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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)

2021 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 2021. The results have been reviewed by the audit committee of the Company.

GROUP RESULTS

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

DIVIDENDS

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

Subject to shareholder approval of the proposed final dividend being obtained in the forthcoming annual general meeting on 19 May 2022 (the “AGM”), it is expected that the dividend warrants will be despatched on Monday, 6 June 2022 to shareholders registered at the close of business on Friday, 27 May 2022. The register of members and transfer books of the Company will be closed from Wednesday, 25 May 2022 to Friday, 27 May 2022, 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 Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Tuesday, 24 May 2022.

LAST SHARE REGISTRATION DATE FOR AGM

For determining the right of shareholders to attend and vote at the AGM, the deadline for share registration will be Friday, 13 May 2022. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 13 May 2022.

Consolidated statement of profit or loss
for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
Revenue from contracts with customers within the scope of HKFRS 15		552,887	489,590
Revenue from other sources		29,906	65,887
Interest revenue from debt securities measured at fair value through profit or loss		3,874	36,690
Other interest revenue		112,999	168,355
Total revenue	3	699,666	760,522
Other revenue	4	26	26
Other net (losses)/gains	4	(700,337)	68,570
Direct costs and operating expenses		(228,776)	(209,917)
Selling and marketing expenses		(30,194)	(30,139)
Administrative and corporate expenses		(191,324)	(180,471)
Impairment losses on financial assets		(37,607)	(35,472)
(Loss)/profit from operations		(488,546)	373,119
Finance costs	5(a)	(2,729)	(3,522)
Share of profits of associates		522,808	417,361
Share of profits of a joint venture		25,553	37,119
Profit before taxation	5	57,086	824,077
Income tax	6(a)	(39,557)	(34,586)
Profit for the year		17,529	789,491
Attributable to:			
Equity shareholders of the Company		(49,245)	725,243
Non-controlling interests		66,774	64,248
Profit for the year		17,529	789,491
(Loss)/earnings per share	7		
Basic and diluted		(\$0.13)	\$1.95

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated statement of profit or loss and
other comprehensive income
for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
Profit for the year		17,529	789,491
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		(1,469,170)	1,202,092
<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		(258,409)	(13,802)
- impairment losses (reversed)/recognised, net	5(b)	(11,528)	13,496
- net loss upon disposal of debt securities recycled to profit or loss	4	166,899	-
		(103,038)	(306)
- Share of other comprehensive income of a joint venture:			
- Exchange differences on translation of financial statements of subsidiary outside Hong Kong in joint venture		(64)	236
		(1,572,272)	1,202,022
Total comprehensive income for the year		(1,554,743)	1,991,513
Attributable to:			
Equity shareholders of the Company		(1,621,498)	1,927,194
Non-controlling interests		66,755	64,319
Total comprehensive income for the year		(1,554,743)	1,991,513

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

Consolidated statement of financial position
at 31 December 2021
(Expressed in Hong Kong dollars)

	<i>Note</i>	2021	2020
		\$'000	\$'000
Non-current assets			
Property, plant and equipment		320,433	343,766
Interest in associates		571,492	575,222
Interest in a joint venture		149,292	141,304
Other financial assets	8	2,968,717	4,192,107
Deposits and prepayments		74,441	270,989
Deferred tax assets		3,065	4,594
		<u>4,087,440</u>	<u>5,527,982</u>
Current assets			
Inventories		1,211	1,020
Other financial assets	8	1,341,532	1,754,345
Trade and other receivables	9	45,172	131,206
Amount due from a joint venture		9,000	9,000
Tax recoverable		102	-
Dividend receivable		77,500	66,350
Bank deposits and cash		2,805,940	2,675,858
		<u>4,280,457</u>	<u>4,637,779</u>
Current liabilities			
Trade and other payables	10	120,766	228,312
Contract liabilities		597,589	500,413
Lease liabilities		70,475	56,064
Taxation payable		10,863	14,427
Dividends payable		854	1,044
		<u>800,547</u>	<u>800,260</u>

Consolidated statement of financial position
at 31 December 2021 (continued)
(Expressed in Hong Kong dollars)

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

Notes to the financial information:

(Expressed in Hong Kong dollars)

1 Basis of preparation

The financial information relating to the years ended 31 December 2021 and 2020 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 2020 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 2021 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. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

2 Changes in accounting policies

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

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

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

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

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

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

3 Segment reporting

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

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

(i) Segment results, assets and liabilities

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

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

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

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

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

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

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

(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.

4 Other revenue and other net (losses)/gains

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

5 Profit before taxation

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

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

6 Income tax in the consolidated statement of profit or loss

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

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

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

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

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

7 (Loss)/earnings per share

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

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

8 Other financial assets

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

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

Notes:

- (i) During the year ended 31 December 2021, the Group disposed all of its investment in China Evergrande New Energy Vehicle Group Limited (“Evergrande Vehicle”), in response to an adjustment in its investment strategy. Fair value loss of \$1,472,776,000 (2020: gain of \$1,216,940,000) was recognised in other comprehensive income during the year. Net realised gains of \$103,501,000 was transferred from fair value reserve (non-recycling) to retained profits upon the disposal.
- (ii) The amount mainly represents the Group’s investment in several blue-chips stocks listed in Hong Kong. The Group designated these investments at FVOCI (non-recycling), as they are held for strategic purposes. Net fair value gain of \$3,606,000 (2020: loss of \$14,848,000) was recognised in other comprehensive income and dividends amounted to \$2,635,000 (2020: \$2,567,000) were received and recognised in profit or loss account during the year.
- (iii) During the year ended 31 December 2021, the Group disposed of certain debt securities at fair value through other comprehensive income (recycling). Net realised losses of \$166,899,000 was transferred from fair value reserve (recycling) to profit or loss account upon the disposal. Net fair value loss net of impairment losses reversed/recognised of \$269,937,000 (2020: loss of \$306,000) was recognised in other comprehensive income during the year.
- (iv) As at 31 December 2021, the Group’s unlisted fund investments comprised of 35 (31 December 2020: 10) private funds. The Group managed the price risk through diversification of investment portfolio. The underlying investments held by these funds include listed and unlisted equity securities, debt securities, structured products and venture capital deals in various regions, covering various industries and sectors including biopharmaceuticals, biotechnology, e-Commerce, healthcare and related services, information technology, industrials, enterprise software, and transportation. The fair value of these investments may change significantly based on broader macroeconomic conditions, overall capital and investment markets conditions, and factors associated with underlying assets within the private fund portfolio.
- (v) The balance as at 31 December 2021 represents 4 (2020: 8) interest-bearing instruments which are unsecured, interest-bearing from 7% to 12% per annum (2020: 8% to 12% per annum) and with remaining maturity of 6 to 12 months.
- (vi) As at 31 December 2021, the fair value of equity securities listed in Hong Kong and classified at FVPL amounted to \$913,434,000 (2020: \$931,541,000), and a decrease in fair value of \$462,941,000 (2020: \$153,443,000) was recognised in profit or loss for the year.
- (vii) As at 31 December 2021, the Group’s investments in listed equity securities outside Hong Kong and classified at FVPL amounted to \$130,521,000 (2020: \$64,040,000) are equity securities listed in the in the USA, Canada, and Singapore, and an increase in fair value of \$14,099,000 (2020: \$2,445,000) was recognised in profit or loss for the year.

9 Trade and other receivables

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

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

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

Ageing analysis

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

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

10 Trade and other payables

	<i>2021</i> \$'000	<i>2020</i> \$'000
Trade payables	8,327	11,892
Other payables and accruals	112,339	216,420
	<u>120,666</u>	<u>228,312</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:

	<i>2021</i> \$'000	<i>2020</i> \$'000
Within 1 month	2,082	3,147
1 month to 3 months	2,082	2,710
Over 3 months but within 6 months	4,163	6,035
	<u>8,327</u>	<u>11,892</u>

11 Dividends

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

	<i>2021</i> \$'000	<i>2020</i> \$'000
Interim dividends declared of \$0.18 per share (2020: \$0.18 per share)	67,084	67,084
Final dividend proposed after the end of the reporting period \$0.24 per share (2020: \$0.24 per share)	89,445	89,445
	<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:

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

12 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 2021 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

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

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

Motoring School Operation

Alpha Hero Group (“AHG”) (70% owned) operates driving training schools. Its performance improved in the year. Operating income increased as an aggregate result of increase in number of vehicle driving lessons delivered, higher lesson income unit rate and increase in demand for motorcycle training course. The availability of sizeable training sites remains a pivotal factor for the operation of designated driving schools in addition to the supply of qualified driving instructors. Due to the extensive land requirement for off-street driving training, the operations of the driving centres at Ap Lei Chau, Siu Lek Yuen and Kwun Tong are dependent on the availability of government land. The tenancy for operating the Kwun Tong Driving School, the Ap Lei Chau Driving School and the Siu Lek Yuen Driving School will last until July 2023, August 2023 and February 2028 respectively.

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

Because of the rapid spreading of the Omicron variant, Hong Kong has entered the fifth wave of COVID-19 towards the end of 2021. This wave is the most serious COVID-19 outbreak in Hong Kong and prompted the Government to impose the strictest social distancing measures which seriously disrupted economic activities. If the confirmed cases could not go down to a low level in the first half of 2022, the impact on the driving training market would be significant. AHG will continue to adopt effective sales strategy and to deploy continuous efforts in market segmentation and market penetration to maintain our leading market position. The Management will closely monitor the progress of the pandemic and take actions to safeguard our customers and staff so as to ensure business continuity.

Electronic Toll Operation

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

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

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

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

Tunnel Operation

Western Harbour Tunnel Company Limited (“WHTCL”), a 50% owned associate, operates the Western Harbour Tunnel (“WHT”) under a 30-years’ franchise. The performance of the WHTCL in the year was improved as a result of the increase in toll revenue, which resulted from the better contained pandemic during the year. The average daily throughput increased by 15.8% to 57,231 vehicle journeys as compared to 49,442 vehicle journeys in the last year. The average toll per vehicle decreased from \$82.3 in the last year to \$81.3 in the current year. WHT's market share was increased to 23.4% in 2021 (2020: 21.8%).

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

The planned connecting roads leading to WHT has not yet fully materialized. Because of the COVID-19 pandemic, the major progress of other development projects, including Central-Kowloon Route and West Kowloon Cultural District, had been deferred. The road traffic to West Kowloon area was affected. It is anticipated that when the developments resumed and are put in operation, they could create additional vehicular traffic as well as demand for cross harbour services at the WHT. Nevertheless, the increased supply of rail transport and toll differentials between the WHT and the other two government-owned cross-harbour tunnels remain the principal risks and uncertainties facing WHTCL in the remaining years of the franchise. When the MTR’s Shatin to Central Link (cross harbour section) is completed, demand for cross harbour road transport might be reduced.

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

Treasury Management Business

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

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

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

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2021 Results

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

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

Performance of the treasury management business in the year

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

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

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

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

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

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

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

Performance of other reportable segments in the year

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

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

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

(II) Treasury Investments and Significant Investments Held

As at 31 December 2021, the Group maintained an investment portfolio with a carrying amount of \$4,310.2 million (2020: \$5,946.4 million). The portfolio composed of \$2,822.2 million (2020: \$1,586.6 million) unlisted fund investments, \$1,187.8 million (2020: \$2,819.6 million) listed and unlisted equity securities, \$105.6 million (2020: \$1,108.0 million) listed debt securities, \$190.7 million (2020: \$432.2 million) interest-bearing instruments, and \$3.9 million (2020: nil) others financial assets measured at FVPL. Certain securities were pledged to the various financial institutions to secure margin and securities facilities granted to the Group in

respect of securities and derivatives transactions. As at 31 December 2021 and 31 December 2020, these facilities were not utilized by the Group.

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

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

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

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

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

Other movements of the investment portfolio during the year included net fair value loss on financial assets measured at FVOCI of \$1,739.1 million, net fair value loss on financial assets measured at FVPL of \$532.6 million and net impairment loss on investment portfolio of \$30.0 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 2021, the Group held about 41,805 class A shares

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

Other than the significant investment mentioned above, the carrying amount of each of the financial assets of the Group's investment portfolio represented less than 5% of the Group's total assets as at 31 December 2021. Other financial assets composed of unlisted fund investments, listed and unlisted equity securities, interest-bearing instruments, and listed debt securities, (accounting for 48.0%, 27.6%, 4.4% and 2.5% of the carrying amount of the Group's investment portfolio respectively).

The Group invested in various unlisted funds with different focuses on industries, sectors, regions, and asset types, in order to achieve investment objectives of reducing investment concentration risk and to enhance returns for its shareholders. Apart from the significant unlisted fund mentioned above, the Group at 31 December 2021 held a total of 34 unlisted funds with an aggregate fair value of \$2,067.4 million (accounting for 24.7% of the Group's total assets) and their underlying investments include listed and unlisted equity securities, debt securities, structured products and venture capital deals in various regions, covering various industries and sectors including biopharmaceuticals, biotechnology, e-Commerce, healthcare and related services, information technology, industrials, enterprise software, and transportation.

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

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

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

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

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

(III) Liquidity and Financial Resources

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

(IV) Employees

The Company and its subsidiaries have 685 employees. Employees are remunerated according to job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from provident fund schemes and medical insurance, discretionary bonuses or employee share options will be awarded to employees of the Group at the discretion of the board of directors, depending upon the financial performance of the Group. Total staff costs for the year amounted to \$324.0 million (2020: \$272.8 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 2021, 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, 22 March 2022

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.