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## **THE CROSS-HARBOUR (HOLDINGS) LIMITED**

**港通控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 32)**

### **2023 Interim Results Announcement**

The board of directors (the “Board”) of The Cross-Harbour (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023. The interim results have been reviewed by the audit committee of the Company and KPMG.

#### **GROUP RESULTS**

The Group reported a profit attributable to shareholders of HK\$422.7 million (30 June 2022: loss of HK\$192.2 million) for the six months ended 30 June 2023. The profit was primarily due to the net profit of treasury management business of HK\$117.0 million (30 June 2022: loss of HK\$375.6 million). Earnings per share were HK\$1.13 (30 June 2022: loss per share: HK\$0.52).

#### **DIVIDENDS**

A first quarterly interim dividend of HK\$0.06 per share, absorbing a total amount of approximately HK\$22.4 million, was paid on 7 July 2023. The Board has today declared a second quarterly interim dividend of HK\$0.06 per share payable on 15 September 2023 to shareholders of the Company registered at the close of business on 8 September 2023.

#### **CLOSURE OF BOOKS**

The register of members and transfer books of the Company will be closed from Wednesday, 6 September 2023 to Friday, 8 September 2023, during which period no transfer of shares in the Company will be registered. In order to qualify for the second quarterly interim dividend, all transfer documents and accompanying share certificates must be lodged for registration with Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m., Tuesday, 5 September 2023.

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023 - unaudited

(Expressed in Hong Kong dollars)

|   |             | <b>Six months ended 30 June</b> |               |
|---|-------------|---------------------------------|---------------|
|   |             | <b>2023</b>                     | <b>2022</b>   |
|   | <i>Note</i> | <b>\$'000</b>                   | <b>\$'000</b> |
| Revenue from contracts with customers within the scope of HKFRS 15                  |             | <b>324,224</b>                  | 243,598       |
| Revenue from treasury operation and others  |             | <b>22,808</b>                   | 27,959        |
| Interest revenue from debt securities measured at fair value through profit or loss |             | <b>13,818</b>                   | 1,170         |
| Other interest revenue  |             | <b>51,355</b>                   | 30,781        |
| <b>Total revenue</b>  | 4           | <b>412,205</b>                  | 303,508       |
| Other income  |             | -                               | 13            |
| Other net gains/(losses)  | 5           | <b>73,591</b>                   | (394,841)     |
| Direct costs and operating expenses   |             | <b>(127,349)</b>                | (107,375)     |
| Selling and marketing expenses  |             | <b>(13,652)</b>                 | (12,753)      |
| Administrative and corporate expenses   |             | <b>(97,830)</b>                 | (59,277)      |
| Impairment losses on financial assets, net  |             | <b>(16,602)</b>                 | (31,219)      |
| <b>Profit/(loss) from operations</b>  |             | <b>230,363</b>                  | (301,944)     |
| Finance costs   | 6(a)        | <b>(6,143)</b>                  | (1,027)       |
| Share of profits of associates  |             | <b>245,479</b>                  | 144,251       |
| Share of profits of a joint venture   |             | <b>10,919</b>                   | 11,600        |
| <b>Profit/(loss) before taxation</b>  | 6           | <b>480,618</b>                  | (147,120)     |
| Income tax  | 7           | <b>(20,232)</b>                 | (16,599)      |
| <b>Profit/(loss) for the period</b>   |             | <b>460,386</b>                  | (163,719)     |
| <b>Attributable to:</b>   |             |                                 |               |
| Equity shareholders of the Company  |             | <b>422,658</b>                  | (192,206)     |
| Non-controlling interests   |             | <b>37,728</b>                   | 28,487        |
| <b>Profit/(loss) for the period</b>   |             | <b>460,386</b>                  | (163,719)     |
| <b>Earnings/(loss) per share</b>  | 8           |                                 |               |
| Basic and diluted   |             | <b>\$1.13</b>                   | (\$0.52)      |

Details of dividends payable to equity shareholders of the Company are set out in note 9.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 - unaudited

(Expressed in Hong Kong dollars)

|  | <b>Six months ended 30 June</b> |                  |
|--|---------------------------------|------------------|
|  | <b>2023</b>                     | <b>2022</b>      |
|  | <i>Note</i>                     |                  |
|  | <b>\$'000</b>                   | <b>\$'000</b>    |
| <b>Profit/(loss) for the period</b>  | <b>460,386</b>                  | <b>(163,719)</b> |
| <b>Other comprehensive income for the period<br/>(after tax and reclassification adjustments)</b>                |                                 |                  |
| Item that will not be reclassified to profit or loss:  |                                 |                  |
| – Financial assets measured at fair value through other comprehensive income (non-recycling)                     |                                 |                  |
| – Net changes in fair value of equity securities   | <b>(2,373)</b>                  | 3,109            |
| Items that are or may be reclassified subsequently to profit or loss:  |                                 |                  |
| – Financial assets measured at fair value through other comprehensive income (recycling)                         |                                 |                  |
| – Changes in fair value of debt securities   | -                               | (34,223)         |
| – Impairment losses recognised on debt securities  | 6(b) -                          | 5,745            |
|  | <b>(2,373)</b>                  | <b>(28,478)</b>  |
| – Share of other comprehensive income of a joint venture:  |                                 |                  |
| – Exchange differences on translation of financial statements of subsidiary outside Hong Kong in a joint venture | <b>(104)</b>                    | 36               |
| <b>Other comprehensive income for the period</b>   | <b>(2,477)</b>                  | <b>(25,333)</b>  |
| <b>Total comprehensive income for the period</b>   | <b>457,909</b>                  | <b>(189,052)</b> |
| <b>Attributable to:</b>  |                                 |                  |
| Equity shareholders of the Company   | <b>420,212</b>                  | (217,549)        |
| Non-controlling interests  | <b>37,697</b>                   | 28,497           |
| <b>Total comprehensive income for the period</b>   | <b>457,909</b>                  | <b>(189,052)</b> |

# Consolidated Statement of Financial Position

As at 30 June 2023 - unaudited

(Expressed in Hong Kong dollars)

|                                 |      | 30 June 2023 |                  | 31 December 2022 |                  |
|---------------------------------|------|--------------|------------------|------------------|------------------|
|                                 | Note | \$'000       | \$'000           | \$'000           | \$'000           |
| <b>Non-current assets</b>       |      |              |                  |                  |                  |
| Property, plant and equipment   |      |              | 476,357          |                  | 236,037          |
| Interest in associates          |      |              | 296,294          |                  | 291,315          |
| Interest in a joint venture     |      |              | 159,659          |                  | 148,844          |
| Other financial assets          | 10   |              | 3,660,030        |                  | 3,343,861        |
| Deposits and prepayments        | 11   |              | 46,257           |                  | 45,315           |
| Deferred tax assets             |      |              | 1,889            |                  | 2,216            |
|                                 |      |              | <u>4,640,486</u> |                  | <u>4,067,588</u> |
| <b>Current assets</b>           |      |              |                  |                  |                  |
| Inventories                     |      |              | 1,423            |                  | 1,363            |
| Other financial assets          | 10   |              | 1,175,484        |                  | 1,115,170        |
| Trade and other receivables     | 11   |              | 124,508          |                  | 158,405          |
| Amount due from a joint venture |      |              | -                |                  | 9,000            |
| Tax recoverable                 |      |              | -                |                  | 512              |
| Dividend receivable             |      |              | 50,477           |                  | 34,892           |
| Bank deposits and cash          |      |              | 2,433,095        |                  | 2,453,206        |
|                                 |      |              | <u>3,784,987</u> |                  | <u>3,772,548</u> |
| <b>Current liabilities</b>      |      |              |                  |                  |                  |
| Trade and other payables        | 12   |              | 68,088           |                  | 111,348          |
| Contract liabilities            |      |              | 631,963          |                  | 644,016          |
| Lease liabilities               |      |              | 55,515           |                  | 15,500           |
| Taxation payable                |      |              | 20,494           |                  | 11,117           |
| Dividends payable               |      |              | 23,207           |                  | 604              |
|                                 |      |              | <u>799,267</u>   |                  | <u>782,585</u>   |
| <b>Net current assets</b>       |      |              | <u>2,985,720</u> |                  | <u>2,989,963</u> |

# Consolidated Statement of Financial Position

As at 30 June 2023 - unaudited

(Expressed in Hong Kong dollars)

|  | 30 June 2023     | 31 December 2022 |
|--|------------------|------------------|
|  | \$'000           | \$'000           |
| <b>Total assets less current liabilities</b>                               | <b>7,626,206</b> | <b>7,057,551</b> |
| <b>Non-current liabilities</b>   |                  |                  |
| Lease liabilities  | 236,996          | 11,994           |
| Deferred tax liabilities   | 2,657            | 1,957            |
|  | <b>239,653</b>   | <b>13,951</b>    |
| <b>NET ASSETS</b>  | <b>7,386,553</b> | <b>7,043,600</b> |
| <br>   |                  |                  |
| <b>CAPITAL AND RESERVES</b>  |                  |                  |
| Share capital  | 1,629,461        | 1,629,461        |
| Reserves   | 5,539,261        | 5,230,855        |
| <b>Total equity attributable to equity<br/>shareholders of the Company</b> | <b>7,168,722</b> | <b>6,860,316</b> |
| <b>Non-controlling interests</b>   | <b>217,831</b>   | <b>183,284</b>   |
| <b>TOTAL EQUITY</b>  | <b>7,386,553</b> | <b>7,043,600</b> |

# Notes to the financial information:

(Expressed in Hong Kong dollars)

## 1 General information

The Cross-Harbour (Holdings) Limited (the “Company”) is a company incorporated in Hong Kong with limited liability under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

During the period, 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.

## 2 Basis of preparation

The interim results set out in the announcement do not constitute the Group’s interim financial report for the six months ended 30 June 2023 but are extracted from that interim financial report.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 22 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

### 3 Changes in accounting policies

#### (a) New and amended Hong Kong Financial Reporting Standards (“HKFRSs”)

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these have had a material effect on the Group’s results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### (b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will eventually abolish the statutory right of an employer to reduce its long service payment (“LSP”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund (“MPF”) scheme (also known as the “offsetting mechanism”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the “Transition Date”). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the abovementioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance.

#### 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:

|  | <b>Six months ended 30 June</b> |               |
|--|---------------------------------|---------------|
|  | <b>2023</b>                     | <b>2022</b>   |
|  | <b>\$'000</b>                   | <b>\$'000</b> |
| <b>Revenue from contracts with customers within the scope of HKFRS 15</b>                  |                                 |               |
| Disaggregated by service lines:  |                                 |               |
| - Course fee from motoring school operation  | 320,574                         | 240,248       |
| - Management fee from tunnel operation   | 1,250                           | 1,250         |
| - Consultancy fee and management fee from electronic toll operation                        | 2,400                           | 2,100         |
|  | 324,224                         | 243,598       |
| <b>Revenue from treasury operation and others</b>  |                                 |               |
| - Dividend income from equity securities   | 21,857                          | 26,808        |
| - Others   | 951                             | 1,151         |
|  | 22,808                          | 27,959        |
| <b>Interest revenue from debt securities measured at fair value through profit or loss</b> | 13,818                          | 1,170         |
| <b>Other interest revenue</b>  |                                 |               |
| - Interest income from debt securities at FVOCI  | -                               | 17,294        |
| - Interest income from interest-bearing instruments  | 3,570                           | 10,305        |
| - Interest income from banks   | 47,785                          | 3,182         |
|  | 51,355                          | 30,781        |
| <b>Total revenue</b>   | 412,205                         | 303,508       |

- (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 an associate which operate the Western Harbour Tunnel franchise.
- Electronic toll operation: this segment invests in a joint venture which operates an electronic toll collection system, provision of telematics services, intelligent transportation and surveillance system solutions and smart city service solutions in Hong Kong.
- Treasury management: this segment operates investing activities to receive dividend income and interest income, and manages an investment portfolio including unlisted funds, equity securities, debt securities, and bank deposits and cash.

*(i) Segment results and assets*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results and assets 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.

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 period is set out below.

|   | Motoring school operations |                  | Tunnel operations        |                | Electronic toll operations |                | Treasury management      |                  | Total                    |                  |
|---|----------------------------|------------------|--------------------------|----------------|----------------------------|----------------|--------------------------|------------------|--------------------------|------------------|
|   | Six months ended 30 June   |                  | Six months ended 30 June |                | Six months ended 30 June   |                | Six months ended 30 June |                  | Six months ended 30 June |                  |
|   | 2023                       | 2022             | 2023                     | 2022           | 2023                       | 2022           | 2023                     | 2022             | 2023                     | 2022             |
|   | \$'000                     | \$'000           | \$'000                   | \$'000         | \$'000                     | \$'000         | \$'000                   | \$'000           | \$'000                   | \$'000           |
| Revenue from contracts with customers within the scope of HKFRS 15  | 320,574                    | 240,248          | 1,250                    | 1,250          | 2,400                      | 2,100          | —                        | —                | 324,224                  | 243,598          |
| Dividend income from equity securities                              | —                          | —                | —                        | —              | —                          | —              | 21,857                   | 26,808           | 21,857                   | 26,808           |
| Interest revenue  | 16,385                     | 2,172            | —                        | —              | 8                          | —              | 48,780                   | 29,779           | 65,173                   | 31,951           |
| <b>Reportable segment revenue</b>                                   | <b>336,959</b>             | <b>242,420</b>   | <b>1,250</b>             | <b>1,250</b>   | <b>2,408</b>               | <b>2,100</b>   | <b>70,637</b>            | <b>56,587</b>    | <b>411,254</b>           | <b>302,357</b>   |
| <b>Reportable segment profit/(loss) before tax</b>                  | <b>133,369</b>             | <b>97,970</b>    | <b>246,729</b>           | <b>145,501</b> | <b>13,212</b>              | <b>13,583</b>  | <b>116,965</b>           | <b>(375,575)</b> | <b>510,275</b>           | <b>(118,521)</b> |
| Finance costs   | (5,995)                    | (968)            | —                        | —              | —                          | —              | (148)                    | (59)             | (6,143)                  | (1,027)          |
| Depreciation  | (38,647)                   | (44,917)         | —                        | —              | —                          | —              | (159)                    | —                | (38,806)                 | (44,917)         |
| Share of profits of associates                                      | —                          | —                | 245,479                  | 144,251        | —                          | —              | —                        | —                | 245,479                  | 144,251          |
| Share of profits of a joint venture                                 | —                          | —                | —                        | —              | 10,919                     | 11,600         | —                        | —                | 10,919                   | 11,600           |
| Income tax  | (20,081)                   | (16,158)         | —                        | —              | (140)                      | (139)          | (11)                     | (40)             | (20,232)                 | (16,337)         |
| <b>Reportable segment assets at 30 June 2023 / 31 December 2022</b> | <b>1,538,587</b>           | <b>1,168,203</b> | <b>246,657</b>           | <b>241,682</b> | <b>164,836</b>             | <b>162,792</b> | <b>6,449,219</b>         | <b>6,238,912</b> | <b>8,399,299</b>         | <b>7,811,589</b> |

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

|   | <b>Six months ended 30 June</b> |                  |
|---|---------------------------------|------------------|
|   | <b>2023</b>                     | 2022             |
|   | <b>\$'000</b>                   | \$'000           |
| <b>Revenue</b>  |                                 |                  |
| Reportable segment revenue                                | <b>411,254</b>                  | 302,357          |
| Unallocated head office and corporate revenue             | <b>951</b>                      | 1,151            |
| Consolidated revenue                                      | <b><u>412,205</u></b>           | <u>303,508</u>   |
|   |                                 |                  |
|   | <b>Six months ended 30 June</b> |                  |
|   | <b>2023</b>                     | 2022             |
|   | <b>\$'000</b>                   | \$'000           |
| <b>Profit/(loss)</b>                                      |                                 |                  |
| Reportable segment profit/(loss) before taxation          | <b>510,275</b>                  | (118,521)        |
| Other income  | -                               | 13               |
| Unallocated head office and corporate income and expenses | <b>(29,657)</b>                 | (28,612)         |
| Consolidated profit/(loss) before taxation                | <b><u>480,618</u></b>           | <u>(147,120)</u> |
|   |                                 |                  |
|   | <b>At</b>                       | <b>At</b>        |
|   | <b>30 June</b>                  | 31 December      |
|   | <b>2023</b>                     | 2022             |
|   | <b>\$'000</b>                   | \$'000           |
| <b>Assets</b>   |                                 |                  |
| Reportable segment assets                                 | <b>8,399,299</b>                | 7,811,589        |
| Unallocated head office and corporate assets              | <b>26,174</b>                   | 28,547           |
| Consolidated total assets                                 | <b><u>8,425,473</u></b>         | <u>7,840,136</u> |

## 5 Other net gains/(losses)

|  | <b>Six months ended 30 June</b> |                         |
|--|---------------------------------|-------------------------|
|  | <b>2023</b>                     | <b>2022</b>             |
|  | <b>\$'000</b>                   | <b>\$'000</b>           |
| Change in fair value of other financial assets at FVPL |                                 |                         |
| - Unlisted fund investments                            | 53,240                          | (264,591)               |
| - Equity securities                                    | 93,316                          | (129,131)               |
| - Debt securities                                      | (58,881)                        | (1,249)                 |
| - Treasury bills                                       | 2,526                           | -                       |
| - Derivative financial instruments                     | (16,737)                        | -                       |
| - Others   | -                               | 85                      |
|  | <u>73,464</u>                   | <u>(394,886)</u>        |
| Net gains on sale of property, plant and equipment     | 127                             | 45                      |
|  | <u><u>73,591</u></u>            | <u><u>(394,841)</u></u> |

## 6 Profit/(loss) before taxation

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2023</b>                     | <b>2022</b>    |
|  | <b>\$'000</b>                   | <b>\$'000</b>  |
| <b>Profit/(loss) before taxation is arrived at after charging/(crediting):</b> |                                 |                |
| <b>(a) Finance costs</b>   |                                 |                |
| Interest on lease liabilities  | <u>6,143</u>                    | <u>1,027</u>   |
| <b>(b) Other items</b>   |                                 |                |
| Depreciation   |                                 |                |
| - Owned property, plant and equipment  | 11,576                          | 12,845         |
| - Right-of-use assets  | 30,500                          | 36,774         |
|  | <u>42,076</u>                   | <u>49,619</u>  |
| Impairment losses recognised on financial assets                               |                                 |                |
| - Debt securities at FVOCI (recycling)   | -                               | 5,745          |
| - Interest bearing instruments, net  | 16,602                          | 16,784         |
| - Trade and other receivables  | -                               | 8,690          |
|  | <u>16,602</u>                   | <u>31,219</u>  |
| Contributions to defined contribution retirement scheme                        | 4,665                           | 4,359          |
| Salaries, wages and other benefits<br>(including directors' emoluments)        | 153,786                         | 119,596        |
| Cost of inventories consumed   | 3,830                           | 6,415          |
| Rent concessions   | -                               | (25,924)       |
|  | <u><u></u></u>                  | <u><u></u></u> |

## 7 Income tax

|                                     | Six months ended 30 June |               |
|-------------------------------------|--------------------------|---------------|
|                                     | 2023                     | 2022          |
|                                     | \$'000                   | \$'000        |
| Current tax – Hong Kong Profits Tax | 19,205                   | 15,372        |
| Deferred tax                        | 1,027                    | 1,227         |
|                                     | <u>20,232</u>            | <u>16,599</u> |

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 June 2022: 16.5%) to the six months ended 30 June 2023, 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 2022.

## 8 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on the profit for the period attributable to ordinary equity shareholders of the Company of \$422,658,000 (30 June 2022: loss for the period of \$192,206,000) and the weighted average of 372,688,000 ordinary shares (30 June 2022: 372,688,000 ordinary shares) in issue during the period.

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

## 9 Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

|  | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2023                     | 2022          |
|  | \$'000                   | \$'000        |
| First interim dividend declared during the interim period of \$0.06 per share (2022: \$0.06 per share) | 22,361                   | 22,361        |
| Second interim dividend declared after the interim period of \$0.06 per share (2022: \$0.06 per share) | 22,361                   | 22,361        |
|  | <u>44,722</u>            | <u>44,722</u> |

The second interim dividend declared after the interim 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, declared and approved during the interim period

|  | <b>Six months ended 30 June</b> |        |
|--|---------------------------------|--------|
|  | <b>2023</b>                     | 2022   |
|  | <b>\$'000</b>                   | \$'000 |
| Final dividend in respect of the previous financial year, declared and approved during the interim period of \$0.24 per share (2022: \$0.24 per share) | <b>89,445</b>                   | 89,445 |

## 10 Other financial assets

|   | <i>Note</i> | <b>At<br/>30 June<br/>2023<br/>\$'000</b> | <b>At<br/>31 December<br/>2022<br/>\$'000</b> |
|---|-------------|---|---|
| <b>Non-current</b>  |             |   |   |
| <b>Financial assets measured at FVOCI (non-recycling)</b> |             |   |   |
| – Equity securities listed in Hong Kong*                  | (i)         | <b>59,420</b>                             | 61,793  |
| <b>Financial assets measured at FVPL</b>                  |             |   |   |
| – Unlisted fund investments                               | (ii)        | <b>3,409,761</b>                          | 3,125,590                                     |
| – Unlisted equity security                                |             | <b>156,478</b>                            | 156,478                                       |
| – Debt security listed outside Hong Kong*                 |             | <b>34,371</b>                             | -   |
|   |             | <b>3,600,610</b>                          | 3,282,068                                     |
|   |             | <b>3,660,030</b>                          | 3,343,861                                     |
| <b>Current</b>  |             |   |   |
| <b>Financial assets measured at amortised cost</b>        |             |   |   |
| – Unsecured, interest-bearing instruments                 | (iii)       | <b>60,000</b>                             | 145,000                                       |
| Less: loss allowance                                      |             | <b>(60,000)</b>                           | (128,398)                                     |
|   |             | -   | 16,602  |
| <b>Financial assets measured at FVPL</b>                  |             |   |   |
| – Debt security listed outside Hong Kong*                 |             | <b>1,473</b>                              | 82,826  |
| – Equity securities listed in Hong Kong*                  | (iv)        | <b>737,855</b>                            | 788,179                                       |
| – Equity securities listed outside Hong Kong*             | (v)         | <b>288,777</b>                            | 227,563                                       |
| – Treasury bills*   |             | <b>147,379</b>                            | -   |
|   |             | <b>1,175,484</b>                          | 1,098,568                                     |
|   |             | <b>1,175,484</b>                          | 1,115,170                                     |
| <b>Total</b>  |             | <b>4,835,514</b>                          | 4,459,031                                     |

\* 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 loss of \$2,373,000 (30 June 2022: net gain of \$3,109,000) was recognised in other comprehensive income and dividends amounted to \$578,000 (30 June 2022: \$581,000) were received and recognised in profit or loss during the period. Neither addition nor disposal was occurred during the period (30 June 2022: Nil).
- (ii) As at 30 June 2023, the Group's unlisted fund investments comprised 52 (31 December 2022: 49) 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) The balance as at 30 June 2023 represents an (31 December 2022: 3) interest-bearing instrument which is unsecured, interest-bearing at 12% per annum (31 December 2022: 12% per annum). Two of the instruments amounting \$85,000,000 were written-off during the period due to default. Loss allowances are fully provided for the remaining instrument amounting to \$60,000,000 as it is overdue for more than one year.
- (iv) As at 30 June 2023, the fair value of equity securities listed in Hong Kong and classified at FVPL amounted to \$737,855,000 (31 December 2022: \$788,179,000), and net fair value gain of \$58,276,000 (30 June 2022: net loss of \$72,878,000) was recognised in profit or loss for the period.
- (v) As at 30 June 2023, the Group's investments in listed equity securities outside Hong Kong and classified at FVPL amounted to \$288,777,000 (31 December 2022: \$227,563,000) are equity securities listed in USA, UK, Singapore and Canada, and net fair value gain of \$35,040,000 (30 June 2022: net loss of \$56,791,000) was recognised in profit or loss for the period.

## 11 Trade and other receivables and deposits and prepayments

### Trade and other receivables

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

|  | At<br>30 June<br>2023<br>\$'000 | At<br>31 December<br>2022<br>\$'000 |
|--|---------------------------------|-------------------------------------|
| Within 1 month                           | 3,809                           | 9,308                               |
| 1 month to 3 months                      | 173                             | 346                                 |
| Over 3 months                            | 149                             | 63                                  |
| Trade receivables, net of loss allowance | <u>4,131</u>                    | 9,717                               |
| Other receivables                        | <u>44,271</u>                   | 88,685                              |
| Trade and other receivables              | <u>48,402</u>                   | 98,402                              |
| Deposits and prepayments (Note)          | <u>122,363</u>                  | 105,318                             |
|  | <u>170,765</u>                  | 203,720                             |
| Less: non-current portion                | <u>(46,257)</u>                 | <u>(45,315)</u>                     |
|  | <u><u>124,508</u></u>           | <u><u>158,405</u></u>               |

*Note:* As at 30 June 2023, included in deposits and prepayments of the Group is an amount of \$46,257,000 (31 December 2022: \$45,315,000) 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 are expected to be recovered or recognised as expense within one year.

## 12 Trade and other payables

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:

|                                   | At<br>30 June<br>2023<br>\$'000 | At<br>31 December<br>2022<br>\$'000 |
|-----------------------------------|---------------------------------|-------------------------------------|
| Within 1 month                    | 1,289                           | 2,078                               |
| 1 month to 3 months               | 226                             | 910                                 |
| Over 3 months but within 6 months | 5,721                           | 4,913                               |
| Trade payables                    | <u>7,236</u>                    | 7,901                               |
| Other payables and accruals       | <u>60,852</u>                   | 103,447                             |
|                                   | <u><u>68,088</u></u>            | <u><u>111,348</u></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.

## **BUSINESS REVIEW AND PROSPECTS**

Hong Kong's economy followed a path to recovery as its borders fully reopened and all anti-pandemic measures and restrictions were lifted by early 2023. GDP of the first quarter resumed year-on-year growth of 2.7%. Over the past few months, retail sales have been rising due to better labor market conditions and the continued growth of tourism. The value of total retail sales increased by 21% for the first five months of 2023 as compared with the same period in 2022, and the unemployment rate dropped to 2.9% in June. Meanwhile, the Mainland China economy demonstrated improvement as COVID-19 pandemic subsided and the anti-pandemic measures were removed, and the introduction of various encouraging government measures. However, the external environment remained weak due to high inflation in the US and Europe, causing their central banks to tighten monetary policies by increasing interest rates. Some regional banks in the US were adversely affected by interest rate hikes. The global economy also continues to be influenced by the uncertainties over the ongoing conflicts between China and US, and the war between Russia and Ukraine. Looking ahead to the second half of 2023, the business environment of Hong Kong is expected to be positive as domestic demand and inbound tourism would remain strong, as supported by the disbursement of consumption vouchers and a series of “Happy Hong Kong” events. The global financial markets remain volatile in the rest of 2023 in view of uncertainties from central banks policies, and tensions between the major powers such as US, China and Russia.

### **Motoring School Operation**

Alpha Hero Group (70% owned) operates driving training schools in Hong Kong. Operating income for the first half of 2023 significantly increased by 33.4% as compared to the last corresponding period primarily because of the increase in demand for non-motorcycle driving training courses and higher lesson income unit rate. The number of non-motorcycle driving lessons delivered for the first half of 2023 increased by 30.0% as compared to the last corresponding period. Higher demand for driving training course was also due to the Transport Department suspending all driving test services from late January 2022 to mid-April 2022 during the fifth wave of COVID-19 outbreak. We expect that the driving training market in 2023 would grow gradually because of the rising demand for driving lessons in the post-COVID-19 era.

### **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 solutions in Hong Kong.

Autotoll had been awarded government tenders for the Free-flow Tolling System (namely “HKEToll”), including 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 (“TSCA”). HKEToll is one of the major smart mobility initiatives of the Transport Department. HKEToll will be implemented in phases at all government-tolled tunnels and roads and eventually replace the current ETC facilities and manual toll booths. On 7 May 2023, HKEToll was implemented firstly in TSCA. Subsequently, on 21 May 2023, 28 May 2023, 23 July 2023, and 6 August 2023, HKEToll was further

implemented at the Shing Mun Tunnel, Lion Rock Tunnel, Cross-Harbour Tunnel, and Western Harbour Tunnel respectively. Additionally, HKetoll is scheduled to be implemented at Eastern Harbour Tunnel on 27 August 2023.

At the moment there are thirty-three auto-toll lanes in operation as of 30 June 2023. The total number of tags in circulation was about 341,000 as at 30 June 2023. The overall usage of auto-toll facilities in all toll roads and tunnels during the period was about 44%. The number of daily transactions handled by Autotoll was about 254,000 with a toll amount of approximately HK\$8.0 million. The number of subscribers for the Global Positioning System at the end of June was about 14,000. It is expected that the number of tags for ETC facilities would continue to decrease in the second half of 2023.

### **Tunnel Operation**

Western Harbour Tunnel Company Limited (“WHTCL”), a 50% owned associate, operates the Western Harbour Tunnel (“WHT”) in Hong Kong under a 30 years’ franchise. The average daily throughput of the WHT for the first half of 2023 increased by 40.7% to 62,677 vehicle journeys as compared to 44,531 vehicle journeys recorded in the last corresponding period. The average toll per vehicle decreased from HK\$82.5 in the last corresponding period to HK\$81.0 in the first half of 2023. WHT’s market share was increased from about 20.9% in the last corresponding period to about 25.5% for the current period.

On 1 August 2023, the franchise of WHT expired and the ownership of the WHT has transferred to the Government. As a result, WHTCL’s contribution to the Group will reduce significantly and the tunnel operation will be discontinued in the second half of 2023.

### **Treasury Management Business**

The overall performance of the global financial market is satisfactory in the first half of 2023. Major stock market indices have increased, such as Dow Jones Industrial Average increased around 3.8% to 34,408, Nasdaq Composite increased around 31.7% to 13,788, and SSE Composite Index increased around 3.7% to 3,202. However, the local market Hang Seng Index dropped around 4.4% to 18,916. Despite this complex market development, the Group recorded a net fair value gain on financial assets of HK\$73.5 million in the first half of 2023.

The Group has continued to make capital contributions to various unlisted funds of different industries and regions and increased the investment in equity securities listed outside Hong Kong, in order to diversify the investment portfolio of the Group. The Group has disposed of some portion of listed equity securities to realize the fair value gain and part of the sale proceeds to invest in US Treasury bills. As of 30 June 2023, the Group’s investment portfolio consists of a total of 92 (31 December 2022: 87) investments, which mainly comprised 52 (31 December 2022: 49) investments in unlisted funds and 36 (2022: 33) investments in equity securities. Overall, the value of the Group’s investment portfolio during the period increased slightly to HK\$4,835.5 million.

## Commentary on Interim Results

### (I) Review of 2023 Interim Results

The Group reported a profit attributable to shareholders of HK\$422.7 million (30 June 2022: loss of HK\$192.2 million) for the six months ended 30 June 2023. The profit was primarily due to the net profit of treasury management business of HK\$117.0 million (30 June 2022: loss of HK\$375.6 million). In addition, the profit contribution from tunnel operation was increased to HK\$246.7 million (30 June 2022: HK\$145.5 million).

The Group recorded a total revenue of HK\$412.2 million in the first half of 2023, representing an increase of 35.8% as compared to HK\$303.5 million recorded in the last corresponding period. The increase in total revenue was mainly due to the increase in revenue from motoring school operation.

#### Performance of the treasury management segment for the first half of 2023

The treasury management business achieved a net profit of HK\$117.0 million in the current period. This profit primarily consist of various components, including a net fair value gain of HK\$73.5 million on financial assets measured at fair value through profit or loss (“FVPL”), dividend income and interest income from investment portfolio of HK\$39.2 million, interest income from bank of HK\$31.4 million, and impairment losses on interest-bearing instruments HK\$16.6 million. Taking into account of net fair value loss on financial assets measured at fair value through other comprehensive income of HK\$2.4 million recorded in the fair value reserve, the overall performance of treasury management segment was significantly improved during the current period as compared to the corresponding period in 2022.

The net fair value gain on financial assets measured at FVPL of HK\$73.5 million (30 June 2022: loss of HK\$394.9 million) was mainly attributable to (i) the net fair value gain on unlisted fund investments of HK\$53.3 million (30 June 2022: loss of HK\$264.6 million), (ii) the net fair value gain on equity securities of HK\$93.3 million (30 June 2022: loss of HK\$129.1 million), (iii) the net fair value loss on debt securities of HK\$58.9 million (30 June 2022: loss of HK\$1.2 million), and (iv) the fair value loss on derivative financial instruments of HK\$16.7 million (30 June 2022: Nil).

The net fair value gain on equity securities measured at FVPL of HK\$93.3 million was attributable to (i) the net fair value gain of listed securities in Hong Kong of HK\$58.3 million (30 June 2022: loss of HK\$72.9 million) and (ii) the net fair value gain of listed securities outside Hong Kong of HK\$35.0 million (30 June 2022: loss of HK\$56.8 million). The net fair value gain of equity securities measured at FVPL mainly included the fair value gain of China Telecom Corporation Limited (Stock Code: 728) of HK\$62.0 million (30 June 2022: HK\$6.0 million) and the fair value gain of Salesforce, Inc. (Stock Code: CRM) of HK\$29.4 million (30 June 2022: loss of HK\$11.9 million).

During the current period, dividend income from listed equity securities decreased to HK\$21.9 million (30 June 2022: HK\$26.8 million), interest income from listed debt securities decreased to HK\$13.8 million (30 June 2022: HK\$18.5 million), and interest income derived from interest-bearing instruments also decreased to HK\$3.5 million (30 June 2022: HK\$10.3 million). On the

other hand, interest income from bank deposits increased to HK\$31.4 million (30 June 2022: HK\$1.0 million) during the current period. Additionally, the impairment loss on interest-bearing instruments decreased to HK\$16.6 million (30 June 2022: HK\$16.8 million) for the current period.

Performance of other reportable segments for the first half of 2023

The motoring school operation recorded an increase in revenue of 33.5% to HK\$320.6 million (30 June 2022: HK\$240.2 million) mainly due to an increase in demand for vehicle driving lessons and higher lesson income unit rate. Operating expenses increased during the current period because of the decrease in receipts of subsidies granted from the Hong Kong Government for COVID-19 and higher rental expenses. Therefore, the profit before tax from the motoring school operation increased by 36.1% to HK\$133.4 million (30 June 2022: HK\$98.0 million).

The Group's share of profits of an associate, Western Harbour Tunnel Company Limited which operates Western Harbour Tunnel ("WHT"), increased by 70.1% to HK\$245.5 million as compared to HK\$144.3 million in the last corresponding period. Toll revenue of WHT increased by 38.2% to HK\$918.8 million as compared to HK\$665.0 million in the last corresponding period, because of the increase in traffic volume of the tunnel by 40.7%. Higher traffic was mainly due to the reopening of its borders and the lifting of anti-pandemic measures and restrictions in the first quarter of 2023.

The Group's share of profits of a joint venture, Autotoll (BVI) Limited, which operates electronic toll collection system, provides telematics services, intelligent transport and surveillance system solutions and smart city service solutions, was HK\$10.9 million for the first half of 2023 as compared to HK\$11.6 million recorded in the last corresponding period.

**(II) Treasury Investments and Significant Investments Held**

As at 30 June 2023, the Group maintained an investment portfolio with a carrying amount of HK\$4,835.5 million (31 December 2022: HK\$4,459.0 million). The portfolio composed of HK\$3,409.8 million (31 December 2022: HK\$3,125.6 million) unlisted fund investments, HK\$1,242.5 million (31 December 2022: HK\$1,234.0 million) listed and unlisted equity securities, HK\$147.4 million treasury bills (31 December 2022: Nil), and HK\$35.8 million (31 December 2022: HK\$82.8 million) listed debt securities. Certain securities were pledged to certain financial institutions to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. As at 30 June 2023 and 31 December 2022, these facilities were not utilised by the Group.

*The movements in the investment portfolio held by the Group during the period*

|  | 1 January<br>2023 | Addition     | Disposal/<br>Distribution | Fair value<br>change<br>in OCI | Fair value<br>change in<br>profit and<br>loss<br>/ ECL | 30 June<br>2023 |
|--|-------------------|--------------|---------------------------|--------------------------------|--|-----------------|
|  | HK\$ million      | HK\$ million | HK\$ million              | HK\$ million                   | HK\$ million   | HK\$ million    |
| <b>Financial assets measured at FVOCI</b>          |                   |              |                           |                                |  |                 |
| – Listed equity securities                         | 61.8              | —            | —                         | (2.4)                          | —  | 59.4            |
| <b>Financial assets measured at FVPL</b>           |                   |              |                           |                                |  |                 |
| – Unlisted fund investments                        | 3,125.6           | 235.5        | (4.6)                     | —                              | 53.3   | 3,409.8         |
| – Listed equity securities                         | 1,015.7           | 89.8         | (172.2)                   | —                              | 93.3   | 1,026.6         |
| – Unlisted equity security                         | 156.5             | —            | —                         | —                              | —  | 156.5           |
| – Treasury bills                                   | —                 | 207.2        | (62.3)                    | —                              | 2.5  | 147.4           |
| – Listed debt securities                           | 82.8              | 11.9         | —                         | —                              | (58.9)   | 35.8            |
| – Derivative financial instruments                 | —                 | 16.7         | —                         | —                              | (16.7)   | —               |
|  | 4,380.6           | 561.1        | (239.1)                   | —                              | 73.5   | 4,776.1         |
| <b>Financial assets measured at amortised cost</b> |                   |              |                           |                                |  |                 |
| – Interest-bearing instruments                     | 16.6              | —            | —                         | —                              | (16.6)   | —               |
|  | 4,459.0           | 561.1        | (239.1)                   | (2.4)                          | 56.9   | 4,835.5         |

The aggregate value of the investment portfolio increased by HK\$376.5 million during the period.

During the period, the additions of financial assets amounted to HK\$561.1 million, which consisted of investments in 29 unlisted funds amounting to HK\$235.5 million, investments in treasury bills amounting to HK\$207.2 million, investments in 6 listed equity securities amounting to HK\$89.8 million, investments in derivative financial instruments amounting to HK\$16.7 million, and investment in a listed debt security amounting to HK\$11.9 million.

During the period, the disposals of financial assets amounted to HK\$239.1 million, which consisted of divestments of 6 listed equity securities amounting to HK\$172.2 million, divestments of treasury bills amounting to HK\$62.3 million, and divestments of 4 unlisted funds amounting to HK\$4.6 million.

Other movements in the investment portfolio during the period included a net fair value gain on financial assets measured at FVPL of HK\$73.5 million, a net fair value loss on financial assets measured at FVOCI of HK\$2.4 million, and an impairment loss on interest-bearing instruments of HK\$16.6 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 managers who applied various investment strategies to accomplish their respective investment objectives. The principal business of DARF is to invest for returns from capital appreciation and investment income, either through the use of special purpose vehicles or by investing directly. As at 30 June 2023, the Group held about 41,805 class A shares and 26,700 class

E1 shares of DARF and recorded a fair value of HK\$705.9 million (31 December 2022: HK\$726.9 million) in respect of its holding in 30.6% of the shares of such investment, which exceeded the purchase cost of HK\$610.2 million for such investment and represented 8.4% of the Group's total assets and 14.6% of the aggregate fair value of the Group's investment portfolio. In terms of performance, a fair value loss of HK\$21.0 million (30 June 2022: HK\$36.0 million) on such investment was recognised in profit or loss for the period. No distribution was received from such investment for the period (30 June 2022: nil).

Other than the significant investments mentioned above, the carrying amount of each of the financial assets of the Group's investment portfolio represented less than 5% of the Group's total assets as at 30 June 2023. Other financial assets composed of unlisted fund investments, listed and unlisted equity securities, treasury bills and listed debt securities (accounting for 55.9%, 25.7%, 3.1% and 0.7% of the carrying amount of the Group's investment portfolio respectively).

The Group invested in diverse 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 30 June 2023 held a total of 51 unlisted funds with an aggregate fair value of HK\$2,703.9 million (accounting for 32.1% 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 30 June 2023 comprised a total of 36 listed and unlisted equity securities with an aggregate fair value of HK\$1,242.5 million (accounting for 14.7% of the Group's total assets) covering various industry sectors including telecommunications, information technology, e-Commerce, software, biotechnology, materials, financial services, securities investment, asset management, property (development, investment and management), industrial and infrastructure. The listed equity securities are listed in various stock exchanges including Hong Kong, the United States, United Kingdom, Singapore and Canada.

Listed debt securities held by the Group at 30 June 2023 comprised a total of 2 listed bonds with an aggregate fair value of HK\$35.8 million (accounting for 0.4% 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 subsidiaries primarily operating in the PRC real estate sector.

The Group's investment objective is to increase the value of its treasury management business so as to enhance returns for its shareholders. Through a prudent strategy of maintaining an appropriate mix of different types of investment instruments in its portfolio comprising unlisted funds providing higher growth with a medium to long term horizon, equity securities providing liquidity and capital appreciation, treasury bills and debt securities providing stable and recurring 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 funds 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 market conditions, macroeconomic conditions as well as the prospects of the relevant industry. The future prospects of the Group's treasury bills and 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 30 June 2023, the Group had bank balances and deposits in the amount of HK\$2,433.1 million (31 December 2022: HK\$2,453.2 million). The Group did not have any bank borrowings as at 30 June 2023 (31 December 2022: nil). The gearing ratio, if any, is calculated as the ratio of net bank borrowings to total equity. Except for the Group's bank deposits denominated in foreign currencies other than the United States dollars, the Group's major sources of income and major assets are denominated in Hong Kong dollars and United States dollars.

### **(IV) Employees**

The Group has 689 employees. The Group's remuneration policy is formulated to ensure fair and competitive packages based on business needs and industry practice. Employees are rewarded according to their contributions to the Group, time commitment and responsibility undertaken. Apart from provident fund schemes, medical insurance and training subsidies, discretionary bonuses and employee share options will be awarded to employees of the Group at the discretion of the Board, depending upon the financial performance of the Group. Total staff costs for the current period amounted to HK\$158.5 million (30 June 2022: HK\$124.0 million).

## **CORPORATE GOVERNANCE CODE**

Throughout the six months ended 30 June 2023, the Company complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Main Board Listing Rules (the “Listing Rules”) save for the deviation described below.

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

## **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 in Appendix 10 to the Listing Rules (the “Model Code”).

All directors confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the period.

## **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 period.

On behalf of the Board  
**Yeung Hin Chung, John**  
*Managing Director*

Hong Kong, 22 August 2023

As at the date hereof, the Board 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, Leung Yu Ming, Steven and Wong Lung Tak, Patrick who are independent non-executive directors.