to 12.0% per annum, and they are issued by Hong Kong listed companies or its subsidiary primarily operating in the PRC real estate sector.

The Group held a total of 3 interest-bearing instruments at 31 December 2022 with an aggregate amount of HK\$16.6 million (accounting for 0.2% of the Group's total assets) and bearing interest of 12% per annum and with original maturity of 6 months. The aggregated principle and loss allowance of these interest-bearing instruments amounted to HK\$145.0 million and HK\$128.4 million respectively. Two interest-bearing instruments have been fully impaired on 31 December 2022 as they were overdue for more than one year.

The Group's investment objective is to increase the value of its treasury management business so as to enhance returns for its shareholders. Through a prudent investment strategy of maintaining an appropriate mix of different types of investment instruments in its portfolio comprising unlisted fund investments providing higher growth with a medium to long term horizon, equity securities providing liquidity and capital appreciation, debt securities and interest-bearing instruments providing stable and recurring interest income, the Group seeks not only to enhance its source of revenue in order to mitigate the risks of losing income from any one particular source, but also to achieve consistent risk adjusted returns in its investment portfolio.

The future prospects of the Group's unlisted fund investments and equity securities will be subject to various factors, including but not limited to political, economic, technology, financial and risk factors that are specific to individual industry sectors of the investments and will therefore vary from one investment to another depending on the overall capital and investment markets conditions, macroeconomic conditions as well as the prospects of the relevant industry. The future prospects of the Group's debt securities are exposed to interest rate risk through the impact of rate change on their fair values. However, the Group will benefit from a portfolio constructed of different kinds of investments aiming to, on average, yield higher long-term returns and lower the risk associated with any individual investment.

(III) Liquidity and Financial Resources

As at 31 December 2022, the Group had bank balances and deposits in the amount of HK\$2,453.2 million (2021: HK\$2,805.9 million). The Group did not have any bank borrowings as at 31 December 2022 (2021: nil). The gearing ratio was not applicable to the Group. The gearing ratio, if any, is calculated as the ratio of net bank borrowings to total equity. Except for the Group's bank deposits denominated in foreign currencies other than the United States dollars, the Group's major sources of income and major assets are denominated in Hong Kong dollars and United States dollars.

(IV) Employees

The Company and its subsidiaries have 682 employees. Employees are remunerated according to job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from provident fund schemes and medical insurance, discretionary bonuses or employee share options will be awarded to employees of the Group at the discretion of the board of directors, depending upon the financial performance of the Group. Total staff costs for the year amounted to HK\$324.1 million (2021: HK\$324.0 million).

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

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2022, the Company complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out within Appendix 14 to the Main Board Listing Rules (the “Listing Rules”) save that the Company has no formal letters of appointment for directors except the managing director setting out the key terms and conditions of their appointment, and has therefore deviated from C.3.3 of the CG Code. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified in the Company’s articles of association, applicable laws and the Listing Rules. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (within the meaning of the CG Code) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules (the “Model Code”). All directors confirmed that they had complied with the required standard set out within the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

Hong Kong, 24 March 2023

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