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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 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 2023. The results have been reviewed by the audit committee of the Company.

#### **GROUP RESULTS**

The Group reported a profit attributable to shareholders of HK\$520.0 million for the year ended 31 December 2023 (2022: loss of HK\$445.3 million). A turnaround from loss to profit for the year was primarily due to the net profit of the treasury management business of HK\$162.4 million (2022: loss of HK\$861.0 million). While the profit contribution from the motoring school operation also increased, and it was fully offset by the decrease in profit contributions from the tunnel operation and electronic toll operation. Earnings per share was HK\$1.40 (2022: loss per share HK\$1.19).

#### **DIVIDENDS**

The first, second and third quarterly interim dividends each of HK\$0.06 per share (2022: HK\$0.06 per share) were paid on 7 July 2023, 15 September 2023 and 3 January 2024 respectively. The directors recommend the payment of a final dividend of HK\$0.24 per share (2022: HK\$0.24 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2023 of HK\$0.42 per share (2022: HK\$0.42 per share), representing a total distribution of approximately HK\$156.5 million (2022: HK\$156.5 million) for the year.

Subject to shareholder approval of the proposed final dividend being obtained in the forthcoming annual general meeting on Monday, 20 May 2024 (the “AGM”), it is expected that the dividend warrants will be despatched on Monday, 3 June 2024 to shareholders registered at the close of business on Tuesday, 28 May 2024. The register of members and transfer books of the Company will be closed from Friday, 24 May 2024 to Tuesday, 28 May 2024, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for the final dividend, all transfer documents and accompanying share certificates must be lodged for registration with the Company’s share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m., Thursday, 23 May 2024.

#### **LAST SHARE REGISTRATION DATE FOR AGM**

For determining the right of shareholders to attend and to speak and vote at the AGM, the deadline for share registration will be Monday, 13 May 2024. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with the Company’s share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m., Monday, 13 May 2024.

# Consolidated statement of profit or loss for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	2023 \$'000	2022 \$'000 (restated)
<b>Continuing operations</b>			
Revenue from contracts with customers within the scope of HKFRS 15	4(a)	684,265	570,388
Revenue from other sources	4(a)	45,944	57,572
Interest revenue from debt securities measured at fair value through profit or loss	4(a)	22,575	9,814
Other interest revenue	4(a)	122,380	61,886
<b>Total revenue</b>		<u>875,164</u>	<u>699,660</u>
Other revenue	5	-	14
Other net gains/(losses)	5	100,232	(766,945)
Direct costs and operating expenses		(310,369)	(245,462)
Selling and marketing expenses		(37,501)	(41,068)
Administrative and corporate expenses		(224,117)	(161,894)
Impairment losses on financial assets	6(b)	(16,602)	(62,939)
<b>Profit/(loss) from operations</b>		<u>386,807</u>	<u>(578,634)</u>
Finance costs	6(a)	(16,157)	(1,517)
Share of loss of an associate		(47,159)	(121,991)
Share of profits of a joint venture		15,915	29,549
<b>Profit/(loss) before taxation</b>	6	<u>339,406</u>	<u>(672,593)</u>
Income tax	7(a)	(40,423)	(41,538)
<b>Profit/(loss) for the year from continuing operations</b>		<u>298,983</u>	<u>(714,131)</u>
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	8	<u>295,888</u>	<u>345,929</u>
<b>Profit/(loss) for the year</b>		<u><u>594,871</u></u>	<u><u>(368,202)</u></u>

# Consolidated statement of profit or loss for the year ended 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

	<i>Note</i>	2023 \$'000	2022 \$'000 (restated)
<b>Attributable to:</b>			
Equity shareholders of the Company			
- from continuing operations		224,086	(791,179)
- from discontinued operation	8	<u>295,888</u>	<u>345,929</u>
		519,974	(445,250)
Non-controlling interests		<u>74,897</u>	<u>77,048</u>
<b>Profit/(loss) for the year</b>		<u><u>594,871</u></u>	<u><u>(368,202)</u></u>
<b>Earnings/(loss) per share</b>			
	9		
Basic and diluted		<u>\$1.40</u>	<u>(\$1.19)</u>
From continuing operations			
Basic and diluted		<u>\$0.61</u>	<u>(\$2.12)</u>
From discontinued operation			
Basic and diluted		<u>\$0.79</u>	<u>\$0.93</u>

Details of dividends payable to equity shareholders of the Company attributable to the profit/(loss) for the year are set out in note 13.

Consolidated statement of profit or loss and  
other comprehensive income  
for the year ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000 (restated)
Profit/(loss) for the year		594,871	(368,202)
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		(8,570)	1,861
<i>Items that may be reclassified subsequently to profit or loss:</i>			
- Financial assets measured at fair value through other comprehensive income (recycling)			
- changes in fair value of debt securities		-	(34,223)
- impairment losses recognised, net	6(b)	-	5,745
- net loss recycled to profit or loss upon derecognition of debt securities at FVOCI	5	-	152,132
		-	123,654
- Share of other comprehensive income of a joint venture:			
- Exchange differences on translation of financial statements of subsidiary outside Hong Kong in joint venture		(9)	3
		(8,579)	125,518
Total comprehensive income for the year		586,292	(242,684)
<b>Attributable to:</b>			
Equity shareholders of the Company			
- from continuing operations		215,510	(665,662)
- from discontinued operation		295,888	345,929
		511,398	(319,733)
Non-controlling interests		74,894	77,049
<b>Total comprehensive income for the year</b>		586,292	(242,684)

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

# Consolidated statement of financial position at 31 December 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	<i>2023</i>		<i>2022</i>	
		\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>					
Property, plant and equipment			519,764		236,037
Interest in an associate			2,474		291,315
Interest in a joint venture			159,750		148,844
Other financial assets	10		3,942,069		3,343,861
Deposits and prepayments			44,880		45,315
Deferred tax assets			1,163		2,216
			<u>4,670,100</u>		<u>4,067,588</u>
<b>Current assets</b>					
Interest in an associate			15,195		-
Inventories			1,283		1,363
Other financial assets	10		984,143		1,115,170
Trade and other receivables	11		70,482		158,405
Amount due from a joint venture			9,000		9,000
Tax recoverable			-		512
Dividend receivable			851		34,892
Bank deposits and cash			2,764,791		2,453,206
			<u>3,845,745</u>		<u>3,772,548</u>
<b>Current liabilities</b>					
Trade and other payables	12		130,455		111,348
Contract liabilities			591,698		644,016
Lease liabilities			78,836		15,500
Taxation payable			4,911		11,117
Dividends payable			23,092		604
			<u>828,992</u>		<u>782,585</u>

# Consolidated statement of financial position at 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

<i>Note</i>	<i>2023</i> \$'000	<i>2022</i> \$'000
<b>Net current assets</b>	<u>3,016,753</u>	<u>2,989,963</u>
<b>Total assets less current liabilities</b>	<u>7,686,853</u>	<u>7,057,551</u>
<b>Non-current liabilities</b>		
Lease liabilities	270,023	11,994
Deferred tax liabilities	<u>3,797</u>	<u>1,957</u>
	<u>273,820</u>	<u>13,951</u>
<b>NET ASSETS</b>	<u>7,413,033</u>	<u>7,043,600</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	1,629,461	1,629,461
Reserves	<u>5,585,724</u>	<u>5,230,855</u>
<b>Total equity attributable to equity shareholders of the Company</b>	7,215,185	6,860,316
<b>Non-controlling interests</b>	<u>197,848</u>	<u>183,284</u>
<b>TOTAL EQUITY</b>	<u>7,413,033</u>	<u>7,043,600</u>

# Notes to the financial information:

*(Expressed in Hong Kong dollars)*

## 1 Corporate and Group information

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

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

In the opinion of the directors of the Company, the immediate holding company of the Company is Rose Dynamics Limited, which is incorporated in the British Virgin Islands (“BVI”), and the ultimate holding company of the Company is Windsor Dynasty Limited, which is incorporated in the BVI. These entities do not produce financial statements available for public use.

## 2 Basis of preparation

The financial information relating to the years ended 31 December 2023 and 2022 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 2022 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 2023 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.

The franchise for operating the Western Harbour Tunnel expired on 1 August 2023, and the tunnel operation was classified as a discontinued operation. The corresponding profit for the year was presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income, and the comparative figures have been restated accordingly. Details of the discontinued operation are set out in note 8.

### *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”) and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

### 3 Changes in accounting policies

#### (i) New and amended HKFRSs

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented in the financial statements. 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 new and amended HKFRSs are discussed below:

#### **HKFRS 17, *Insurance contracts***

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

#### **Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates***

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

#### **Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies***

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure.

#### **Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction***

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

#### **Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules***

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure



requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application.

**(ii) 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 come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). 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 the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from 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.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The abolition of the offsetting mechanism did not have a material impact on the Group’s profit or loss for the year ended 31 December 2022 and the Group’s and the Company’s financial position as at 31 December 2022. In light of the immaterial impact, the Group did not apply the change in its accounting policy retrospectively.

## 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:

	2023 \$'000	2022 \$'000 (restated)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by service lines		
- Course fee from motoring school operation	670,465	556,888
- Consultancy fee and management fee from electronic toll operation	<u>13,800</u>	<u>13,500</u>
	<u>684,265</u>	<u>570,388</u>
<b>Revenue from other sources</b>		
- Dividend income from equity instruments	44,758	53,822
- Others	<u>1,186</u>	<u>3,750</u>
	<u>45,944</u>	<u>57,572</u>
<b>Interest revenue from debt securities measured at fair value through profit or loss</b>	<u>22,575</u>	<u>9,814</u>
<b>Other interest revenue</b>		
- Interest income from debt securities at FVOCI	-	18,374
- Interest income from interest-bearing instruments	11,124	14,157
- Interest income from bank	<u>111,256</u>	<u>29,355</u>
	<u>122,380</u>	<u>61,886</u>
<b>Total revenue</b>	<u>875,164</u>	<u>699,660</u>

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

**(b) *Segment reporting***

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

- Motoring school operation: this segment invests in subsidiaries which operate designated driving training centres.
- Electronic toll operation: this segment invests in a joint venture which operates an electronic toll collection system, provides toll collection services for HKeToll, telematics services, intelligent transportation and surveillance system solutions and smart city services solutions in Hong Kong.
- Treasury management: this segment manages an investment portfolio, including unlisted funds, equity securities, debt securities, and cash and bank deposits, to receive investment returns.

The segment information reported below does not include any amounts for the discontinued operation, which is described in more detail in note 8, and the comparative figures in the segment information for the year ended 31 December 2022 have been restated.

**(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 2023 and 2022 is set out below.

	<i>Motoring school operation</i>		<i>Electronic toll operation</i>		<i>Treasury Management</i>		<i>Total</i>	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15	670,465	556,888	13,800	13,500	-	-	684,265	570,388
Dividend income from equity instruments	-	-	-	-	44,758	53,822	44,758	53,822
Interest revenue	37,483	12,603	-	-	107,472	59,167	144,955	71,770
<b>Reportable segment revenue</b>	<b>707,948</b>	<b>569,491</b>	<b>13,800</b>	<b>13,500</b>	<b>152,230</b>	<b>112,989</b>	<b>873,978</b>	<b>695,980</b>
<b>Reportable segment profits/(loss) before tax</b>	<b>261,608</b>	<b>256,457</b>	<b>29,485</b>	<b>42,819</b>	<b>162,366</b>	<b>(861,029)</b>	<b>453,459</b>	<b>(561,753)</b>
Finance costs	(15,861)	(1,284)	-	-	(296)	(233)	(16,157)	(1,517)
Depreciation	(85,297)	(65,998)	-	-	-	-	(85,297)	(65,998)
Share of loss of an associate	-	-	-	-	(47,159)	(121,991)	(47,159)	(121,991)
Share of profits of a joint venture	-	-	15,915	29,549	-	-	15,915	29,549
Income tax	(38,505)	(39,680)	(1,870)	(1,866)	(37)	99	(40,412)	(41,447)
<b>Reportable segment assets</b>	<b>1,490,188</b>	<b>1,168,203</b>	<b>178,823</b>	<b>162,792</b>	<b>6,808,770</b>	<b>6,238,912</b>	<b>8,477,781</b>	<b>7,569,907</b>
Interest in a joint venture	-	-	159,750	148,844	-	-	159,750	148,844
Interest in an associate	-	-	-	-	2,474	49,633	2,474	49,633
Additions to non-current segment assets	376,183	11,925	-	-	538,848	954,676	915,031	966,601
<b>Reportable segment liabilities</b>	<b>1,009,434</b>	<b>719,953</b>	<b>81</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>1,009,515</b>	<b>720,044</b>

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

	2023 \$'000	2022 \$'000 (restated)
<b>Revenue</b>		
Reportable segment revenue	873,978	695,980
Unallocated head office and corporate revenue	1,186	3,680
	<u>875,164</u>	<u>699,660</u>
<b>Profit/(loss)</b>		
Reportable segment profit/(loss) derived from the Group's external customers	453,459	(561,753)
Other revenue	-	14
Unallocated head office and corporate income and expenses	(114,053)	(110,854)
	<u>339,406</u>	<u>(672,593)</u>
<b>Assets</b>		
Reportable segment assets	8,477,781	7,569,907
Discontinued operation	15,195	241,682
Unallocated head office and corporate assets	22,869	28,547
	<u>8,515,845</u>	<u>7,840,136</u>
<b>Liabilities</b>		
Reportable segment liabilities	1,009,515	720,044
Unallocated head office and corporate liabilities	93,297	76,492
	<u>1,102,812</u>	<u>796,536</u>

(iii) Geographic information

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

## 5 Other revenue and other net gains/(losses)

	2023 \$'000	2022 \$'000
<b>Other revenue</b>		
Interest income from loan to an associate	-	14
	<u>-</u>	<u>14</u>
<b>Other net gains/(losses)</b>		
Change in fair value of other financial assets at FVPL		
- Unlisted fund investments	152,218	(480,831)
- Equity securities	54,550	(126,911)
- Debt securities	(94,446)	(7,338)
- Treasury bills	4,063	-
- Derivative financial instruments	(18,378)	-
	<u>98,007</u>	<u>(615,080)</u>
Net (losses)/gains on sale of property, plant and equipment	(184)	1,336
Net loss recycled to profit or loss upon derecognition of debt securities at FVOCI	-	(152,132)
Others	2,409	(1,069)
	<u>100,232</u>	<u>(766,945)</u>

## 6 Profit/(loss) before taxation

	2023 \$'000	2022 \$'000
<b>Profit/(loss) before taxation is arrived at after charging/(crediting):</b>		
<b>(a) Finance costs</b>		
Interest on lease liabilities	16,157	1,517
	<u>16,157</u>	<u>1,517</u>
<b>(b) Other items</b>		
Auditor's remuneration		
- Audit services	3,273	3,215
- Other services	600	600
	<u>3,873</u>	<u>3,815</u>
Depreciation		
- Owned property, plant and equipment	14,565	19,525
- Right-of-use assets	77,392	54,677
	<u>91,957</u>	<u>74,202</u>
Impairment losses recognised on financial assets		
- Debt securities at FVOCI (recycling)	-	5,745
- Interest bearing instruments, net	16,602	44,117
- Trade and other receivables	-	9,069
- Others	-	4,008
	<u>16,602</u>	<u>62,939</u>

Dividend income		
- Equity instruments at FVOCI (non-recycling)	(2,733)	(2,768)
- Equity instruments at FVPL	(42,025)	(51,054)
	<u>(44,758)</u>	<u>(53,822)</u>
Contributions to defined contribution retirement scheme	10,210	8,895
Salaries, wages and other benefits	380,395	315,238
Cost of inventories consumed	15,148	14,163
Net foreign exchange gains	2,596	1,191
	<u>408,349</u>	<u>348,387</u>

## 7 Income tax in the consolidated statement of profit or loss

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

	2023 \$'000	2022 \$'000
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the year	36,808	41,068
Under/(over) provision in respect of prior years	722	(154)
	<u>37,530</u>	<u>40,914</u>
<b>Deferred tax</b>		
Origination of temporary differences	2,893	624
	<u>40,423</u>	<u>41,538</u>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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 2022.

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

	2023 \$'000	2022 \$'000 (restated)
Profit/(loss) before taxation from continuing operations	<u>339,406</u>	<u>(672,593)</u>
Notional tax on profit/(loss) before taxation	55,824	(111,142)
Tax effect of non-deductible expenses	53,720	135,792
Tax effect of non-taxable income	(90,206)	(24,913)
Tax effect of unused tax losses not recognised	23,178	43,792
Tax effect of recognition of unused tax losses previously not recognised	(2,815)	(1,837)
Under/(over) provision in prior years	722	(154)
Actual tax expense	<u>40,423</u>	<u>41,538</u>

## 8 Discontinued Operation

Western Harbour Tunnel Company Limited, a 50% owned associate, operates the Western Harbour Tunnel under a 30 years franchise. The franchise expired on 1 August 2023 and the ownership of the tunnel was transferred to the Government. The tunnel operation was classified as discontinued operations.

The results of the discontinued operation included in the profit for the year are set out below.

	2023 \$'000	2022 \$'000
<b>Profit for the year from discontinued operation:</b>		
Management fee from an associate	1,458	2,500
Share of profit of an associate	294,430	343,429
	<hr/>	<hr/>
Profit for the year from discontinued operation and attributable to ordinary equity shareholders of the Company	295,888	345,929
	<hr/>	<hr/>
<b>Cash flows from discontinued operation:</b>		
Net cash inflows from operating activities	1,458	2,500
Net cash inflows from investing activities	555,417	544,676
	<hr/>	<hr/>
Net cash inflows	556,875	547,176
	<hr/>	<hr/>

## 9. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of \$519,974,000 (2022: loss of \$445,250,000) and the weighted average of 372,688,000 (2022: 372,688,000) ordinary shares in issue during the year.

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



## 10 Other financial assets

	<i>Note</i>	<i>2023</i> \$'000	<i>2022</i> \$'000
<i>Non-current</i>			
<b>Financial assets designated at FVOCI (non-recycling)</b>			
- Equity securities listed in Hong Kong*	(i)	53,223	61,793
<b>Financial assets measured at FVPL</b>			
- Unlisted fund investments	(ii)	3,800,645	3,125,590
- Unlisted equity security		88,201	156,478
		<u>3,888,846</u>	<u>3,282,068</u>
		<u>3,942,069</u>	<u>3,343,861</u>
<i>Current</i>			
<b>Financial assets measured at FVPL</b>			
- Debt securities listed outside Hong Kong*		311	82,826
- Equity securities listed in Hong Kong*	(iii)	726,966	788,179
- Equity securities listed outside Hong Kong*	(iv)	256,866	227,563
		<u>984,143</u>	<u>1,098,568</u>
<b>Financial assets measured at amortised cost</b>			
- Unsecured, interest-bearing instruments	(v)	60,000	145,000
Less: loss allowance		<u>(60,000)</u>	<u>(128,398)</u>
		<u>-</u>	<u>16,602</u>
		<u>984,143</u>	<u>1,115,170</u>
<b>Total</b>		<u>4,926,212</u>	<u>4,459,031</u>

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

### Notes:

- (i) The Group designated these investments at FVOCI (non-recycling), as they are held for strategic purposes. Net fair value loss of \$8,570,000 (2022: net fair value gain of \$1,861,000) was recognised in other comprehensive income and dividends amounted to \$2,733,000 (2022: \$2,768,000) were received and recognised in profit or loss during the year. Neither addition nor disposal was noted during current and prior year.
- (ii) As at 31 December 2023, the Group's unlisted fund investments comprised of 55 (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 products and venture capital deals in various regions, covering various industries and sectors including air freight, automobile, biotechnology, chemicals, e-Commerce, enterprise software, energy, healthcare and related services, information technology, internet services, industrial and infrastructure, logistic, pharmaceuticals, and transportation. The fair value of these investments may change significantly based on broader macroeconomic conditions, overall capital and investment markets conditions, and factors associated with underlying assets within the private fund portfolio.

- (iii) As at 31 December 2023, the fair value of equity securities listed in Hong Kong and classified at FVPL amounted to \$726,966,000 (2022: \$788,179,000), and net fair value gain of \$44,849,000 (2022: net loss of \$146,299,000) was recognised in profit or loss for the year.
- (iv) As at 31 December 2023, the Group's investments in listed equity securities outside Hong Kong and classified at FVPL amounted to \$256,866,000 (2022: \$227,563,000) are equity securities listed in the USA, Canada, and Singapore, and net fair value gain of \$77,978,000 (2022: net fair value loss of \$53,143,000) was recognised in profit or loss for the year.
- (v) The balance as at 31 December 2023 represents an interest-bearing instrument (2022: three interest-bearing instruments) which is unsecured and interest-bearing at 12% per annum (2022: 12% per annum). Two instruments amounting with loss allowance of \$85,000,000, which was fully provided against their gross carrying amounts as at 31 December 2022, were written-off during the year due to no realistic prospect of recovery. Loss allowances are fully provided for the remaining instrument with a gross amount of \$60,000,000.

## 11 Trade and other receivables

	2023 \$'000	2022 \$'000
Trade receivables	12,780	9,717
Other receivables	14,553	88,685
	<u>27,333</u>	<u>98,402</u>
Deposits and prepayments (Note)	88,029	105,318
	<u>115,362</u>	<u>203,720</u>
Less: non-current portion	(44,880)	(45,315)
	<u>70,482</u>	<u>158,405</u>

Note: As at 31 December 2023, included in deposits and prepayments of the Group is an amount of \$44,880,000 (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 as at 31 December 2022 and 2023 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:

	2023 \$'000	2022 \$'000
Within 1 month	12,274	9,308
1 to 2 months	279	291
2 to 3 months	63	55
Over 3 months	164	63
	<u>12,780</u>	<u>9,717</u>

## **12 Trade and other payables**

	2023 \$'000	2022 \$'000
Trade payables	7,279	7,901
Other payables and accruals	123,176	103,447
	<u>130,455</u>	<u>111,348</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:

	2023 \$'000	2022 \$'000
Within 1 month	1,591	2,078
1 month to 3 months	289	910
Over 3 months but within 6 months	5,399	4,913
	<u>7,279</u>	<u>7,901</u>

### 13 Dividends

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

	2023 \$'000	2022 \$'000
Interim dividends declared of \$0.18 per share (2022: \$0.18 per share)	67,084	67,084
Final dividend proposed after the end of the reporting period \$0.24 per share (2022: \$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:

	2023 \$'000	2022 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.24 per share (2022: \$0.24 per share)	89,445	89,445

### 14 Comparative figures

Certain comparative figures have been restated due to the presentation for the discontinued operation during the year, as further detailed in note 8.

### 15 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 2023 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**

In early 2023, Hong Kong lifted all pandemic-related measures and restrictions to enable its full connectivity with the rest of world. The Government launched various campaigns, including “Hello Hong Kong”, “Happy Hong Kong” and “Night Vibes Hong Kong”. These led to a rapid increase in both visitors and boost the private consumption, which have been the key drivers of economic recovery during the year. While the external demand remained weak due to the global economic slowdown and geopolitical tensions. The concerns over Mainland China's economic outlook and expectation of a prolonged period of high-interest rates continued to dampen investment sentiment, causing the Hang Seng Index to close at 17,047 points in 2023, representing a decline of 13.8% for the year. Looking ahead to 2024, Hong Kong’s economic recovery is expected to continue, but there are several external challenges on the horizon. The risk of further slowdown in global economic growth remains high, international trade activities may continue to be weak, and interest rates are expected to remain elevated for an extended period, which all create uncertainties for Hong Kong and global economies. The intensified strategic competition between China and the US could further dampen global trade growth and cross-border investment. The high-interest rate is anticipated to persist throughout 2024, posing challenges to Hong Kong and global financial markets. Additionally, the recent conflict in Israel and Gaza, along with the ongoing war between Russia and Ukraine, contributes many uncertainties over the asset markets. As a result, the business environment of Hong Kong and the investment portfolio of the Group are expected to be impacted, potentially putting pressure on overall performance and financial position of the Group.

### **Motoring School Operation**

Alpha Hero Group (“AHG”) (70% owned) operates driving training schools in Hong Kong. Its revenue had significant increase in the year primarily due to the increase in the number of driving lessons delivered from non-motorcycle training courses. Higher demand for driving training courses in the year was not only the result of the recovery of Hong Kong's economy but also due to the resumption of driving test services since its suspension last year from late January to mid-April 2022 during the fifth wave of COVID-19. Our schools arranged more driving tests from the Transport Department to fulfill the demand for having driving licenses in the year 2023. Moreover, revenue from motorcycle driving training lessons has also slightly increased in 2023.

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

The near-term prospects of Hong Kong’s economy continue to present challenges. Although some growth is anticipated in the coming year, it is likely to be at a slower pace compared to 2023. The property and stock markets of Hong Kong remain weak, causing a negative wealth effect and affecting consumer confidence. The driving training market of 2024 might be weaker than in 2023. Our schools will strive to enhance customer services levels and quality of driving training. AHG will also maintain a proactive sales strategy and deploy continuous efforts in market segmentation and penetration to maintain our leading market position.

## **Electronic Toll Operation**

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

### Free-flow tolling system (namely “HKeToll”)

Autotoll won several works contracts to develop the backend systems, supply and install associated modification works, as well as provide the toll tags and toll collection services for HKeToll in Hong Kong. HKeToll has been gradually implemented across all government tolled tunnels and roads in 2023, with the aim of eventually replacing the existing ETC facilities and manual toll booths. The initial implementation of HKeToll took place on 7 May 2023 in the Tsing Sha Control Area. Subsequently, HKeToll was further implemented on the following dates: 21 May 2023 for the Shing Mun Tunnel, 28 May 2023 for the Lion Rock Tunnel, 23 July 2023 for the Cross-Harbour Tunnel, 6 August 2023 for the Western Harbour Tunnel, 27 August 2023 for the Eastern Harbour Tunnel, 26 November 2023 for the Tate's Cairn Tunnel, and 24 December 2023 for the Aberdeen Tunnel. The total income from the provision of toll collection services for HKeToll is expected to increase in 2024 as the system has been in place since January 2024 across all government tolled tunnels and roads.

### Electronic toll collection (“ETC”)

The ETC facilities covered all major toll roads and tunnels in Hong Kong before the implementation of HKeToll in 2023. As of 31 December 2023, the ETC system remains in operation for the privately owned Tai Lam Tunnel and will continue until the expiration of its franchise in 2025. To ease the customers' concerns over the transition period of toll collection service from ETC to HKeToll, Autotoll rolled out an administration fee waiver arrangement starting from May 2023. For all vehicles registered with ETC service but did not have passage through Autotoll lanes in a full calendar month, the monthly administration fee of ETC would be waived. Besides, Autotoll also launched the “Simplified sign-up of HKeToll service” so that customers could pay the “HKeToll” tolls through an Autotoll account. As a result of the implementation of HKeToll, the number of ETC tag subscriptions decreased in the year. The number of ETC tags and related income would further drop in the coming year.

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

## **Tunnel Operation**

Western Harbour Tunnel Company Limited (“WHTCL”), a 50% owned associate, operates the Western Harbour Tunnel (“WHT”) under a 30-years’ franchise. The franchise of WHT expired on 1 August 2023 and the ownership of the WHT was transferred to the Government. As a result, the profit contribution from WHTCL in the year dropped and the tunnel operation was discontinued since August 2023. The average daily throughput up to 1 August 2023 was 62,378 vehicle journeys as compared to 49,753 vehicle journeys in the year 2022. The increase was mainly due to the recovery after COVID-19.

## 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 the macroeconomic outlook for each individual investment. As the performance of the investments depends to a large extent on the performances of the relevant financial markets, which are subject to rapid and unpredictable changes, the Company will continue to adopt a prudent investment strategy by maintaining a diversified investment portfolio and cautious approach in assessing the performance of the investments, so as to make timely and appropriate adjustments to its investments holding with a view to achieving consistent risk adjusted returns for its shareholders. In the future, the Company will continue to diversify its investments, including but not limited to unlisted funds, equity securities and debt securities. XHarbour Limited ("XHL"), a wholly-owned subsidiary, has licenses to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance from the Securities and Futures Commission. XHL may commence the regulated activities in the coming years.

2023 has been a remarkable year for global financial markets since the pandemic. The markets in the United States, Japan, and India, had strong rallied during the year, such as the Dow Jones Industrial Average increased by 13.7% to 37,690, the Nasdaq Composite increased by 43.4% to 15,011, the Nikkei Stock Average increased by 28.2% to 33,464, and Bombay Stock Exchange Sensitive Index increased by 18.7% to 72,240. However, the Hong Kong and China markets were on a downward trend, SSE Composite Index dropped by 3.7% to 2,975, and Hang Seng Index dropped by 13.8% to 17,047. Global private equity fundraising activities continues to fall in 2023 and the pace of distributions from private equity portfolios also slowed. Despite the unusual and volatile market situations, the overall performance of treasury management business turnaround from loss to profit, with the Group's investment portfolio recording a net fair value gain for the year. Additionally, the revenue generated by the treasury management business increased, primarily driven by a rise in bank interest income.

Throughout the year, the Group continued to make capital contributions to various unlisted funds of different sectors and industries and increased the investment in equity securities listed outside Hong Kong, aiming to enhance the diversification of the investment portfolio of the Group. The Group disposed some portion of listed equity securities, both in and outside Hong Kong, to realize the fair value gain from these investments. The Group further reduced its investment in listed debt securities to minimize the associated credit risk exposure. As of 31 December 2023, the Group's investment portfolio consists of a total of 92 (2022: 87) investments, which mainly comprised 55 (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 year increased slightly to HK\$4,926.2 million (2022: HK\$4,459.0 million).

## COMMENTARY ON ANNUAL RESULTS

### (I) Review of 2023 Results

The Group reported a profit attributable to shareholders of HK\$520.0 million (2022: loss of HK\$445.3 million) for the year ended 31 December 2023, of which profit of HK\$295.9 million (2022: HK\$345.9 million) contributed by discontinued tunnel operation. A turnaround from loss to profit for the year was primarily attributable to the net profit contribution from the treasury management business of HK\$162.4 million (2022: loss of HK\$861.0 million). While the profit contribution from the motoring school operation also increased, and it was fully offset by the decrease in profit contributions from the tunnel operation and electronic toll operation.

The Group recorded an increase in total revenue of 25.1% to HK\$875.2 million (2022: HK\$699.7 million) for the year ended 31 December 2023. The revenue generated from the motoring school operation increased to HK\$707.9 million (2022: HK\$569.5 million), and the revenue generated from the treasury management business also increased to HK\$152.2 million (2022: HK\$113.0 million).

## **Performance of the treasury management business in the year**

The treasury management business achieved a net profit of HK\$162.4 million for the year 2023. This net profit consists of various components, including a net fair value gain on financial assets measured at fair value through profit or loss (“FVPL”) of HK\$98.0 million, dividend income and interest income from investment portfolio of HK\$78.4 million, interest income from bank of HK\$73.8 million, share of losses of an associate of HK\$47.2 million, and impairment losses on a financial asset of 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\$8.6 million recorded in the fair value reserve, the overall performance of treasury management business was significantly improved in year 2023 as compared with last year.

The net fair value gain on financial assets measured at FVPL of HK\$98.0 million (2022: loss of HK\$615.0 million) was mainly attributable to (i) the net fair value gain on equity securities of HK\$54.5 million (2022: loss of HK\$126.8 million), (ii) the net fair value gain on unlisted fund investments of HK\$152.2 million (2022: loss of HK\$480.8 million), (iii) the net fair value loss on debt securities of HK\$94.4 million (2022: loss of HK\$7.4 million), and (iv) the fair value loss on derivative financial instruments of HK\$18.4 million (2022: Nil).

The net fair value gain on equity securities measured at FVPL of HK\$54.5 million was attributable to (i) the net fair value gain on listed securities in Hong Kong of HK\$44.8 million (2022: loss of HK\$146.3 million) and (ii) the net fair value gain of listed securities outside Hong Kong of HK\$78.0 million (2022: loss of HK\$53.1 million), against the fair value loss of an unlisted equity security of HK\$68.3 million (2022: gain of HK\$72.6 million). The net fair value gain of listed equity securities measured at FVPL mainly included the fair value gain of China Telecom Corporation Limited (Stock Code: 728) of HK\$61.5 million (2022: HK\$41.1 million), the fair value gain of Salesforce, Inc. (Stock Code: CRM) of HK\$34.5 million (2022: loss of HK\$42.2 million), and the fair value gain of KKR & Co. Inc. (Stock Code: KKR) of HK\$22.7 million (2022: loss of HK\$13.3 million).

The net fair value gain on unlisted fund investments measured at FVPL of HK\$152.2 million comprised of (i) the fair value gain of 29 unlisted funds amounting to HK\$268.1 million and (ii) the fair value loss of 26 unlisted funds amounting to HK\$115.9 million.

The share of loss of an associate, ACE Season Investment Limited (“ASIL”), which holds an investment in an unlisted company, was HK\$47.2 million (2022: HK\$122.0 million). The loss of ASIL was mainly due to the fair value loss of its unlisted equity security recorded during the year.

Dividend income and interest income from investment portfolio of HK\$78.4 million (2022: HK\$96.2 million) included the dividend income from listed equity securities of HK\$44.8 million (2022: HK\$53.8 million), interest income from listed debt securities of HK\$22.5 million (2022: HK\$28.2 million), and interest income derived from interest-bearing instruments of HK\$11.1 million (2022: HK\$14.2 million). Interest income from bank deposits increased to HK\$73.4 (2022: HK\$29.4 million) for the year. The impairment loss on financial assets decreased to HK\$16.6 million (2022: HK\$53.7 million) for the year.

## **Performance of other reportable segments in the year**

The motoring school operation recorded an increase in revenue of 20.4% to HK\$670.5 million (2022: HK\$556.9 million) mainly due to an increase in demand for vehicle driving lessons and higher lesson income unit rate. Bank interest income also increased to HK\$37.5 million (2022: HK\$12.6 million). Operating expenses increased during the year mainly because of the decrease in receipts of subsidies from the Hong Kong Government for COVID-19 and higher rental expenses. Therefore, the profit before tax from the motoring school operation increased to HK\$261.6 million, a small increase of 2.0% as compared to the HK\$256.5 million recorded in the previous year.



The Group's share of profits of a joint venture, Autotoll (BVI) Limited, which operates an electronic toll collection system, provides toll collection services for HKeToll, telematics services, intelligent transportation and surveillance system solutions, and smart city service solutions in Hong Kong, was HK\$15.9 million (2022: HK\$29.5 million). The decrease was mainly due to the drop of administration fee income from electronic toll collection.

The Group's share of profits of an associate, Western Harbour Tunnel Company Limited, which operates Western Harbour Tunnel ("WHT"), decreased by 14.3% to HK\$294.4 million as compared to HK\$343.4 million in 2022. Toll revenue of WHT decreased by 27.8% to HK\$1,076.7 million as compared to HK\$1,492.3 million in 2022. The decrease in revenue was primarily due to the expiration of the 30-year's franchise on 1 August 2023, partially offset by the increase in traffic volume by 25.4% up to 1 August 2023. The tunnel operation was discontinued in August 2023 and the result was disclosed in note 8 to the financial statements.

## (II) Treasury Investments and Significant Investments Held

As at 31 December 2023, the Group maintained an investment portfolio with a carrying amount of HK\$4,926.2 million (2022: HK\$4,459.0 million). The portfolio mainly composed of HK\$3,800.7 million (2022: HK\$3,125.6 million) unlisted fund investments and HK\$1,125.2 million (2022 HK\$1,234.0 million) listed and unlisted equity securities. 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 2023 and 31 December 2022, these facilities were not utilized by the Group.

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

	1 January 2023 HK\$ million	Addition HK\$ million	Disposal/ Distribution HK\$ million	Fair value change in OCI HK\$ million	Fair value change in profit and loss /ECL HK\$ million	31 December 2023 HK\$ million
Financial assets measured at FVOCI						
– Listed equity securities	61.8	-	-	(8.6)	-	53.2
Financial assets measured at FVPL						
– Unlisted fund investments	3,125.6	538.9	(16.0)	-	152.2	3,800.7
– Listed equity securities	1,015.7	186.1	(340.8)	-	122.8	983.8
– Unlisted equity security	156.5	-	-	-	(68.3)	88.2
– Treasury bills	-	288.5	(292.6)	-	4.1	-
– Listed debt securities	82.8	24.3	(12.4)	-	(94.4)	0.3
– Derivative financial Instruments	-	18.4	-	-	(18.4)	-
	4,380.6	1,056.2	(661.8)	-	98.0	4,873.0
Financial assets measured at amortised cost						
– Interest-bearing instruments	16.6	78.0	(78.0)	-	(16.6)	-
	4,459.0	1,134.2	(739.8)	(8.6)	81.4	4,926.2

The aggregate value of the investment portfolio increased by HK\$467.2 million during the year.

During the year, the additions of financial assets amounted to HK\$1,134.2 million, which consisted of investments in 39 unlisted funds amounting to HK\$538.9 million, investments in US treasury bills amounting to HK\$288.5 million, investments in 10 listed equity securities amounting to HK\$186.1 million, investment in derivative financial instruments amounting to HK\$18.4 million, investment in a listed debt security amounting to HK\$24.3 million, and investment in an interest-bearing instruments amounting to HK\$78.0 million.

During the year, the disposals of financial assets amounted to HK\$739.8 million, which consisted of divestments of 10 listed equity securities amounting to HK\$340.8 million, divestments of US treasury bills amounting to HK\$292.6 million, divestments of 7 unlisted funds amounting to HK\$16.0 million, divestments

of a listed debt security amounting to HK\$12.4 million, and divestment of an interest-bearing instruments amounting to HK\$78.0 million.

Other movements in the investment portfolio during the year included a net fair value gain on financial assets measured at FVPL of HK\$98.0 million, a net fair value loss on financial assets measured at FVOCI of HK\$8.6 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 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 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\$711.5 million (2022: HK\$726.9 million) in respect of its holding in about 30.2% 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 14.4% of the aggregate fair value of the Group's investment portfolio. In terms of performance, a fair value loss of HK\$15.4 million (2022: HK\$27.9 million) on such investment was recognised in profit or loss for the year 2023. No distribution was received from such investment for the year (2022: Nil).

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 2023. Other financial assets mainly composed of unlisted fund investments and equity securities (accounting for 62.7% and 22.9% 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 31 December 2023 held a total of 54 unlisted funds with an aggregate fair value of HK\$3,089.2 million (accounting for 36.3% of the Group's total assets). The underlying investments include listed and unlisted equity securities, debt securities, private equity funds, structured products and venture capital deals in various regions, covering various industries and sectors including air freight, automobile, biotechnology, chemicals, e-Commerce, enterprise software, energy, healthcare and related services, information technology, internet services, industrial and infrastructure, logistic, pharmaceuticals, and transportation.

Equity securities held by the Group at 31 December 2023 comprised a total of 36 listed and unlisted equity securities with an aggregate fair value of HK\$1,125.2 million (accounting for 13.2% 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, port operation, property (development, investment and management), healthcare and related services, industrial and infrastructure. The listed equity securities are listed in various stock exchanges including Hong Kong, the United States, United Kingdom and Canada.

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 mainly comprising unlisted fund investments providing higher growth with a medium to long term horizon, and equity securities providing liquidity, capital appreciation and 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 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. 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 2023, the Group had bank balances and deposits in the amount of HK\$2,764.8 million (2022: HK\$2,453.2 million). The Group did not have any bank borrowings as at 31 December 2023 (2022: 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 655 employees. Employees are remunerated according to job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from provident fund schemes and medical insurance, discretionary bonuses or employee share options will be awarded to employees of the Group at the discretion of the board of directors, depending upon the financial performance of the Group. Total staff costs for the year amounted to HK\$390.6 million (2022: HK\$324.1 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 2023, the Company complied with the code provisions of the Corporate Governance Code (the "CG Code") set out within Appendix C1 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 C3 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.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the Company's website at [www.ch.limited](http://www.ch.limited) and the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk). The Company's 2023 Annual Report will be available on both websites and despatched to the shareholders of the Company in due course.

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

Hong Kong, 25 March 2024

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, Leung Yu Ming, Steven and Wong Lung Tak, Patrick who are independent non-executive directors.