The Cross-Harbour (Holdings) Limited

(Stock Code : 32)

ANNUAL REPORT 2023

Contents

Corporate Information

(As of 25 March 2024)

Board of Directors

Executive Director

Cheung Chung Kiu *(Chairman)*
Yeung Hin Chung, John, SBS, OBE, JP *(Managing Director)*
Yuen Wing Shing
Wong Chi Keung
Leung Wai Fai
Tung Wai Lan, Iris

Independent Non-executive Director

Ng Kwok Fu
Leung Yu Ming, Steven
Wong Lung Tak, Patrick, BBS, JP

Audit Committee

Leung Yu Ming, Steven *(Chairman)*
Ng Kwok Fu
Wong Lung Tak, Patrick

Remuneration Committee

Leung Yu Ming, Steven *(Chairman)*
Cheung Chung Kiu
Ng Kwok Fu

Nomination Committee

Cheung Chung Kiu *(Chairman)*
Ng Kwok Fu
Leung Yu Ming, Steven

Authorised Representative

Yeung Hin Chung, John
Leung Wai Fai (*Alternate to Yeung Hin Chung, John)*
Yuen Wing Shing
Wong Chi Keung *(Alternate to Yuen Wing Shing)*

Company Secretary

Man Kit Ling

Legal Adviser

Woo, Kwan, Lee & Lo

Registered Office

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Wanchai
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Tel: (852) 2161 1888
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Website: www.ch.limited
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External Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

Share Registrar & Transfer Office

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17/F, Far East Finance Centre
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Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 32

Chairman's Statement

On behalf of the board of directors, I am presenting the annual results of the Group for the year ended 31 December 2023.

Performance

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). The 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 were HK$1.40 (2022: loss per share HK$1.19).

Final Dividend

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.

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 number of visitors and a boost in 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.

Chairman's Statement

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 Habour 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 Operation *(continued)*

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.

Chairman's Statement

Treasury Management Business *(continued)*

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).

Looking Forward

The year of 2024 would be another year of challenges. Our businesses are facing with various uncertainties such as ongoing geopolitical tensions, potential slowdown of the global economy, volatility in the financial market, and rapid technological changes. Nevertheless, the Group will continue its prudent long-term growth strategy and at the same time remain vigilant to the challenges ahead and their impacts on the Group's performance.

Acknowledgement

I would like to take this opportunity to extend my sincere appreciation to all the staff for their concerted efforts and continued dedication. Last but not least, I would like to express my gratitude to our shareholders for their support to the Group in the past years.

Cheung Chung Kiu
Chairman

Hong Kong, 25 March 2024

The Group presents the key performance indicators, environmental policies, compliance with laws and regulations, and key relationship with stakeholders, for motoring school operation, electronic toll operation and tunnel operation in this section. The Group operates motoring school operation through a 70% own subsidiary, while the electronic toll operation is operated by a 50% owned jointly controlled entity and the tunnel operation (Western Harbour Tunnel) is operated by a 50% owned associate.

Motoring School Operation

An increase of 20% in operating income was recorded in current year as compared with previous year. This was the aggregate result of a 17% increase in number of driving lessons for non-motorcycle training courses and higher lesson income unit rate. Income generated from motorcycle driving training courses also slightly increased during the year. The increase in driving lessons for non-motorcycle training courses was the results of vigorous and pro-active sales and marketing efforts, along with the implementation of a series of service and quality enhancement programs in the past years.

For the provision of vehicle driving training to learners, Alpha Hero Group ("AHG") hired a team of driving instructors and owned a fleet of training vehicles, including private cars, light goods vehicles, medium goods vehicles, motorcycles, buses, skid cars, skid bikes and articulated vehicles. The training vehicles undergo regular vehicle inspections and maintenance to ensure performance and compliance with safety standards. In addition to various new learners' courses and driving improvement programs for individual learners, AHG also provides corporations with tailor-made driving courses for fleet drivers.

Environmental Policies and Performance

As a support to environment protection and energy conservation, a wide variety of evergreen trees and plants were planted throughout the compound of road safety centres. Hybrid-powered vehicles are selected for private car training as a measure to reduce both air pollution and fuel consumption.

Compliance with the Relevant Laws, Regulation and Standard

AHG has established policies, procedures and guidelines to ensure that all business activities strictly comply with the Road Traffic Ordinance, Motor Vehicles Insurance (Third Party Risks) Ordinance, Telecommunications (Low Power Devices) Order, Discrimination Legislation, Trade Descriptions Ordinance and the Code of Practice for Designated Driving School issued by the Commissioner for Transport, as well as the Personal Data (Privacy) Ordinance with a view to protecting the privacy of its customers.

Since 1998, AHG has obtained ISO 9001 accreditation for the design and provision of driving courses leading to the driving tests conducted by the Transport Department for private car, light goods vehicle, medium goods vehicle, articulated vehicle, bus and motorcycle (except for disabled persons).

Key Relationship with Employees, Customers and Suppliers

Employees: AHG has well-established channels for staff communication which mainly comprise the Joint Consultation Committee for each road safety centre, enquiry hotlines, morning briefings, etc. In addition, instant messaging apps and email are used where appropriate. Staff turnover for the year was 13.8% (2022: 11.7%). The turnover comprises mainly resignation of front-line and general staff. In order to maintain staff retention, work performance and competitiveness, various structured training programs were organized to enhance staff development.

Customers: A corporate homepage and Facebook page were set up to strengthen communication with the public and potential learner drivers. In addition, there are channels established for customer feedback such as customer hotline and questionnaire.

Suppliers: For years, AHG maintains good relationship with its key suppliers, e.g. car dealers and fuel suppliers, to secure timely services provided at discounted prices.

Operation Review

Electronic Toll Operation

Under the Electronic Toll Collection ("ETC") system, the total number of auto-toll tags in circulation with administration fee income was 132,065 as at 31 December 2023 (2022: 355,687), representing a decrease of 62.8% from the year before. The overall usage of auto-toll facilities in all toll roads and tunnels during the year was about 43%. The average number of daily transactions handled by ETC system was about 171,400 with toll amount of approximately HK$5.6 million. The number of subscribers for the Global Positioning System at the end of the year was about 13,800 (2022: 14,100).

The Free Flow Tolling System (namely "HKeToll") is one of the major smart mobility initiatives of the Transport Department and is a technology-based solution that enhances the driving experience by eliminating the need for manual toll payments at toll booths. Autotoll had been awarded government tenders to operate the HKeToll system, which has been successfully implemented in all government tunnels since its launch on 7 May 2023, making it the primary tolling system for most of the vehicles in Hong Kong.

Environmental Policies and Performance

HKeToll and ETC not only helps in air pollutant reduction but also fuel saving. Moreover, Autotoll and HKeToll subscribers are also encouraged to choose electronic billing and manage their account through applications which is both environmentally friendly and cost saving.

Compliance with the Relevant Laws, Regulation and Standard

In respect of the security of its sizable customer database, Autotoll has fully complied with the requirements under the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data. In November 2016, Hong Kong Monetary Authority has granted a Store Value Facility License (SVF License Number: SVF0012) to Autotoll for operating its electronic toll collection services.

To maintain a high-quality standard of services, Autotoll will continue to pursue the ISO 9001, ISO 14001 & ISO 10002 accreditation for its ETC maintenance services and customer services, and ISO/IEC 27001 accreditation for its information security management system. In addition, Autotoll has obtained ISO 45001 accreditation for its occupational health and safety management system.

Key Relationship with Employees, Customers and Suppliers

Employees: Staff meetings were organized throughout the year to foster a collaborative working environment. Staff turnover for the year was 36% (2022: 34%). The turnover is mainly due not only to keen competition for hiring technical staff but also to the overall improved activeness of the labour market in 2023.

Customers: Autotoll values its relationship with customers. It has continuous collaborations among Groups and engagement to maintain the strong tie with its customers.

Suppliers: Autotoll maintains a good relationship with its supplier of ETC tags and central clearing system since commencement of business.

Tunnel Operation

Western Harbour Tunnel ("WHT")

The construction of the WHT was completed in April 1997 at a total cost of HK$7 billion. On 1 August 2023, the 30-year franchise of WHT was ended and the ownership of the WHT was transferred to the Government.

Toll

No toll adjustment or toll gazetting was effected in 2023. Both midnight empty taxi promotion and midnight goods vehicle promotion were implemented until the end of the franchise.

Tunnel Usage

Throughput for the year from 1 January to 1 August 2023 was 13,286,433 vehicle journeys (2022 Full year: 18,159,850 vehicle journeys). The average daily throughput was 62,378 vehicle journeys (2022: 49,753 vehicle journeys), representing an increase of 25.4% from the previous year. The increase was due to the recovery after COVID-19.

	Traffic Mix	
	2023	2022
Private Cars	78.2%	74.2%
Goods Vehicles	15.2%	18.4%
Buses	6.6%	7.4%
	100.0%	100.0%

In terms of vehicle mix profile and as compared to last year, the private cars category (i.e. private cars, taxis and motorcycles) increased from 74.2% to 78.2% while goods vehicle category decreased from 18.4% to 15.2% and buses category decreased from 7.4% to 6.6%. The average net toll per vehicle decreased from HK$82.2 in 2022 to HK$81.0 in 2023 due to changes in vehicle mix.

Accidents

The traffic accident occurrence rate in 2023 decreased by 24.3% as compared to 2022.

	2023	2022
Occurrence Rate per million vehicle trips		
Fatal Accidents	0.00	0.00
Traffic Accidents (Personal Injury)	0.23	0.17
Traffic Accidents (Damage Only)	2.11	2.92
	2.34	3.09

Breakdowns

The occurrence rate of breakdowns in 2023 decreased by 15.4% and the average time taken to attend the scene was maintained at within two minutes.

	2023	2022
Total Breakdowns (occurrence rate per million vehicle trips)	9.03	10.68
Daily Average Breakdowns	0.56	0.53

Tunnel Operation *(continued)*

Escorts

	2023	2022
Dangerous Goods & Abnormal Goods (Number of Trips)	659	966

Infringements

The number of infringements per million vehicle trips increased by 397.5% in 2023.

	2023	2022
Number of events per million vehicle trips		
Total Infringements Reported	3,572	718
Prosecutions	20.8	45.1

The substantial increase in the total infringements was caused by the misunderstanding of the HKeToll not implemented at WHT till 6 August 2023.

Maintenance

All major tunnel systems operated in a safe and reliable condition in 2023 till the end of franchise period on 1 August 2023. Preventive maintenance work was performed on all engineering systems and all tunnel infrastructure and systems had been maintained in compliance with the Maintenance Manual, which is the standard agreed with the Highways Department until successful handover of the tunnel to the Government at midnight hour on 2 August 2023.

Environmental Policies and Performance

As a commitment to supporting environmental initiatives, a wide variety of evergreen trees and plants were planted throughout the tunnel area. For energy saving purposes, LED lamps were widely used in the administration building and motion activated lighting controls were installed for changing rooms and workshops. Inverter air-conditioners were installed in the toll booths and induction lamps were used in ventilation buildings as well.

Compliance with the Relevant Laws, Regulation and Standard

WHTCL has fully complied with the requirements under the WHC Ordinance and Project Agreement.

Key Relationship with Employees and Customers

Employees: Apart from regular departmental meetings and workgroup briefings, various communication mechanisms, e.g. Joint Consultative Committee, etc., were implemented. Staff activities were also organised throughout the year to foster a collaborative working environment. Staff turnover for the year from 1 January to 1 August 2023 was 6.5% (2022: 23.6%). The turnover comprises mainly resignation of front-line and technical staff.

Customers: Various joint promotions were conducted such as the distribution of gasoline coupons to tunnel users for their long-term support.

Hong Kong, 25 March 2024

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 HK68.3 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).

Commentary on Annual Results *(continued)*

(I) Review of 2023 Results *(continued)*

Performance of the treasury management business in the year (continued)

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 million (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.

Commentary on Annual Results *(continued)*

(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	Addition	Disposal/ Distribution	Fair value change in OCI	Fair value change in profit and loss/ECL	31 December 2023
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	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.

Commentary on Annual Results *(continued)*

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

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.

Commentary on Annual Results *(continued)*

(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) Comments on Segmental Information

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 operation and electronic toll operation.

(V) Employees

The Company and its subsidiaries have 657 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.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group include the distinctive risks pertaining to the Company and each business segment of the Group.

The aim of the Company's business strategies is to deliver long-term value and sustainable returns to our shareholders. The Company targets to maintain a steady return to its shareholders and at the same time a strong balance sheet in pursuing investment opportunities in the future. At present, the Company maintains to pay dividend four times (quarterly) a year. Strategic risk facing the Company might arise from poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment, resulting in failure to deliver reasonable returns or to meet growth expectations. In this respect, strategic issues are regularly reviewed by the Executive Committee and regular assessments are made to ensure that strategies remain appropriate, and that each business segment is making progress in meeting the strategic objectives of the Company. The Company is inevitably exposed to risks in achieving its business objectives and the Board strives to mitigate such risks to acceptable level through the design, implementation and monitoring of effective risk management and internal control systems.

The equity price risk facing the Group's treasury management business is the price volatility of the listed and unlisted equity investments and unlisted fund investments that the Group holds, which in turn will be affected by various factors in addition to the business risk associated with individual equity investments and underlying investment of the unlisted funds. They include global risk related to economic and geopolitical issues in the major markets, policy risk such as changes in government policies and regulations, interest rate risk, credit risk, liquidity risk and currency risk. Exposure to such risk may be reduced by maintaining a diversified portfolio of equity investments and unlisted diversified funds in different industries/sectors.

Principal Risks and Uncertainties *(continued)*

The credit risk facing the Group's treasury management business is mainly the credit loss of the listed debt investments and interest-bearing instruments that the Group holds, which can be affected by several economic, financial and business factors, such as changes in the economic and business environment, fluctuation of interest rate, deterioration of employment condition and volatility of financial markets. Maintaining an investment portfolio with an acceptable level of risk and exposure as well as closely monitoring not only the risk of individual debt and interest-bearing instruments but also risk in the entire portfolio to reduce or mitigate concentrations are measures to mitigate unexpected losses in the event of defaults.

The motoring school operation is subject to changes in government policy in respect of land use and the provision of restricted driving instructors, driving examiners, as well as the availability of private driving instructors in the market. Its profitability may also be affected by deteriorated economic conditions and intense price competition from other operators. To mitigate the impacts of these risks, the management stays alert on changes in the business environment and prepares to cope with them by exploring feasible options to secure the continued operations of the driving training centres.

In respect of tunnel operation operated by an associate, hazard risk includes outages due to fire, natural disaster, terrorism, as well as loss of electricity supply. These risks cannot be completely eliminated or managed due to their uncontrollable nature, however, insurance cover, contingency plans and procedures, wherever applicable are well and readily in place to mitigate the impacts on operation and revenue to the extent possible. In addition, hazard risk exposure has been accounted for during the design stage of tunnel construction. There are also macro factors including political and social instability, economic downturn and change in public policy that may tend to trigger broader implications affecting many different companies.

For electronic toll operation jointly operated with a joint venture partner, regulatory risk include changes in government policy and regulation such as introducing a licensing regime for Store Value Facilities ("SVF") and the passing of competition laws. In response to the compliance risk associated with the SVF licensing, a risk management committee was set up to oversee the implementation of all the necessary measures as well as control process for fulfilling the licensing requirements. Further, in addition to economic risk in business environment, technology risk such as the evolution of new technology on the modes of electronic payment creates both threats and opportunities.

The Group is committed to improving its risk monitoring and management mechanism in order to ensure control measures are both embedded and effective within each business segment.

Hong Kong, 25 March 2024

Executive Director/Senior Manager

Cheung Chung Kiu, aged 59, was appointed Chairman of the Company on 21 March 2001 and is a member of the Executive Committee and the Remuneration Committee of the Company, as well as a member and chairman of the Nomination Committee of the Company. He also holds directorships in certain other members of the Group. Mr. Cheung has a wide range of experience in investment and business management, including over 25 years of experience in property development and investment mainly in Hong Kong and the PRC as well as in other mature cities globally, including London and Sydney. He is chairman of C C Land Holdings Limited ("C C Land"), and served as chairman and managing director of Y. T. Realty Group Limited ("Y. T. Realty") until 10 November 2021. C C Land and Y. T. Realty are public listed companies in Hong Kong. He is a director of Windsor Dynasty Limited and Rose Dynamics Limited, which are companies disclosed in the section headed "Other Persons' Interests and Short Positions" on page 65.

Yeung Hin Chung, John, SBS, OBE, JP, aged 77, was appointed Managing Director of the Company on 1 August 2001 and is a member of the Executive Committee of the Company and chairman and/or director of certain other members of the Group. Mr. Yeung holds a doctoral degree in management. Prior to joining the Company, he had held various key management positions in the Government of Hong Kong, where he last served as Deputy Director of Immigration; and in the private sector, where he last worked as the chief executive of the Shun Hing Group. Mr. Yeung is an Honorary Institute Fellow of the CUHK Asia-Pacific Institute of Business and a member of the CUHK Advisory Group on Undergraduate Studies in Business.

Yuen Wing Shing, aged 77, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Yuen holds a diploma in management studies awarded jointly by the then Hong Kong Polytechnic and Hong Kong Management Association in 1986. Prior to joining the Company, he had held senior management positions with a major bank in Hong Kong for over 20 years. He is an executive director of Y. T. Realty and a Shareholder Supervisor of the eighth session of the Supervisory Board of Shengjing Bank Co., Ltd. ("Shengjing"), a public listed company in Hong Kong. He served as a non-executive director of Shengjing until 20 October 2020.

Wong Chi Keung, aged 68, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Wong holds a doctoral degree in business and is a member of the Royal Institution of Chartered Surveyors, The Hong Kong Institute of Housing and the Chartered Institute of Housing. He is a fellow of the Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors and an honorary fellow of Guangxi Academy of Social Sciences. Mr. Wong has held various senior executive positions with some of Hong Kong's leading property companies and property consultant firms for the past 30 years. He is a deputy chairman and an executive director of C C Land and an independent non-executive director of Water Oasis Group Limited, both being public listed companies in Hong Kong.

Leung Wai Fai, aged 62, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Leung graduated from University of Wisconsin-Madison with a bachelor's degree in business administration. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung has over 30 years of extensive experience in accounting and financial reporting. He is an executive director of C C Land.

Tung Wai Lan, Iris, aged 58, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Ms. Tung holds a master of philosophy degree from The Chinese University of Hong Kong. She served as an executive director of Y. T. Realty until 10 November 2021.

Directors and Senior Management

Independent Non-executive Director

Ng Kwok Fu, aged 52, was appointed Independent Non-executive Director of the Company on 30 September 2004 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College of Canada. He has over 20 years of experience in the marketing, trading, purchasing and developing of construction materials as well as in technical control, support and management in building projects. He served as an independent non-executive director of Y. T. Realty until 8 September 2023.

Leung Yu Ming, Steven, aged 64, was appointed Independent Non-executive Director of the Company on 1 October 2007 and is a member and chairman of the Audit Committee and the Remuneration Committee of the Company, as well as a member of the Nomination Committee of the Company. Mr. Leung received his bachelor of social science degree from The Chinese University of Hong Kong and master's degree in accountancy from Charles Sturt University of Australia. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. He is also a certified practising accountant in Australia and a practising certified public accountant in Hong Kong. Mr. Leung commenced public practice in auditing and taxation in 1990 and is currently a senior partner in a CPA firm. He has over 30 years of experience in assurance, financial management and corporate finance, having previously worked as assistant vice president in the International Finance and Corporate Finance Department of Nomura International (Hong Kong) Limited. He is an independent non-executive director of Suga International Holdings Limited, a public listed company in Hong Kong, Y. T. Realty and C C Land.

Wong Lung Tak, Patrick, BBS, JP, aged 76, was appointed Independent Non-executive Director of the Company on 22 May 2023 and is a member of the Audit Committee of the Company. Mr. Wong is a Certified Public Accountant (Practicing) and a Chartered Tax Adviser in Hong Kong and also a corporate governance fellow in the United Kingdom and in Hong Kong. He is currently the Managing Practising Director of Patrick Wong C.P.A. Limited. He has over 50 years' experience in the accountancy profession. Mr. Wong was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. Mr. Wong served as an independent non-executive director of BAIC Motor Corporation Limited, Li Bao Ge Group Limited, Sino Oil and Gas Holdings Limited and C C Land until March 2021, January 2022, November 2022 and May 2023 respectively. He is an independent non-executive director of Galaxy Entertainment Group Limited, Water Oasis Group Limited, Winox Holdings Limited and Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited. The above companies are public listed companies in Hong Kong.

The board is pleased to present the Corporate Governance Report of the Company.

Corporate Governance Practices

This report sets out the Company's application in the year to 31 December 2023 of the Corporate Governance Code (the "CG Code") set out within Appendix C1 to the Main Board Listing Rules (the "Listing Rules"). To ensure that governance standards are met, and that processes are in place to ensure continuous improvements, the full board assumes the corporate governance duties rather than delegates the responsibility to a committee.

The board is responsible for discharging the corporate governance functions prescribed under the CG Code.

During the year and up to the date of this report, the board conducted an annual review of (a) the Company's policies and practices on corporate governance; (b) the training and continuous professional development of directors (including executive directors who are senior management of the Company); (c) the Company's policies and practices on compliance with legal and regulatory requirements; and (d) the conduct codes applicable to employees and directors. The board also reviewed the Company's compliance with the CG Code at regular intervals and relevant disclosure in the interim report and in this report. In the opinion of the board, the Company complied with the principles and the code provisions of the CG Code in all respects throughout the year save for the deviation described below.

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

Corporate Values, Culture and Strategy

The Company has always been committed to upholding the principles of good corporate governance. These principles highlight an effective board, sound risk management and internal control systems as well as transparency and accountability. The board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate values and accountability. The board considers such commitment essential in balancing the interests of various stakeholders and the Company and its subsidiaries (together, the "Group") as a whole. The Company sees to it that the corporate governance agenda is focused on improving performance and not just bogged down in conformity and compliance.

The board has established the Company's purpose, values and strategy, and has satisfied itself that the Company's culture is aligned. The aim of the Company's business strategies is to deliver long-term value and sustainable returns to its shareholders. As a Group with diversified businesses, by recognizing the importance of stakeholders at the board level and throughout the Group, the Company is committed to creating a culture of honesty and integrity in all aspects of its business affairs to foster the sustainability of the Group. The Company's culture is moulded by our values and vision. All directors stand in a fiduciary relationship to the Company and must act honestly, in good faith and in its best interests. They abide in all respects by all rules and regulations of the Company (including but not limited to its constitution, codes of conduct and policies and procedure) and of the Group, where appropriate, and applicable laws, rules and regulations. Acting with integrity and leading by examples, the Directors promote the desired culture and the importance of probity to instil and continuously encourage and promote such behaviour for themselves, officers and employees. The Group will continue its prudent long-term growth strategy aligned with the Company's culture and at the same time remain vigilant to the challenges ahead and their impacts on the Group's performance.

Corporate Governance Report

Board of Directors

Corporate governance functions, as noted above, are performed by the board which assumes responsibility for leadership and control of the Company. Directors being pillars of corporate governance act at all times honestly and exercise care, diligence and skill in the discharge of their duties. The board is collectively responsible for promoting the success of the Company and seeks to balance broader stakeholder interests and those of the Group.

Board composition

The board, which is chaired by Mr. Cheung Chung Kiu, comprises nine members. The directors who served the board during the year and up to the date of this report are shown below.

Executive Director
Cheung Chung Kiu *(Chairman)*
Yeung Hin Chung, John, SBS, OBE, JP *(Managing Director)*
Yuen Wing Shing
Wong Chi Keung
Leung Wai Fai
Tung Wai Lan, Iris

Independent Non-executive Director
Ng Kwok Fu
Luk Yu King, James
(retired with effect from the conclusion of the annual general meeting held on 22 May 2023 (the "2023 AGM")
Leung Yu Ming, Steven
Wong Lung Tak, Patrick, BBS, JP (appointed with effect from the conclusion of the 2023 AGM)

Brief biographical details of the directors appear in the section headed "Directors and Senior Management" on pages 16 and 17.

The Company embraces the benefits of having a diverse board and directs that the review of board composition be a collective effort of the board and the nomination committee. The appointment or re-appointment of a director shall first be considered by the nomination committee with reference to the policies adopted by the Company governing the nomination and diversity of board members. Recommendations of the nomination committee will then be put forth at the next board meeting for directors' consideration and approval.

In the opinion of the nomination committee, an appropriate level of diversity on the board was achieved, and a balanced composition of executive directors and independent non-executive directors, the latter being of sufficient calibre and number for their views to carry weight in the board's deliberations, was maintained, throughout the year. The committee has noted that none of the independent non-executive directors has any interests or relationships that could materially interfere with his independent judgment and concluded that all independent non-executive directors remain independent.

Board meetings are held regularly four times a year and additionally as needed to discharge the board duties effectively. Regularly scheduled meetings are also held by the board committees to discharge their duties effectively. Independent non-executive directors, as equal board members, give the board and its committees on which they serve the benefit of their skills, expertise and diverse backgrounds and qualifications through regular meeting attendance and active participation. They also attend general meetings and develop a balanced understanding of the views of shareholders.

Board of Directors *(continued)*

Attendance at board and general meetings

Four board meetings and a general meeting (annual general meeting) were held during the year. Attendance of each director at the above meetings is shown below.

	No. of meetings attended/held during directors' tenure	
	annual general meeting	regular board meeting
Executive Director		
Cheung Chung Kiu *(Chairman)*	1/1	4/4
Yeung Hin Chung, John *(Managing Director)*	1/1	4/4
Yuen Wing Shing	1/1	4/4
Wong Chi Keung	1/1	4/4
Leung Wai Fai	1/1	4/4
Tung Wai Lan, Iris	1/1	4/4
Independent Non-executive Director		
Ng Kwok Fu	1/1	4/4
Luk Yu King, James[1]	1/1	1/1
Leung Yu Ming, Steven	1/1	4/4
Wong Lung Tak, Patrick[2]	0/0	2/3

1 Retired as an independent non-executive director with effect from the conclusion of the 2023 AGM.

2 Appointed as an independent non-executive director with effective from the conclusion of the 2023 AGM.

During the year, the chairman convened a meeting with the independent non-executive directors without the presence of other directors.

The appointment of management

The board, led by the chairman, is accountable to shareholders for the overall management and performance of the Group. This requires continuing attention, the board therefore appoints management, which is made up of executive committee members, with additional members from the second line of management. The managing director in turn delegates aspects of the management and administrative functions to senior executives who report directly to him on a regular basis.

Board of Directors *(continued)*

Delegations to management and reserving matters for the board

The board sets the business strategy of the Group and monitors its development. It delegates other matters to management while reserving certain decisions and actions for itself and performing them effectively. There is a written statement of matters reserved for the board and those delegated to management. These arrangements are reviewed on an annual basis to ensure that they remain appropriate to the needs of the Company.

This statement recognises nine broad categories into which reserving matters for the board may fall, namely (1) board and senior management; (2) relations with the members and stakeholders; (3) financial matters; (4) business strategy; (5) capital expenditures; (6) lease or purchase of buildings; (7) major transactions not included in the budget; (8) actions or transactions involving legality or propriety; and (9) internal control and reporting systems.

The board sees to it that management is managing properly and does not exceed its remit. The statement gives clear directions as to the powers of management. These include executing the business strategies and initiatives adopted by the board, approving investments and divestments as well as managing the Group's assets and liabilities in accordance with the policies and directives of the board. Specifically, management helps prepare interim and annual accounts/reports, and implements and monitors the Company's financial controls and systems of risk management and internal control. Management typically meets each month to review the operating and financial performance of the Group against agreed budgets and targets.

Supply of and access to information

The board and individual directors have separate and independent access to senior management at all times. The management ensures that the board and its committees receive adequate information, board papers and related materials in a timely manner to enable them to make informed decisions. All directors have access to the advice and services of the company secretary, who is responsible to the board to ensure that board procedures are being followed and that applicable rules and regulations are being complied with. Every director or board committee member can seek independent professional advice in appropriate circumstances at the Company's expense in accordance with the Company's relevant policy.

Board of Directors *(continued)*

Directors' induction and continuous professional development

On appointment to the board, each director receives an induction package covering the latest information about the financial position of the Group as well as guidelines on directors' duties and corporate governance. In addition, all members of the board are provided with monthly updates so that they can have a balanced and understandable assessment of the Group's performance, position and prospects. New directors are welcome to visit the operating divisions to gain a proper understanding of the Group's business operations.

The mini-library maintained by company secretarial department is open to all directors. Stocked with the Company's corporate communications and governance policies and procedures, it also collects applicable rules, ordinances, codes and acts. Directors are welcome to visit the library and borrow those materials.

The Company recognises directors' need for continuous professional development and ensures that sufficient training opportunities are being provided to the directors from time to time to develop and refresh their knowledge and skills. During the year, the Company continued to arrange and fund suitable training for its directors; and each director received appropriate training with an emphasis on the roles, functions and duties of a listed company director. A summary of the training received by directors is set out below:

Name of director	Training received
Cheung Chung Kiu	Reading materials regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies, compliance, business, economics and ethics
Yeung Hin Chung, John	Seminars/reading materials regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies, compliance, economics and ethics
Yuen Wing Shing	Seminars/reading materials regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies, compliance and economics
Wong Chi Keung	Seminars/reading materials regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies, compliance, business, economics, taxation and ethics
Leung Wai Fai	Webinars regarding updates on accounting, finance and corporate governance
Tung Wai Lan, Iris	Reading materials regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies, compliance, business, economics and ethics
Ng Kwok Fu	Seminars/webinars/reading materials regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies, compliance, business, finance, taxation and ethics
Leung Yu Ming, Steven	Seminars/reading materials regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies, compliance, business, economics, finance, taxation and ethics
Wong Lung Tak, Patrick	Seminars/reading materials regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies, compliance, business, accounting, finance, taxation and ethics

Insurance cover

The Company has appropriate insurance cover in respect of legal action against its directors and officers. The extent of insurance cover is reviewed by management on an annual basis.

Corporate Governance Report

Chairman and Managing Director

The positions of chairman and managing director are held by separate individuals with the defined roles of managing the board and managing the affairs of the Company respectively. During the year and up to the date of this report, Mr. Cheung Chung Kiu was the Chairman and Mr. Yeung Hin Chung, John was the Managing Director of the Company. The board considers that vesting the roles in different individuals is essential in ensuring a balance of power and authority and in upholding independence, accountability and responsibility with respect to the management of the Company. The division of responsibilities between the chairman and managing director has been clearly established and set out in writing.

The chairman provides leadership for the board, ensuring its effectiveness in all aspects of its role. The managing director, supported by management, provides planning and implementation.

The chairman ensures that all directors are properly briefed on issues arising at board meetings and that all key and appropriate issues are discussed by the board in a timely manner. Board meetings for each year are scheduled in advance to give all directors an opportunity to attend and are structured to encourage open discussion. All board members are encouraged to update their knowledge of and familiarity with the Group through active participation at board meetings.

The chairman settles the agenda for each individual board meeting, taking into account any additional items proposed by the managing director and arising from current operating issues, as well as such other matters as may be raised by the other directors with him, who can include them on the agenda. The agenda and accompanying board papers are sent in full to all directors in a timely manner and, where possible, at least three days before the time appointed for the meeting.

It is also the chairman's responsibility to control board meetings, to lead discussions to clear conclusions, and to satisfy himself that the secretary of the meeting has understood each conclusion reached. The company secretary and financial controller attend the meetings and advise, where appropriate, on corporate governance and accounting and financial matters.

Minutes of board meetings and meetings of board committees are kept by a duly appointed secretary of the meeting and open for inspection by any director. Draft and final versions of minutes of board meetings are sent to all directors for their comments and records respectively.

Non-Executive Directors

There were three independent non-executive directors during the year and up to the date of this report.

Mr. Ng Kwok Fu was last appointed for a term commencing 18 May 2021 and ending at the close of the annual general meeting in 2024. Mr. Leung Yu Ming, Steven was last appointed for a term commencing 22 May 2023 and ending at the close of the annual general meeting in 2026. Mr. Luk Yu King, James retired as an independent non-executive director and ceased to be the chairman and a member of the audit committee with effect from the close of the 2023 AGM. Mr. Wong Lung Tak, Patrick was appointed as an independent non-executive director and a member of the audit committee with effective from the close of the 2023 AGM.

Every director, including non-executive director, is subject to retirement by rotation and eligible for re-election in accordance with the Company's articles of association and all applicable laws.

Board Committees

The board is supported in its decisions by the four principal committees described below. The terms of reference of all except the executive committee are available on the website of the Company.

The executive committee

In directing and supervising the Company's affairs, the board is supported by an executive committee whose membership is exclusive to executive directors. There are six executive directors in office, as shown in the section headed "Corporate Information" on page 1. All members served on the committee throughout the year and up to the date of this report.

The executive committee is vested with the powers of the directors by the Company's articles of association or that are otherwise expressly conferred upon it, as defined by its terms of reference.

The audit committee

The audit committee comprised, at the beginning of the year, Mr. Luk Yu King, James (the then chairman of the committee), Mr. Ng Kwok Fu and Mr. Leung Yu Ming, Steven and, at the end of the year, Mr. Leung Yu Ming, Steven (the chairman of the committee), Mr. Ng Kwok Fu and Mr. Wong Lung Tak, Patrick. All members served on the committee throughout the year up to the date of this report with the exception of Mr. Luk Yu King, James who served from 1 January 2023 until his retirement on 22 May 2023 and Mr. Wong Lung Tak, Patrick who has served since his appointment on 22 May 2023.

This committee acts as the key representative body for overseeing the Company's relations with the external auditor. It supports the board in monitoring the Company's financial information and whistleblowing procedures for employees and third parties, and oversees the Group's financial reporting system, risk management and internal control systems.

Meetings of the audit committee are held at least biannually with the external auditor, KPMG, and triannually with management.

The audit committee met three times during the year with perfect attendance.

Audit committee members	No. of meetings attended/held during directors' tenure
Independent Non-executive Director	
Luk Yu King, James *(Then chairman of the committee)* [1]	1/1
Leung Yu Ming, Steven *(Chairman of the committee)* [2]	3/3
Ng Kwok Fu	3/3
Wong Lung Tak, Patrick[3]	2/2

1 Ceased to be the chairman and a member of the audit committee with effect from the conclusion of the 2023 AGM.

2 Appointed as the chairman of the audit committee with effective from the conclusion of the 2023 AGM.

3 Appointed as a member of the audit committee with effective from the conclusion of the 2023 AGM.

Board Committees *(continued)*

The audit committee *(continued)*

During the year, the audit committee reviewed the Group's half-yearly and annual results, the risk management and internal control systems, the effectiveness of internal audit function and its other duties under the CG Code, including reviewing the non-audit services policy and whistleblowing policy.

The audit committee also reviewed the Group's audited results for the year ended 2022, the unaudited interim results for the six months ended 30 June 2023 and other matters relating to financial and accounting policies and practices of the Group in the presence of KPMG and/or management. No significant financial reporting judgments were reported, nor were there any significant or unusual items contained in the financial statements.

As disclosed in the section headed "Risk Management and Internal Control" on pages 30 to 32, the audit committee plays a vital role in monitoring the Group's risk management and internal control systems. This was done through regular meetings of the committee with KPMG and with the internal audit function (whether or not in the presence of management) during the year, in which the committee engaged discussions on the risk areas identified, and reviewed any key findings relating to risk assessment as well as arising from the internal and external audit.

In the opinion of management, adequate risk management and internal control systems had been in place and maintained properly throughout the year to ensure the effectiveness and efficiency of operations; to safeguard assets against unauthorised use and disposition; to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements; to allow proactive management of the relevant risks identified; to allow fair and independent investigation of possible improprieties in financial reporting, internal control or other matters and appropriate follow-up action; and to ensure compliance with relevant legislation and regulations. Management was of the further views that there had been no changes, since the last annual review, in the nature and extent of significant risks; that the Company was able to respond to changes to its business and the external environment and its processes for financial reporting and Listing Rule compliance were effective; that the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting function, environmental, social and governance ("ESG") performance and reporting were adequate. For the year under review, no significant control failings or weaknesses were identified and there revealed no significant areas of improvement or modification which were required to be brought to the attention of the audit committee.

The audit committee concurred with the above findings, and was satisfied that management had performed its duty to have effective systems. The committee further noted that there was no conflict between internal audit and external audit, and the internal audit function was still adequately resourced and effective and had appropriate standing within the Company, during the year.

The audit committee approved the remuneration and terms of engagement of KPMG, and considered their suitability for re-appointment. It examined KPMG's independence and objectivity, having regard to any non-audit services, and the effectiveness of the audit process. The committee was satisfied that KPMG had demonstrated the independence and objectivity required for external auditors and that the audit process had been effective. Recommendations were made to the board on the re-appointment of KPMG as the external auditor of the Company for the ensuing year and on the submission of the 2023 annual accounts for shareholders' adoption at the forthcoming annual general meeting.

Board Committees *(continued)*

The remuneration committee

The remuneration committee, which is chaired by Mr. Leung Yu Ming, Steven, comprises three members as shown below. All members served on the committee throughout the year and up to the date of this report.

This committee supports the board in determining the remuneration packages of individual executive directors and senior management. It further assists the board in making recommendations on the Company's remuneration policy and structure for all directors and senior management, in reviewing and approving the management's remuneration proposals and matters relating to share schemes, as well as in making recommendations on the remuneration of non-executive directors.

The remuneration committee met twice during the year with perfect attendance.

Remuneration committee members	No. of meetings attended/held during directors' tenure
Executive Director	
Cheung Chung Kiu	2/2
Independent Non-executive Director	
Leung Yu Ming, Steven *(Chairman of the committee)*	2/2
Ng Kwok Fu	2/2

The Group's remuneration policy for directors and employees seeks to attract, motivate and retain the executive talent that is essential for the implementation of its business strategy towards sustained and long-term returns for shareholders. It ensures fair and competitive packages based on business needs and industry practice; and provides incentives for staff to perform at their highest levels.

The remuneration package for directors and employees is determined by taking into consideration factors such as the Group's operating results, inflation, and market and economic situation. In addition, an individual's potential and contribution to the Group, time commitment and responsibilities undertaken will be considered, subject to annual performance-based assessment. The remuneration structure comprises fixed and variable components, including salaries, discretionary bonuses, retirement scheme contributions and share options.

The level of fees paid to non-executive directors is determined by reference to factors including time commitment, and duties and responsibilities undertaken, aiming to remunerate them at an appropriate and fair level for their efforts and time commitment to the Company and to ensure the attraction and retention of high caliber individuals to oversee the Company's business and development.

During the year, the remuneration committee held a meeting in January 2023 to review and to approve the management's remuneration proposals. It also reviewed, among other matters, directors' fees and remuneration policy and structure. The committee fixed the remuneration packages of individual executive directors, with reference to the Group's operating results and role, responsibility and performance of the individual executive director so as to align management incentives with shareholders' interests. It also recommended non-executive director fees to the board for approval. The committee also scheduled an additional meeting in March 2023 to discuss matters regarding change of independent non-executive director with effect from 22 May 2023. It made recommendations to the board on the remuneration package of the new independent non-executive director.

The committee is confident that the remuneration policy, which was applied in the year under review and is expected to be applied in future years and beyond, supports the Company's goals and objectives. In the opinion of the committee, the executive remuneration levels for the year were in line with the market.

Details of the directors' remuneration for the year are set out in note 8 to the financial statements on page 107.

Board Committees *(continued)*

The nomination committee

The nomination committee, which is chaired by Mr. Cheung Chung Kiu, comprises three members as shown below. All members served on the committee throughout the year and up to the date of this report.

This committee supports the board in formulating and implementing the policy for the nomination of directors; in assessing the independence of independent non-executive directors and in advising on directors' appointment or re-appointment and succession planning for directors. Its primary role is to recruit, screen and recommend board candidates for election by shareholders to ensure that the right mix of talent, skills and experience, as well as diversity on the board, is retained.

The nomination committee met twice during the year with perfect attendance.

Nomination committee members	No. of meetings attended/held during directors' tenure
Executive Director	
Cheung Chung Kiu (*Chairman of the committee*)	2/2
Independent Non-executive Director	
Ng Kwok Fu	2/2
Leung Yu Ming, Steven	2/2

The following nomination policy has been adopted by the nomination committee to assist it in fulfilling its duties and responsibilities as provided in its terms of reference. The policy may be amended from time to time by the committee as provided therein.

Recommended candidates

The committee shall consider any and all candidates recommended as nominees for directors to it by any directors or shareholders; provided that in the case of shareholder recommendations, such recommendations comply with all applicable notice requirements set forth in the Company's articles of association, the procedures for a shareholder's nomination to be properly brought before a general meeting, and the Listing Rules. The committee may also consider, in its sole discretion, any and all candidates recommended as nominees for directors to it by any source.

Desired qualifications, qualities and skills

The committee shall endeavour to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, to provide the commitment to enhancing shareholder value, practical insights and diverse perspectives. Candidates will also be assessed in the context of the then-current composition of the board, the operating requirements of the Company and the long-term interests of all shareholders. In conducting this assessment, the committee will, in connection with its assessment and recommendation of director candidates, consider diversity (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience and skills) and such other factors as it deems appropriate given the then-current and anticipated future needs of the board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the board. The committee may also consider such other factors as it may deem are in the best interests of the Company and its shareholders.

Board Committees *(continued)*

The nomination committee *(continued)*

Independence

The committee shall ensure that at least one-third of the board members (or such other number of the members of the board as prescribed by the Listing Rules from time to time) meet the definition of independent non-executive director. The committee shall annually assess each nominee for independent non-executive director by reviewing any potential conflicts of interest that he or she and their immediate family members (as defined in the Listing Rules) may have, based on the criteria for independence set forth in Rule 3.13 of the Listing Rules. A retiring independent non-executive director who has served the board for a period of nine consecutive years or more is eligible for nomination by the board to stand for re-election at a general meeting provided that he or she is still considered independent by the board.

Nominee evaluation process

The committee will consider as a candidate any director who has indicated his or her willingness to stand for re-election and any other person who is recommended by any shareholders. The committee may also undertake its own search process for candidates and may retain the services of professional firms or other third parties to assist in identifying and evaluating potential nominees. The committee may use any process it deems appropriate for the purpose of evaluating candidates which is consistent with those set forth in its terms of reference, the Company's articles of association, the corporate governance policy and the policy described herein; provided that the process used for evaluating a nominee for each election or appointment of directors shall be substantially similar and under no circumstances shall the committee evaluate nominees recommended by a shareholder pursuant to a process that is substantially different than that used for other nominees for the same election or appointment of directors.

Nomination procedures

1. The secretary of the committee shall call a meeting of the committee, and invite nominations of candidates from board members, if any, for consideration by the committee prior to its meeting. The committee may also put forward candidates who are not nominated by board members.
2. For filling a casual vacancy, the committee shall make recommendations for the board's consideration and approval. For proposing candidates to stand for election at a general meeting, the committee shall make nominations to the board for its consideration and recommendation.
3. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the board to stand for election at the general meeting.
4. In order to provide information of the candidates nominated by the board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), and any other information, as required pursuant to applicable laws, rules and regulations, of the proposed candidates.
5. A shareholder can serve a notice to the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a director in accordance with the relevant procedures posted on the Company's website. The particulars of the candidates so proposed will be provided to all shareholders for information by way of announcement and/or supplementary circular.
6. A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the company secretary.
7. The board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.
8. Shareholder proposed resolutions shall take the same form as the resolutions proposed for the candidates recommended by the board.

Board Committees *(continued)*

The nomination committee *(continued)*

During the year, the nomination committee held a meeting in January 2023 to review the structure, size and composition including the skills, knowledge, experience and diversity of the board and independence of independent non-executive directors, and to consider the suitability of those retiring directors standing for re-election at the next annual general meeting as well as the need for a director succession plan. The committee also reviewed the nomination policy and the board diversity policy and discussed the objectives set for implementing the latter policy, and noted that those objectives had been achieved. The committee also scheduled an additional meeting in March 2023 to discuss matters regarding change of independent non-executive director with effect from 22 May 2023. It made recommendations to the board on, among others, the appointment of the new independent non-executive director.

Company Secretary

During the year and up to the date of this report, the company secretary of the Company has been a full-time employee and complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

Securities Transactions by Directors and Relevant Employees

Directors' dealings are governed by a code adopted by the Company (the "Securities Code") (of which the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix C3 to the Listing Rules as amended from time to time (the "Model Code") forms part). Each director will be given a copy of the Securities Code at the time of his or her appointment and a copy of the revised Securities Code in a timely manner. Directors will be notified in advance of the commencement of each period during which they are not allowed to deal in the Company's securities with reminders of their obligations under both codes.

All directors confirmed that they had complied with the required standard set out within the Model Code and the Securities Code throughout the year.

The Company has also adopted a code for relevant employees regarding securities transactions on terms no less exacting than the Model Code. Relevant employees will be notified in advance of the commencement of each period during which they are not allowed to deal in the Company's securities with reminders of their obligations under the code.

Directors' Responsibilities for Preparing Financial Statements

The directors are responsible for preparing the accounts. The board seeks to give a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. It also does so for reports to regulators and information disclosed under statutory requirements.

The directors are also responsible for the integrity of financial information and for ensuring its timely disclosure. Arrangements are made which will allow them to be satisfied that the accounts are true and fair, which accurately disclose the financial position of the Company and comply with statutory requirements and applicable accounting standards.

Risk Management and Internal Control

The board is responsible for ensuring that the Group maintains appropriate and effective risk management and internal control systems (the "systems") to safeguard shareholders' investment and the Company's assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities. The Company has in place a risk management structure, comprising the board, the audit committee, the internal audit function and management. The board evaluates and determines the nature and extent of the risks (including ESG risks) that should be taken in achieving the Company's strategic objectives, and oversees management in the design, implementation and monitoring of the systems, through the audit committee and the internal audit function, and management provides a confirmation to the board on the system effectiveness.

While acknowledging responsibility for the systems and for reviewing their effectiveness, the board recognises that they are designed to assist the Company in managing, rather than eliminating, the risk of failure to achieve its business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The system review is an ongoing process, being conducted in turn by management, by the internal audit function and the audit committee, and, ultimately, by the board. Each year, the audit committee receives three internal audit reports and a management report with respect to the operational aspects of internal controls over the areas of key risk identified. Any material internal control defects, and recommendations for resolving the defects, are identified and made to the board as appropriate. Based on those reports, the audit committee conducts relevant review and reports to the board, highlighting any areas where action or improvement is needed. The board reviews the effectiveness of the systems, taking into account the views and recommendations of the audit committee, and reports to shareholders by way of disclosure in this report.

Using the above process, the board scheduled a meeting in November 2023 and an additional meeting in March 2024 to review the systems for the nine months ended 30 September 2023 and for the year respectively. The review covered all material controls, including financial, operational and compliance controls, and gave particular consideration to the items under D.2.2 and D.2.3 of the CG Code. They are: the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions and ESG performance reporting; the changes in the nature and extent of significant risks (including ESG risks), and the Company's ability to respond to changes to its business and the external environment; the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and the work of its internal audit function; the extent and frequency of communication of monitoring results to the audit committee; significant control failings or weaknesses and their impacts on the Company's financial performance or condition; and the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. Nothing wrong or improper with respect to any of the foregoing items was noted on both occasions and the board considered the systems effective and adequate.

The Company's process for identifying, evaluating, and managing significant risks, as well as the main features of the systems, are described in the sub-section headed "*Risk management process*" below. In addition, the Company has adopted procedures and internal controls governing the handling and dissemination of inside information, as described in the sub-section headed "*Handling and dissemination of inside information*" below.

The risk management process and the procedures and internal controls for the handling and dissemination of inside information were in place throughout the year and up to the date of this report.

Risk Management and Internal Control *(continued)*

Risk management process

The board acknowledges that a robust risk assessment process provides a reliable basis for determining appropriate risk responses. The major business segments of the Group (namely, motoring school operation, tunnel operation, electronic toll operation and treasury management business) have different risk profiles to varying extents. The risk tolerance levels of individual business segments on the same risk elements and the respective risk responses for bringing the level of risk exposure down to their defined risk tolerance levels may also differ. Though the board is responsible for identifying and assessing risks of a more macro and strategic nature, management seeks to have risk management features embedded in business operations as well as in functional areas such as legal, finance, human resources and technology. In this way, a more practical approach of risk management on a day-to-day basis is adopted by the individual business segment.

The risk management process includes the establishment of risk context (strategic, organisational and operational), the identification of risk factors, the analysis and evaluation of risk levels based on the defined rating criteria (which is to say, to assess the likelihood of occurrence and the significance of the impact of such risks on the performance or achievement of the objectives such as maximising revenue), prioritisation of risk factors, selection and implementation as well as evaluation of the control mechanisms/activities which contribute to mitigating the risk of business disruptions or non-compliance with applicable rules and regulations. The management of various business segments are delegated to perform risk assessment by reviewing and updating their respective risk profiles. The scope of such review covers risk groups including strategic, compliance, operations and financial risks, which are further divided into various risk categories, risk titles and descriptions. Since the risk profile of each individual business segment may be valid for only a certain period of time, the management of the respective business segments are responsible for monitoring any change in the risk items as well as the effectiveness of the related control mechanisms and/or control activities by conducting reviews on the overall risk profile on a half-yearly basis.

The board, together with the audit committee and the internal audit function, regularly assesses the effectiveness of the systems established and maintained by management and ensures that management has performed its duty to have effective systems.

Handling and dissemination of inside information

The board is responsible for ensuring the Group's compliance with its disclosure obligations regarding inside information and has appointed a disclosure group with specific designated duties to assist it in, among other things, overseeing and co-ordinating the disclosure of inside information. The procedures and internal controls for the handling and dissemination of inside information are given in the policy (the "PSI Policy") adopted by the Company to ensure that it is able to meet relevant obligations under Part XIVA of the Securities and Futures Ordinance (Cap. 571) (the "SFO"). The PSI Policy applies to the directors, officers and employees of the Group.

Risk Management and Internal Control *(continued)*

Handling and dissemination of inside information *(continued)*

Under the PSI Policy, the Company must disclose inside information to the public by way of an announcement as soon as reasonably practicable unless the information falls within any of the safe harbours described under the SFO. Any director, officer or employee who becomes aware of a matter, development or event that he or she considers to be, or potentially to be, inside information shall report it promptly to the disclosure group. Before the relevant information is fully disclosed to the public, the disclosure group should take reasonable precautions to ensure that the information is kept strictly confidential. Where it is believed that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the information should be disclosed immediately to the public. If the disclosure group needs time to clarify the details of, and the impact arising from, an event or a set of circumstances before it is in a position to issue a full announcement to properly inform the public, the disclosure group should consider issuing a "holding announcement" which details as much ascertainable information of the subject matter as possible and sets out the reasons why a fuller announcement cannot be made. Following a holding announcement, the disclosure group should ensure that a full announcement is made as soon as reasonably practicable. In the event that confidentiality has not been maintained and it is not able to make a full announcement or a holding announcement, the disclosure group should consider applying for a suspension of trading in the Company's securities, subject to approval of the board, until disclosure can be made. All inside information related announcements must be properly approved by the board before publication, and all unpublished inside information must be kept in strict confidence until a formal announcement is made. The disclosure group must further ensure that access to unpublished inside information is given only to employees on a "need-to-know" basis for discharging their duties. Apart from reporting to the disclosure group, every director, officer or employee who possesses or has been given access to unpublished inside information must not disclose, discuss or share such information to or with any other parties within or outside the Group. The PSI Policy also sets out the criteria for advance disclosure of inside information to certain categories of people as may be necessary in the circumstances. In this case, the disclosure group should monitor the situation so that disclosure may be made as soon as reasonably practicable if there is any leakage of information.

Directors, officers and employees must refrain from dealing in the shares of the Company at any time when they are in possession of unpublished inside information. Securities dealings are governed by the securities codes applicable to directors and relevant employees (within the meaning of the CG Code), as described in the section below.

The Company has established (i) system and measures that promote and support anti-corruption laws and regulations; and (ii) whistleblowing policy for employees and third parties to raise concerns, in confidence and anonymity, with the audit committee about possible improprieties in any matter relating to the Group.

Auditor's Remuneration and Auditor Related Matters

KPMG were remunerated a total of HK$3,873,000 for services rendered to the Group, of which HK$3,273,000 were audit fees and HK$600,000 were fees for interim review. The provision of the above non-audit services by KPMG did not, in the opinion of the audit committee, compromise their independence.

Diversity

The Company has adopted a board diversity policy setting out the approach to achieve and maintain a diverse board to enhance its effectiveness. Board diversity ensures the board has appropriate balance and level of skills, experience and perspectives required to support the execution of the Company's strategies.

The board sets measurable objectives on selection of candidates based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience. The Company will also take into consideration factors based on its business model and specific needs from time to time in determining the composition of the board.

The nomination committee will monitor the implementation of, and review, as appropriate, the board diversity policy and make recommendations on any revisions that may be required to the board.

The Company currently has one female director, and the board will endeavour to maintain female representation on the board and take opportunities to balance the proportion when suitable candidates are identified.

The Company recognizes the importance of having a diverse board to strengthen the Company's strategic objectives in enhancing good corporate governance and attracting and retaining talent for the board. Details on the gender ratio in the workforce of the Group together with relevant data are set out in the section headed "B1. Employment" of the ESG Report on pages 49 to 51.

The board will from time to time review these policies and monitor their implementation to ensure continuous effectiveness and compliance with the relevant regulatory requirements and good corporate governance practices.

Shareholders' Rights

The Company must hold its annual general meeting in respect of each financial year in every calendar year. The following procedures governing the rights of shareholders are subject to the articles of association of the Company, the Companies Ordinance (Cap. 622) and applicable legislation and regulations.

Procedures to convene a general meeting

1. Shareholders representing at least five per cent (5%) of the total voting rights of all the shareholders having a right to vote at general meetings of the Company may request the directors to call a general meeting.
2. A request, which must state the general nature of the business to be dealt with and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting, must be signed and be deposited at the registered office of the Company for the attention of the company secretary. The request may consist of several documents in like form, each signed by one or more of the shareholders concerned.
3. If the directors do not within twenty-one (21) days after the date on which the request is received by the Company proceed duly to call a general meeting for a date not more than twenty-eight (28) days after the date of the notice convening the meeting, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a meeting for a date not more than three (3) months after the date of receipt of the request by the Company.
4. The meeting so requested by shareholders must be called in the same manner, as nearly as possible, as that in which that meeting is required to be called by the directors, and any reasonable expenses incurred by the shareholders must be reimbursed by the Company.
5. A general meeting (other than an adjourned meeting) must be called by notice in writing of, in the case of an annual general meeting and a meeting called for the passing of a special resolution, at least twenty-one (21) days; and in any other case, at least fourteen (14) days. A meeting may be convened by shorter notice if it is so agreed in writing by all shareholders.

Shareholders' Rights *(continued)*

Procedures to put enquiries to the board

Shareholders may at any time send enquiries to the board via the registered office of the Company or via investors@ch.limited. The company secretarial or investor relations personnel will, where appropriate, forward the relevant enquiries to the board or the board committee(s). For enquiries concerning shareholdings and related matters, they should call or visit the Company's share registrar and transfer office.

Procedures to put forward proposals at general meetings

1. In addition to the right to request directors to call a general meeting, shareholders representing at least five per cent (5%) of the total voting rights of all the shareholders having a right to vote at general meetings may request the Company to circulate a resolution that may properly be moved and is proposed as a written resolution and further, to circulate with the resolution a statement of not more than one thousand (1,000) words on the subject matter of the resolution. Each shareholder may only request the Company to circulate one such statement with respect to the resolution.

2. A shareholder may also request the Company to circulate, to shareholders entitled to receive notice of a general meeting, a statement of not more than one thousand (1,000) words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting provided that the power to request circulation is restricted to one statement each. The Company is required to circulate the statement if it has received requests to do so from shareholders representing at least two point five per cent (2.5%) of the total voting rights of all the shareholders who have a relevant right to vote; or at least fifty (50) shareholders having that same right.

3. A request, identifying the resolution of which notice is to be given, must be signed and be deposited at the registered office of the Company for the attention of the company secretary not later than six (6) weeks before the annual general meeting to which the request relates; or if later, not later than the time at which notice is given of that meeting. The Company shall circulate the resolution at its own expense to all shareholders.

4. A shareholder who wishes to propose a person (other than a retiring director and any person recommended by the directors for election) for election as a director at a general meeting must give notice in writing of such intent and notice in writing by that person and accompanying personal information, being information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, must also be given to the Company at its registered office for the attention of the company secretary not earlier than the day after the dispatch of the notice of the general meeting appointed for such election and not later than seven (7) days prior to the date of such meeting. The first notice must be signed by the shareholder concerned and the second notice, indicating willingness to be elected and consent to publication of his or her personal information, must be signed by that person being proposed for election.

   Note: In order to give shareholders sufficient time to consider the election of the proposed person as a director without adjourning the meeting, the shareholder making the proposal is urged to submit or procure the submission of the required notices and information as early as practicable, preferably not later than fourteen (14) business days before the date of the relevant general meeting.

Dividend Policy

The Company targets to maintain a steady return to its shareholders and at the same time a strong balance sheet in pursuing investment opportunities in the future. At present, the Company maintains to pay dividend four times (quarterly) a year.

Investor Relations

Constitution documents

No significant changes to the Company's articles of association were made during the year.

Shareholders' communication policy

General policy

1. The board shall maintain an on-going dialogue with its shareholders and potential investors, and will regularly review the policy to ensure its effectiveness.
2. Information shall be communicated to shareholders and potential investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available its corporate communications, announcements and other publications by way of which disclosure is made pursuant to the Listing Rules by including them on the website of The Stock Exchange of Hong Kong Limited (the "Exchange") and the Company's website.
3. Effective and timely dissemination of information to shareholders and potential investors shall be ensured at all times.

Communication channels

1. Shareholders should direct questions concerning shareholdings and matters such as change of name or address, loss of share certificates or dividend warrants, to the Company's share registrar & transfer office.
2. General enquiries may be addressed to the Company Secretarial Department or the Investor Relations Department (if applicable) of the Company.
3. A dedicated investor relations section is available on the Company's website at www.ch.limited.
4. Shareholders are encouraged to attend general meetings or to appoint a proxy to attend and vote on their behalf if they are unable to attend.
5. Board members will attend annual general meetings to develop a balanced understanding of the views of shareholders. The chairman of the board and of each board committee (or another member of the relevant board committee or failing this, his/her duly appointed delegate), appropriate management executives and external auditors will answer questions at the annual general meeting.

The board reviewed the policy during the year and considered it effective, taking into account the existence of multiple communication channels in place and receiving no negative feedback from shareholders or potential investors.

Conclusion

In the opinion of the board, good governance was maintained throughout the accounting period covered by the annual report. The Company shall keep its governance practices under review to ensure that they are in step with the latest developments.

Environmental, Social and Governance Report

Introduction

We are pleased to present our annual Environmental, Social and Governance ("ESG") report. The report provides an update of the ESG performance of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2023. This report has been prepared in compliance with the Main Board Listing Rules and gives information required to be disclosed pursuant to the ESG Reporting Guide in Appendix C2 to the said Rules.

Reporting Boundary

The Company identifies the reporting scope of this report by considering its main revenue source. This report covers the Group's operations, including those primarily engaged in driving school operation (the "Motoring Group") and treasury management, which together represent 100% of the Group's total revenue. There is no significant change in the scope of this report from that of the last report.

Governance Structure

We believe that ESG is one of the key elements to achieving continuing success. The Group has early endorsed ESG integration recognising that this is key to promoting sustainability in our investment decision-making process and vital for promoting ESG values and ethics to our shareholders and stakeholders. To ensure that sustainability strategies are carried out effectively and consistently throughout the Group, we have adopted a comprehensive policy (the "CSR Policy") that underlines our obligations toward sustainable development and social responsibility. The CSR Policy guides our businesses and operational decisions to four focus areas: workplace, operating practices, community and environment.

The board takes leadership for and accountability in:

- Overseeing the assessment of the Group's environmental and social impacts.
- Understanding the potential impact and related risks of material ESG (including climate-related) issues on the Group's operating model.
- Aligning with what investors and regulators expect and require.
- Enforcing a materiality assessment and reporting process to ensure actions are well followed through and implemented.
- Promoting a culture from the top-down to ensure ESG considerations are part of the business decision-making process.

The ESG issues identified are important component of our overall strategy, including risk management. The risk management and internal control systems set up by the Company are described in the Corporate Governance Report. The board, supported by senior executives, carries out the following ESG functions: (i) to devise ESG management approach, strategies, policies, objectives, goals and targets, and priorities; (ii) to review and monitor the Group's performance against ESG-related goals and targets; and (iii) to review compliance with the ESG Reporting Guide and disclosure in the ESG report. Senior executives in turn implement the Group's ESG policies, practices and performance to ensure regulatory compliance. In discharging their duties, the senior executives assist the board in maintaining a transparent and an effective communication with various stakeholders, in identifying and assessing ESG risks, in assessing the effectiveness of the ESG internal control mechanism, and in monitoring and responding to the increasingly emerging ESG-related issues. They make recommendations to the board for improving the overall ESG performance of the Group as appropriate.

Governance Structure *(continued)*

In 2023, the Group conducted an ESG priority assessment exercise by soliciting input from its stakeholders. Taking into consideration the Group's operations and sustainability trends, material ESG-related issues were identified and incorporated into the exercise so that an in-depth understanding of stakeholders' opinions and expectations towards the Group's sustainability performance and strategies was attained.

In response to the Government's climate action plan that calls for carbon neutrality by 2050, the Group has increased its efforts in accelerating low-carbon transition. This includes setting up a dedicated team to identify climate impact and solutions, focusing on the ways to reduce our greenhouse gas ("GHG") emissions in the environment. Further, to provide a roadmap for decarbonizing our operations, new targets for GHG emissions were set up. Together with our commitment to energy saving, water efficiency and waste reduction, such initiative shows our staunch support for environmental protection.

During the year, the board has delegated the authority to senior executives to gather ESG data, monitor and analyse its performance, and evaluate the Group's progress made against ESG-related goals and targets. Through regular reports from senior executives, the board has confirmed that the progress towards the targets has been satisfactory and expects steady progress to continue.

Reporting Principles

Materiality: This report adopts the materiality principle and is structured in terms of the materiality of each ESG topic, as determined by the materiality assessment conducted in 2023. The findings have been duly considered by senior management and confirmed by the board. Please refer to the sections headed "Materiality Assessment" and "Stakeholder Engagement".

Quantitative: This report has been prepared in accordance with the ESG Reporting Guide and discloses key performance indicators ("KPIs") in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references and sources of key conversion factors used for KPIs is stated wherever appropriate.

Consistency: Unless otherwise stated, the methods or KPIs used in this report are consistent with those used in the last report. Where there is change to the scope or to those methods or KPIs that may affect a meaningful comparison, it will be accompanied by explanatory notes.

This report has been reviewed and approved by the board which has made every endeavour to ensure the accuracy and reliability of the information presented in this report.

Materiality Assessment

The board and management have participated in the preparation of this report. In doing so, management reviewed the Group's operations, identifying key ESG issues and evaluating the impacts of those issues on its business and stakeholders and reporting them to the board. A materiality assessment has been done in this regard to identify those ESG topics that have the most significant impact on the Company and its stakeholders.

The Group has prioritised those ESG topics for better strategic planning and resource allocation. The topics under the category of "Highly Important" in the following table have been identified as those that matter most to the Group's business operations and its stakeholders. By acknowledging stakeholder expectations, the Group demonstrates its commitment to continuous improvement in ESG performance.

Materiality Assessment *(continued)*

A summary of the material ESG aspects of the Group is given below.

Moderately Important	Important	Highly Important
• Waste management • Water management • Supply chain management • Reasonable marketing and promotion • Community investment	• GHG emissions and control • Energy efficiency • Climate change mitigation and adaptation • Employment practices • Employee development and training • Protection of customer privacy and intellectual property	• Occupational health and safety • Labour standards • Customer satisfaction • Product and service quality • Compliance management and integrity construction

Stakeholder Engagement

The Group has been committed to maintaining a good relationship with its stakeholders and to working towards the goal of sustainable development. Stakeholder engagement is a key part of the management's strategy to identify and manage issues that are most material to stakeholders and most relevant to the Group's business. In order to better understand stakeholders' expectations, identify material issues and assess the effectiveness of our sustainability measures, we maintain regular contact with stakeholders by utilising the diversified engagement methods and communication channels listed below.

Stakeholders	Expectations	Communication Channels
Shareholders and investors	• Corporate governance system • Compliance operations • Information disclosure and transparency • Protection of shareholders' interests • Investment returns	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Company website and email
Customers	• Reasonable price • Product quality • Customer privacy protection • Business integrity and ethics	• CS support hotline and email • Media • Personal contact • Satisfaction survey
Employees	• Career development opportunities • Occupational health and safety • Remuneration and benefits • Work environment	• Trainings, seminars and briefing sessions • Staff appraisals • Cultural and sports activities • Intranet and emails
Suppliers and partners	• Fair tendering • Business ethics and reputation • Long-term partnership	• Business meetings, emails and phone calls • Review and assessment • Regular meeting
Regulatory bodies and government authorities	• Corporate governance system • Compliance operations • Information disclosure and transparency • Implementation of policies • Payment of tax	• Compliance advisor • On-site inspections • Financial reports • Website • Legal advisor
The community, non-governmental organisation and media	• Giving back to society • Environmental protection • Social welfare • Occupational health and safety • Compliance operations	• Community activities • ESG reports • Media

Contact and Feedback

We welcome your feedback. If you have a suggestion or question, please send it by post or by email to the following addresses:

Office: 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Email: investors@ch.limited

A. Environmental

The Group is aware of the environmental impacts associated with its business and makes every endeavour to minimise the amount of air pollutants, GHG emissions, wastewater discharge and waste generated from its operations. To minimise their possible impacts on the environment, the Group has put great efforts into promoting environmental awareness among stakeholders, and its commitment in this regard can be seen in the sustainable practices advocated for in the office and workplace. The Group has formulated specific guidelines that cover four main areas into which those practices may fall: (1) emissions, (2) use of resources, (3) the environment and natural resources, and (4) climate change.

During 2023, the Group was not aware of any violation of laws and regulations that had a significant impact on it relating to air, exhaust gas and GHG emissions, sewage discharges into water and land, and generation of hazardous and non-hazardous wastes. Those laws and regulations include, among others, the Air Pollution Control Ordinance (Cap. 311), the Waste Disposal Ordinance (Cap. 354) and the Water Pollution Control Ordinance (Cap. 358).

A1. Emissions

Air Emissions

The Group's air emissions mainly come from the exhaust gas emissions generated by the consumption of petrol and diesel by the training vehicles of its Motoring Group. In this regard, the following measures have been taken:

- Plan routes ahead of time to avoid route repetition and optimize fuel consumption.
- Switch off the engine whenever the vehicle is idling.
- Regularly conduct vehicle inspection and maintenance to ensure optimal engine performance and fuel use.
- Use telephone/video conferencing for online presentations and meetings to substitute unnecessary overseas business trips.
- Encourage staff to use public transport when performing out-of-office duties.
- Adopt the use of ultra-low-sulphur diesel (ULSD) at the development projects.

Types of Emissions and Emissions Data (KPI – A1.1)

During 2023, the Group generated approximately 3,897kg, 15kg, and 361kg of nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter (PM) respectively. This was mainly attributable to the fuel consumed by the training vehicles of its Motoring Group.

A. Environmental *(continued)*

A1. Emissions *(continued)*

GHG Emissions

The major source of the Group's GHG emissions is the direct emissions from petrol and diesel consumed by vehicles (Scope 1), energy indirect emissions from purchased electricity (Scope 2), as well as electricity used for processing fresh water and sewage by government bureaux or departments and paper waste disposal at landfills (Scope 3). The Group has set a target to reduce the GHG emissions intensity (tCO_2e/employee) by 3% in the next 5 years, using 2021 as the baseline year. To achieve this, measures have been taken and will be closely followed.

Recognising that the Motoring Group accounts for a significant part of the GHG emissions, which rest largely on the type and number of vehicles used, the Group has obliged its Motoring Group to be compliant with local laws and regulations and to take the following actions to better manage its GHG emissions:

- Monitor vehicles' emissions performance.
- Comply with the Group's emission control practices which are described in the section headed "Air Emissions" under this aspect.

The Group embraces the promotion of green practices and has further adopted the following measures in its day-to-day operations:

- Post green information in office areas to raise employees' awareness and promote best environmental management practices.
- Implement fleet management measures which are described in the section headed "Air Emissions" under this aspect.
- Implement energy and water conservation measures which are described in the sections headed "Energy Management" and "Water Management" respectively under aspect A2.

During 2023, the Group emitted in total approximately 3,399.19 tCO_2e of GHG with an intensity of approximately 5.17 tCO_2e/employee. The Group will continue to monitor its performance and review the progress made against its target in coming years.

A. Environmental *(continued)*

A1. Emissions *(continued)*

GHG Emissions *(continued)*

A summary of the GHG emissions of the Group is given below.

	2022		**2023**	
KPI[Note 1] – A1.2	Emission (tCO_2e)	Intensity (tCO_2e/ employee)	**Emission (tCO_2e)**	**Intensity (tCO_2e/ employee)**
Direct GHG emissions (Scope 1) • Petrol consumed by vehicle	2,334.37	3.57	**2,654.49**	**4.04**
Indirect GHG emissions (Scope 2) • Purchased electricity	631.65	0.97	**673.08**	**1.02**
Indirect GHG emissions (Scope 3) • Paper waste disposed at landfills • Electricity used for processing fresh water and sewage by government departments	90.25	0.14	**71.62**	**0.11**
Total GHG emissions	3,056.27	4.68	**3,399.19**	**5.17**

Notes:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report-Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the latest Sustainability Report published by the Hongkong Electric Company and CLP Power Hong Kong Limited.
2. As at 31 December 2023, the Group's total headcount within the reporting scope of this report was 657 (2022: 654). This data is also used for calculating other intensity data in this report.

Emission Targets (KPI – A1.5)

The Group will endeavour to reduce the emissions within the KPIs A1.1 and A1.2 compared to the baseline year. It has taken the following steps to achieve emission targets:

- In the procurement process for vehicles, a wide range of eco-friendly vehicles is explored to reduce emission whenever practicable.
- The number of business trips is actively reduced. Employees are encouraged to communicate in a green manner, e.g., replacing face-to-face meetings by video and phone conferences so as to reduce extra greenhouse gas emission caused by business travel.
- Priority is given to products of local suppliers whenever practicable with a view to reducing goods delivery distance so as to lower greenhouse gas emission.
- Envelopes are recycled and reused.
- Consumption of printing paper is reduced by using computers to send and receive documents as far as practicable.
- Light management is enhanced so that lighting is turned off when not required or when rooms are not occupied.
- Incandescent light bulbs are replaced by compact fluorescent or LED lighting.
- Thermostat control is applied to set temperature of air-conditioners at the right level.

A. Environmental *(continued)*

A1. Emissions *(continued)*

Waste Management

Hazardous Wastes

Although the amount of hazardous wastes accounts for only a relatively small percentage of the total waste produced in 2023, the Group understands their potential adverse impact on the environment and hence takes all necessary actions to handle and manage them properly. In particular, the Group ensures that the Motoring Group disposes of its hazardous wastes in a lawful manner by engaging licensed waste collectors. The Group aims to continuously reduce the adverse impacts arising from the generation of hazardous wastes.

The Group has formulated guidelines to govern the management and disposal of hazardous wastes. Employees are reminded to print less to save ink or toner so as to minimise the generation of hazardous wastes, among others. As mentioned above, the Group engages a licensed waste collector and ensures that its handling of hazardous wastes is fully compliant with applicable environmental rules and regulations.

During 2023, the amount of hazardous wastes generated by the Group is as follows.

	2022		**2023**	
KPI	Annual hazardous waste (tonnes)	Intensity (tonnes/ employee)	**Annual hazardous waste (tonnes)**	**Intensity (tonnes/ employee)**
A1.3 Total hazardous waste produced	7.23	0.01	**5.92**	**< 0.01**

Reduction Targets – Hazardous Wastes (KPI – A1.6)

The Group continued to drive the amount of hazardous wastes below the result of the baseline year and has taken the following steps to achieve reduction targets:

- Car washing is carried out at designated location with proper sewage system.
- Biodegradable and non-poisonous cleaning detergents are used.
- Used lamps are properly collected and disposed of to avoid contamination, as lamps contain metal, glass and tiny amount of mercury which is a toxic substance.

Non-hazardous Wastes

The non-hazardous wastes generated by the Group were mainly general waste and office paper. The Group has set a target to reduce the non-hazardous waste intensity by 3% in the next 5 years, using 2021 as the baseline year. The Group will continue to make great efforts in this regard.

The Group applies the 3R principles to reduce, reuse and/or recycle in its waste management initiatives. The following measures have been adopted on the premises of driving schools:

- Avoid overstocking of materials through proper inventory planning and management.
- Store and handle materials in a manner to prevent deterioration and damages.
- Encourage the reuse of materials wherever possible.
- Monitor performance on waste management through non-periodical inspections.

A. Environmental *(continued)*

A1. Emissions *(continued)*

Waste Management *(continued)*

Non-hazardous Wastes (continued)

In order to effectively manage and reduce office waste, the Group has begun to instil environmental awareness among its employees. Specifically, the Group promotes the following practices:

- Encourage staff to participate in the recycling of general solid waste and paper by installing the recycling facilities in the office.
- Promote the use of green stationery such as refillable ball pens and mechanical pencils where applicable.
- Reuse tableware, cutlery, cups and glasses to reduce the use of disposable eating utensils.
- Serve drinks with teapots and cups/glasses instead of bottled water at meetings to reduce plastic wastage.
- Formulate paper-saving initiatives which are described in the section headed "Paper Management" under aspect A2.

During 2023, the Group produced in total 396.06 tonnes of non-hazardous wastes with an intensity of 0.60 tonnes/employee. The Group will continue to monitor its performance and review the progress made against targets in the coming years.

During 2023, the amount of non-hazardous wastes generated by the Group is as follows:

	2022		**2023**	
KPI	Annual non-hazardous waste (tonnes)	Intensity (tonnes/ employee)	**Annual non-hazardous waste (tonnes)**	**Intensity (tonnes/ employee)**
A1.4 Total non-hazardous waste produced	396.87	0.61	**396.06**	**0.60**

Reduction Targets – Non-hazardous Wastes (KPI – A1.6)

The Group continued to drive the amount of non-hazardous wastes below the result of the baseline year and has taken the following steps to achieve reduction targets:

- Mobile applications are used to replace over-the-counter services in order to reduce consumption of paper required for printing records and customer survey forms.
- Email and USB storage tools are used to reduce consumption of printing paper.
- Source separation of wastes at workplace is implemented.
- QR codes built inside the driving school's mobile application are used to replace physical RFID cards to record lesson attendance.
- iPads are used to complete student questionnaires instead of using paper.
- Cloud web servers are adopted instead of purchasing our own hardware, thus reducing the generation of electronic waste.
- Recyclable drinking straws are adopted in canteen to reduce non-degradable waste.

Sewage Discharge

The Group does not consume a significant volume of water through its business activities and hence no significant portion of discharge into water is generated. Since the sewage discharged by the Group is discharged into the municipal sewage pipe network, the amount of sewage discharge is considered as the water consumed. Such amount, together with water-saving initiatives, is given in the section headed "Water Management" under aspect A2.

A. Environmental *(continued)*

A2. Use of Resources

Energy Management

The energy consumed by the Group during 2023 was mainly the petrol and diesel used for driving training and the electricity consumed in daily operations. The Group strives to minimise the environmental impacts of its operations by introducing various initiatives for energy conservation. The Group has set a target to reduce the energy consumption intensity by 3% in the next 5 years, using 2021 as the baseline year. The Group will conduct regular performance reviews to seek continuous improvement.

The Group adopts resource efficiency and eco-friendly initiatives to optimise electricity consumption. The following energy-saving measures have been implemented:

- Use energy-saving features of electrical appliances and office equipment, such as adopting the "sleep or standby mode" when the computer is idle.
- Serve reminders by affixing conspicuous "save energy" labels near the power switches of printing equipment, and information and communications technology equipment. The situation is monitored periodically by designated staff.
- Carry out regular checking and cleaning of office equipment.
- Arrange maintenance or procure timely replacement of deteriorated or aged parts of office equipment to reduce power loss due to malfunction and component failure.
- Encourage the use of stairs instead of elevators for inter-floor traffic.
- Encourage staff participation in energy-saving campaigns.

During 2023, the Group consumed in total 11.31 million kWh of energy with an intensity of 17,217 kWh/employee. The Group will continue to monitor its performance and review the progress made against targets in the coming years.

A summary of the energy consumption of the Group is given below.

		2022		**2023**	
KPI	**Source of energy consumption**	Energy consumed ('000 kWh)	Intensity ('000 kWh/ employee)	**Energy consumed ('000 kWh)**	**Intensity ('000 kWh/ employee)**
A2.1 energy consumption	Electricity	1,427	2.18	**1,545**	**2.35**
	Stationery combustion	0	0	**0**	**0**
	Mobile combustion	8,426	12.88	**9,766**	**14.87**
	Total energy consumed	9,853	15.06	**11,311**	**17.22**

A. Environmental *(continued)*

A2. Use of Resources *(continued)*

Energy Management *(continued)*

Energy Use Efficiency Targets (KPI – A2.3)

The Group will endeavour to improve the energy usage efficiency to achieve the same or even higher level of business output compared to the baseline year and has taken the following steps to achieve energy use efficiency targets:

- Environmental awareness and cultural change among employees are promoted so as to complement other elements of good practices as part of an integrated approach to our environmental management in the Group.
- Fluorescent lamps, especially compact fluorescent lamps (CFLs), or LED lamps are used to reduce electricity consumption and greenhouse gas emission.
- The installation of solar panels on the premises for storing solar energy is under consideration.
- Driving instructors and students are encouraged to turn off the air-conditioner of vehicle when the ambient temperature is lower than 22°C and lower the windows of the vehicle for better ventilation.
- Online orientation lectures, which are accessible through the driving school's mobile application, are introduced to reduce the need for students to attend the lectures in the driving school premises. It saves the travelling time of students and reduces the consumption of electricity due to the use of air-conditioning and lighting in lecture rooms.
- Video conference meetings instead of face-to-face meetings are adopted as far as practicable. It saves the travelling time of participants and reduces the consumption of electricity due to the use of air-conditioning and lighting in meeting rooms.
- Online confirmations of extending course expiration dates and newly scheduled driving tests are adopted. It saves the travelling time of students to obtain the confirmations from the driving school.

Water Management

Recognising that water is one of our most precious resources, the Group has been looking for ways to use water efficiently and put water saving a priority. The Group has set a target to reduce water consumption intensity by 3% in the next 5 years, using 2021 as baseline year. To achieve this, the Group will endeavour to reduce unnecessary water consumption through careful planning and close monitoring.

The Group actively promotes change in water conservation behaviour. In doing so, the following water saving efforts have been taken at the office premises and driving schools:

- Serve reminders by affixing conspicuous "save water" and "protect our natural environment" labels near water taps.
- Shut off the main water supply to the area concerned after office/operating hours.
- Notify the responsible personnel of any leaking water taps or pipes for repair to avoid wastage of water.
- Use dual-flush toilets.
- Use faucets and urinals with infrared sensors where possible.
- Procure staff to inspect the water supply system to ensure no leakage on a regular basis.

During 2023, the Group consumed in total 21,530 m^3 of water with an intensity of 32.77 m^3/employee. The Group will continue to monitor its performance and strengthen water-saving measures in the coming years.

A. Environmental *(continued)*

A2. Use of Resources *(continued)*

Water Management *(continued)*

A summary of the water consumption of the Group is given below.

KPI	Water consumption	2022		2023	
		Water consumed (m^3)	Intensity (m^3/employee)	**Water consumed (m^3)**	**Intensity (m^3/employee)**
A2.2 water consumption	Annual water consumed	23,316	35.65	**21,530**	**32.77**

Water Efficiency Targets (KPI – A2.4)

Due to the nature of the business, the Group did not have any issues in sourcing water fit for purpose during 2023.

The Group continued to ensure efficient use of water for business operation and to keep reducing water consumption to achieve the same or even higher level of business output compared to the baseline year. It has taken the following steps to achieve water efficiency targets:

- Automatic shut-off faucet equipment is installed in each driving school to improve water usage efficiency.
- Regular inspections and maintenance of the plumbing and flushing systems are carried out to ensure that they are kept in good condition.
- The Motoring Group has joined the scheme "Quality water recognition scheme for building – fresh water(plus)" organised by Hong Kong Standards and Testing Centre to ensure that the water supply systems are fully complied with the drinking water quality standards.

Paper Management

One of the Group's most consumed materials is office paper. To minimise the use of paper, the Group advocates the concept of paperless office and the application of office automation. The following measures have been adopted by the Group in its daily operations:

- Communicate and share information by electronic means (e.g., via intranet, internet or email) as far as possible to minimise paper use.
- Use both sides of paper and reuse envelopes.
- Provide recycling bins near copiers and fax machines.
- Separate wastepaper into single-sided and used papers.

Use of Packaging Materials (KPI – A2.5)

Due to the nature of the business, the Group did not use any packaging materials during 2023.

A. Environmental *(continued)*

A3. The Environment and Natural Resources

Impacts on the Environment and Natural Resources (KPI – A3.1)

Although the activities of the Group have no significant impacts on the environment and natural resources, it recognises the impacts of its daily operations on the environment and is committed to conducting its activities in an environmentally responsible manner. To minimise such impacts, the Group has taken necessary measures to promote energy conservation, emission reduction and environmental protection. The Group will continue to promote environmental awareness amongst customers, employees, contractors, suppliers, business partners and other stakeholders as part of its waste reduction initiatives.

Green Workplace

The Group is also committed to providing employees with a green work environment to enhance work efficiency. The Group understands that changing habits and raising the environmental awareness of employees requires continuous efforts. To this end, posters with environmental protection tips and energy saving signs have been put up in office premises.

The Group further participated the Biz-Green Dress Day organised by the Hong Kong Green Building Council and the Construction Industry Council. This campaign advocated light and breathable outfits to work as to reduce the consumption of air-conditioning, achieve energy saving and reduce carbon emissions in the workplace.

The Group maintains a clean, tidy and hygienic office environment by regularly checking the conditions of each common area and workspace and identifying potential safety hazards and resolving them promptly.

A4. Climate Change

Climate action is gaining momentum across the globe in the face of looming catastrophe, as the whole world urgently calls for limiting global warming to 1.5˚C above pre-industrial levels and reaching net-zero emissions globally by 2050. In Hong Kong, the Government has scaled up commitments to emissions reduction by setting a timeline to achieve carbon neutrality by 2050. In response to the global trend and local initiative, the Group continued the gradual progress it has made towards carbon reduction and documented climate-related measures in its composite CSR Policy. The Group will endeavour to follow those measures to identify and appropriately manage marked climate-related impacts. With an aim to build long-term resilience to climate change and doing its part to support the transition towards a low-carbon economy, the Group will integrate the factors of changing climate into its business strategies. During 2023, we followed the recommendations of the Taskforce on Climate-related Financial Disclosure, which form part of our climate risk assessment, and determined the likelihood of future climate hazards and their potential impacts on our business.

Physical Risks

Extreme weather has been identified as a physical climate risk to which the Motoring Group is exposed, potentially causing damage to property and economic loss. Results of the climate risk assessments suggest that the driving school at Ap Lei Chau could be materially impacted by flooding due to the increasing tropical storm frequency. The Group has taken steps to mitigate the impact by devising disaster recovery plans to deal with emergencies.

A. Environmental *(continued)*

A4. Climate Change *(continued)*

Transition Risks

It is anticipated that more stringent ESG-related policies and initiatives will be implemented by the Government to meet the carbon emission reduction targets and net-zero ambitions. As a result, higher operating costs will ensue in order to meet the need to replace equipment with higher efficiency models to ensure compliance in the future. In an attempt to reduce carbon emissions, the Group has adopted applicable recognised standards and procured energy-saving equipment across its operations. Senior executives regularly monitor climate-related trends, policies and regulations so that the board is kept updated on the latest developments promptly to avoid cost increments, non-compliance fines and/or reputational risks due to delayed response.

Going forward, the Group will continue to assess, monitor, control, document and annually disclose its GHG emissions, as well as to evaluate the effectiveness of current ESG measures to further improve its environmental performance and sustainability.

Climate-related Issues (KPI – A4.1)

Stronger and more frequent typhoons could affect the operation of Road Safety Centres of the Motoring Group, especially Ap Lei Chau Centre which is situated adjacent to the seaside, and Yuen Long Centre which is connected by only one access road surrounded by tall trees. The following actions have been taken to manage this risk:

- Standard procedures are set up to handle all precautionary works to prevent or reduce damage due to typhoon.
- Preventive actions are carried out, e.g., regular tree cutting, to avoid roadway blockage and human/property damage caused by fallen trees.
- Insurance coverage is regularly reviewed and adjusted accordingly.

Rising sea level could affect the operation of Ap Lei Chau Centre due to seawater intrusion when typhoons strike at the time of rising tide. The following actions have been taken to manage this risk:

- Anti-seawater intrusion facilities are installed.
- Seawater level monitoring and alerting system is installed.
- The gully is regularly cleaned to ensure that it will not be blocked by objects.

Besides, emission standard of new registered vehicles has been tightened up by the Government. The following actions have been taken to manage this transition risk:

- Priority is given to environmentally friendly vehicles in the purchase of vehicles.
- The development of new energy vehicles is closely monitored to facilitate the fleet replacement plan.
- A total of six electric vehicles (EVs) were purchased for driving training in order to gain early experience on necessary arrangements and facilities of using EVs.

Lastly, global warming causes increasing demand for air conditioning that drives greater electricity and fuel consumption. The following actions have been taken to manage this risk:

- Car windows are kept open during driving training as far as practicable instead of switching on the air-conditioner to full strength.
- Air-conditioners with higher energy efficiency are installed.
- Solar-powered products like solar-powered mosquito repellent lamps are used to reduce the consumption of energy produced by fossil fuels.

B. Social

The Group recognises that people are its most valuable asset. Apart from a safe and healthy workplace, we offer a comprehensive remuneration and benefits package, training opportunities, equal opportunities and fairness at work as well as channels for communication for all. Team bonding activities and social events are arranged to foster a stronger sense of belonging among staff and to help create a friendly and harmonious work environment. Salaries are reviewed and adjusted at least yearly to ensure balancing pay for performance with shareholder alignment. The Group further recognises the importance of a sound, healthy stakeholder relationship in building its long-term success. To this end, senior management maintain effective communication and exchange ideas with stakeholders where appropriate.

B1. Employment

We strive to attract and retain talent and to reconcile economical imperatives with human well-being, with an aim to promote satisfaction, loyalty and commitment. The Group has adopted a Human Resources Practice Guide and Staff Handbook to govern, among others, the recruitment, promotion, discipline, working hours, leaves and other duties and benefits of employees. The level of employees' remuneration is reviewed and adjusted annually on a performance basis with reference to other factors such as the Group's operating results, inflation, and market and economic situation. In addition, a wide range of staff benefits, including medical insurance, retirement schemes, training subsidies and paid leaves, are provided; and social, recreational activities are arranged for employees to strike a work-life balance while fostering cohesion and team spirit among them. The Group respects cultural and individual diversity. We believe that no one should receive less favourable treatment on the grounds of age, race, ethnicity or nationality, gender, religion, marital status, disability or family status. At our workplace, opportunities for employment, training and career development are equally open to all staff members.

During 2023, the Group was not aware of any violation of employment laws and regulations that had a significant impact on it relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Below is a summary of the demographics of the total workforce of the Group by gender, employment type, age group, employment category and geographical region during 2023.

KPI – B1.1	2022	**2023**
Total Workforce	654	**657**
By Gender		
Male	490	**494**
Female	164	**163**
By Employment Type		
Full-time	500	**513**
Part-time	154	**144**
By Age Group		
Under 30 Years Old	59	**49**
30 to 50 Years Old	296	**322**
Above 50 Years Old	299	**286**
By Employment Category		
Senior Management	19	**19**
Supervisory Level	70	**60**
General Employees	565	**578**
By Geographical Region		
Hong Kong	654	**655**
Overseas	0	**2**

B. Social *(continued)*

B1. Employment *(continued)*

Recruitment, Promotion and Dismissal

The Group recognises the importance of attracting good talent. Employees are recruited via a robust, transparent and fair recruitment process. An employment decision is based on suitability of the candidate in terms of qualifications, personality and career goals regardless of race, gender, religion, physical disability, marital status and sexual orientation.

The Group offers career development opportunities for all through an open and fair assessment system. Employee performance is appraised at the end of each year or upon completion of probation. The appraisal serves as a basis for considering and determining salary increments, discretionary bonuses and promotions. The Group also prioritises hiring and promoting internally to motivate employees and boost retention.

Termination of all employment contracts is governed by an internal procedure to ensure that all dismissals are properly thought through and are compliant with relevant laws and regulations. The Group strictly prohibits all forms of unfair or unlawful dismissal.

During 2023, the total employee turnover rate of the Group was approximately 21.16%. Below is a summary of the employee turnover rate by gender, age group and geographical region during 2023.

KPI – B1.2	
Turnover Rate (%)	
By Gender	
Male	19.84
Female	25.15
By Age	
Under 30 Years Old	46.94
30 to 50 Years Old	18.01
Above 50 Years Old	20.28
By Geographical Region	
Hong Kong	21.22
Overseas	0

Note: The employee turnover rate is calculated by dividing the number of employees in the specified category leaving employment during 2023 by the number of employees in the specified category as at 31 December 2023.

Remuneration and Benefits

To attract and retain talent, the Group offers an attractive and competitive remuneration package that includes medical insurance, retirement schemes, long service awards, training subsidies and paid leaves, among other benefits. Staff remuneration levels are determined with reference to individual performance and contributions in addition to other factors such as the Group's operating results, inflation, and market and economic situation.

Equal Opportunities, Diversity and Anti-discrimination

The Group respects cultural and individual diversity. The Group's supportive and inclusive culture allows people to connect and benefit from synergies. We believe that no one should receive less favourable treatment on the grounds of age, race, ethnicity or nationality, gender, religion, marital status, disability or family status. All staff have equal training, career development and employment opportunities. Any person found to have engaged in unlawful discrimination or harassment will be subject to disciplinary action and/or dismissal.

B. Social *(continued)*

B1. Employment *(continued)*

Work-life Balance

We care about the health and well-being of our employees and offer standard working hours and rest periods that are no less exacting than the local employment ordinance. Further, the Group arranges social and recreational activities to support a better work-life balance for its employees while fostering staff cohesion and team spirit.

B2. Health and Safety

We understand that creating a workplace that promotes employee health and well-being is key to unlocking the talent pool. The Group is thus committed to providing and maintaining a safe, healthy and hygienic work environment. The Group has formulated health and safety rules and regulations, and employees are required to stringently abide by those rules and regulations at all times to avoid accidents and potential safety hazards.

During 2023, the Group was not aware of any violation of employment laws and regulations that had a significant impact on it relating to the provision of a safe work environment and protecting employees from occupational hazards. Those laws and regulations include, among others, the Occupational Safety and Health Ordinance (Cap. 509).

Occupational Health and Safety Measures (KPI – B2.3)

The Group pays special attention to occupational health and safety and updates its occupational disease prevention strategies to manage workplace hazards. In order to provide a clean, tidy and safe work environment for all employees, the following measures have been taken at the driving schools during 2023:

- All employees are provided with training relating to occupational health and safety.
- To increase the frequency of cleansing and disinfection of training vehicles and workplace with appropriate cleansing solution.
- Driving instructors are provided with disinfection wet tissues for cleaning their training vehicles after each lesson.
- Hand sanitisers are provided within the school premises for staff, students and visitors to maintain personal hygiene.
- Driving instructors are provided with yoga classes to relieve stress and physical discomfort.

A safe work environment produces happier employees. The Group is dedicated to providing employees with good working conditions as well as to protecting employees from occupational hazards. To achieve this, the Administration Department identifies the potential and actual workplace hazards and risks and monitors and reviews all safety systems through regular checks. Employees are obliged to pay attention to safety hazards in their work environment and avoid improper behaviour that could lead to accidents or injuries in the workplace. Employees should further report any incidents that have caused or may result in injury or damage to their department heads and the administration personnel immediately.

Apart from safeguarding occupational health and safety, the Group encourages employees to adopt good hygiene habits to maintain a clean work environment. To prevent the spread of infectious diseases, employees are required to keep the office and its shared areas clean and tidy, observe personal hygiene and monitor their own health.

B. Social *(continued)*

B2. Health and Safety *(continued)*

Work-related Fatalities and Work Injury (KPIs – B2.1 to B2.2)

During 2023, all offices and workplaces of the Group were operated and maintained in safe and reliable conditions. While the total number of lost-days due to work injuries was 663 man-days during the year, the Group did not register any material injury cases and there was zero case of work-related fatalities in the past three years from 2021 to 2023.

B3. Development and Training

The Group acknowledges the importance of training not only to staff development but also to its success. The Group is committed to excellence by creating an intellectually stimulating environment that enables employees to grow and thrive. This has been achieved through continuous development of a training strategy that focuses on creating values for employees, on enabling them to develop their full potential and skills to better serve the needs of the Group.

Training and Career Development

Training policies and procedures have been formulated to standardise the management of employees' training across all units of the Group. The Motoring Group has also devised an annual training plan and a training management system to align delivery of training activities with current training strategies and to ensure smooth execution, proper documentation and availability of statistics for its regular review of training effectiveness.

The Group provides customised training to its employees to help equip them with the knowledge and skills to perform their job effectively and efficiently. This includes structured training programs, seminars, workshops, online learning, regular sharing sessions, peer learning and/or on-the-job coaching. Further, to facilitate the improvement of employees' professional competence, the Group provides training subsidies.

The Group believes that this joint effort of customised training and provision of training subsidy is an effective and efficient approach to achieve corporate goals through maintaining a competent workforce.

During 2023, approximately 68.80%[Note 2] of the Group's employees participated in training. The average number of training hours per employee was approximately 14.72 hours[Note 3]. Below is a summary of the percentage of employees trained and the average number of training hours completed per employee by gender and employee category during 2023.

B. Social *(continued)*

B3. Development and Training *(continued)*

Training and Career Development (continued)

KPIs – B3.1 to B3.2	Number of employees took part in training	Percentage of employees trained (%)[Note 4]	Average number of training hours per employee (hours)[Note 5]
By Gender			
Male	334	67.61	16.26
Female	118	72.39	9.46
By Employee Category			
Senior Management	19	100.00	15.28
Supervisory Level	57	95.00	9.35
General Employees	376	65.05	15.09

Notes:

1. Training data present and highlight the performance of the operation in Hong Kong, the Group will improve its data collection and enhance its performance disclosure in the next year.
2. This percentage is calculated by dividing the total number of trained employees during 2023 by the total number of employees as at 31 December 2023.
3. The average number of training hours per employee is calculated by dividing the total number of training hours during 2023 by the total number of employees as at 31 December 2023.
4. The percentage of trained employees by category is calculated by dividing the number of trained employees in the specified category during 2023 by the total number of employees in the specified category as at 31 December 2023.
5. The average number of training hours by category is calculated by dividing the number of training hours for employees in the specified category during 2023 by the number of employees in the specified category as at 31 December 2023.

B4. Labour Standards

The Group respects human rights and strictly prohibits any unethical hiring practices, including child and forced labour. The Group conducts recruitment in accordance with applicable laws and regulations. Personal data and other credentials are collected in particular during the recruitment process to ensure that those laws and regulations are not violated.

Measures to Avoid Child and Forced Labour (KPI – B4.1)

Applicants are required to provide true, accurate and complete information in support of their applications and to make a declaration in the application form to the effect that any misrepresentation in the documents and information provided will result in disqualification of their applications and subsequent employments in the Group. During the recruitment process, the Human Resources Department collects and thoroughly checks the documents provided by the applicant (including the Hong Kong identity card) and subsequently reviews the personal data and/or credentials of successful applicants to ensure labour law compliance. In addition, the Group ensures that no employee is below the minimum legal working age and no forced labour is employed through regular training and internal audit. Any case of child labour or forced labour, when discovered, shall be investigated and acted upon and reported to the government authorities promptly in accordance with law. The Group should immediately terminate the employment contract and impose due punishment on the erring employee. The Group avoids engaging suppliers of administrative supplies and services and contractors that are known to employ child or forced labour in their operations.

B. Social *(continued)*

B4. Labour Standards *(continued)*

Steps Taken to Eliminate Child and Forced Labour (KPI – B4.2)

The Group has a grievance policy that allows employees to have appropriate channels to raise their opinions and make grievances. If a violation is found, the Group will investigate the cause of the violation and the severity of the incident and make corresponding amendments as soon as possible.

During 2023, the Group was not aware of any violation of employment laws and regulations that had a significant impact on it relating to preventing child and forced labour, nor did it receive any reports of related incidents. Those laws and regulations include, among others, the Employment Ordinance (Cap. 57).

B5. Supply Chain Management

As a socially responsible enterprise, the Group is well aware of the importance of supply chain management to its business and attaches great importance to the management of potential environmental and social risks in the supply chain. All suppliers are carefully evaluated under a rigorous and standardised procurement system and are regularly monitored and evaluated in a fair manner.

Procurement Practices (KPIs – B5.1 to B5.2)

The Group has in place well-established procedures to select and monitor contractors and suppliers. During the supplier selection process, the Group reviews not only their basic information but also a number of other factors such as delivery schedule, pricing, possession of requisite licenses, certifications, and compliance with relevant industrial laws, regulations and standards, among others.

The Group's supplier base comprises mainly suppliers of vehicles and spare parts, printing materials and office equipment. During 2023, the Group collaborated with 177 local suppliers and 13 overseas suppliers.

At the level of material procurement and supplier management, the Group has established a comprehensive monitoring system to ensure the quality of its services or products. Under the supplier selection and review system, in addition to commercial considerations, the qualifications of new suppliers would also be reviewed, and the performance of existing major suppliers would be regularly evaluated; suppliers are required to comply with all laws, international conventions, and contracts requirements and all codes of the Group. When choosing a service provider, it is mainly based on the supplier's past experience, price, reputation, professional qualifications, ethics, environmental protection and corporate social responsibility performance. In order to ensure that the performance of suppliers continues to meet the requirements of the Group, their past performance of suppliers will be evaluated from time to time to ascertain whether the cooperation relationship with each supplier should be maintained.

The Motoring Group has been awarded the ISO 9001 quality management system certification for over twenty years, and the provision of quality services and products to customers is guaranteed.

During 2023, the above supplier engagement practices have been imposed on all suppliers.

Managing Environmental and Social Risks along the Supply Chain (KPI – B5.3)

Although the ESG aspects of supply chain management are of moderate importance to the Group considering the nature of its business, the Group has put effort into safeguarding its values along the supply chain to protect its principles of ethics and legality. Apart from requiring suppliers and contractors to comply with the Group's standards and requirements as well as with the local regulations, the Group is also aware of the environmental and safety performance of its suppliers and contractors. During the process of assessing tenders from the suppliers and contractors, the Group conducts background search of suppliers and contractors for reference.

B. Social *(continued)*

B5. Supply Chain Management *(continued)*

Managing Environmental and Social Risks along the Supply Chain (KPI – B5.3) (continued)

The Group is dedicated to working with suppliers who demonstrate a commitment to sustainable development and promoting environmental practices. In order to identify environmental and social risks along the supply chain, the Group adopts adequate control measures to ensure that the purchased products conform to the required specifications. All purchased products will be thoroughly inspected upon delivery to ensure that they comply with specifications, relevant regulations, standards and qualities. Beyond quality and legal compliance, the Group expects the suppliers to adopt fair labour practices and demonstrate their commitment to ethics.

The past performance of suppliers has been evaluated from time to time to ascertain whether the cooperation relationship with each supplier should be maintained. Market conditions have been monitored and alternative suppliers have been identified.

Promoting Environmentally Preferrable Products and Services (KPI – B5.4)

While considering the scope of the above review, if it meets the business requirements of the Group, priority will be given to local suppliers with the same conditions to reduce additional greenhouse gas emissions caused by overseas procurement and transportation.

The Group has also incorporated environmental protection into the scope of its supplier management mechanism, requiring suppliers to ensure that the raw materials of products do not contain prohibited substances that are harmful to the environment, so as to work together to achieve common goals in environmental friendliness and energy conservation and emission reduction.

B6. Product Responsibility

Product Recalls for Health and Safety Reasons (KPI – B6.1)

Due to the nature of its business, the Group does not have physical products for sales. The driving school operation, which is one of the primary business operations of the Group, provides driving training services to learner drivers. The Group actively monitors the quality of its services with its internal control process and maintains ongoing communication with customers to ensure mutual understanding while fulfilling their needs and expectations. The Group strives to cater to customers' needs and expectations, to the extent possible, as well as to continuously improve the quality of its services. To avoid and reduce the environmental impacts caused by its services, the Group has established the policies documented in the CSR Policy to ensure that appropriate measures and clear procedures are in place and are being followed by relevant personnel with respect to health and safety, advertising, labelling and privacy matters.

During 2023, the Group was not aware of any violation of service responsibility laws and regulations that had a significant impact on it relating to health and safety, advertising, labelling and privacy matters of its services provided and methods of redress. Those laws and regulations include, among others, the Personal Data (Privacy) Ordinance (Cap. 486) and the Trade Descriptions Ordinance (Cap. 362).

Customer Services (KPI – B6.2)

The Group endeavours to improve its service to clients through customer feedback. The Group takes every customer complaint seriously and handles it promptly. Concerns are addressed by designated staff, through discussion to resolution. Unresolved and serious issues are directed to the operations team and reported back to management.

During 2023, there was no material claim or complaint brought against the Group by its customers, and the cost incurred for rectification was immaterial.

B. Social *(continued)*

B6. Product Responsibility *(continued)*

Intellectual Property Rights (KPI – B6.3)

Notwithstanding that intellectual property rights are not considered as a material ESG aspect owing to the nature of its business, the Group has established relevant policies on the management of its information system. The Information Technology Department is further responsible for obtaining proper licenses for software, hardware and information used by the Group in its business operations. Duplication or downloading of information, software, and images from the internet must be approved by relevant departments. The Group also closely monitors the infringement actions in the market and avoids any infringement behaviour, such as counterfeit trademarks.

For protecting intellectual property of the Motoring Group, all company logos and driving course product names have been registered at Intellectual Property Department, the Government of the HKSAR as Registered Trademarks. These registered trademarks have been used in TV ads, training videos, corporate web sites, social media sites, student handbooks, teaching materials and promotional leaflets etc. The Motoring Group also owns the copyrights of all these videos, graphics, sounds, texts and designs. Filming or photo shooting in the classroom and training range is strictly prohibited so as to ensure that no training materials is stolen or leaked.

At the same time, the Motoring Group always respects intellectual property rights of third parties. The Marketing Department has been required to ensure that advertising materials are free from copyright infringement. In addition, only licensed computer software can be used, and employees are prohibited from downloading any illegal or pirated software to computer devices.

During 2023, the Group was not involved in any litigation relating to infringement of intellectual property rights.

Quality Assurance (KPI – B6.4)

The Group has established a comprehensive quality management system with comprehensive inspection and evaluation procedures. Since 1998, the Quality Management System ISO 9001 has been adopted for the driving training services provided to learner drivers. An annual audit for ISO 9001 has been conducted to ensure that all training procedures and practices are fully compliant with the requirements under ISO 9001.

The Motoring Group is committed to providing the best quality driving training and education to meet customers' increasing expectations. To achieve the mission in Total Quality Management, it is put forth the dedication to implement and continuously improve the ISO 9001 quality management system, where the scope covers application process, design of courses, delivery of course, standard of service and facilities, information system service and staff training.

During 2023, the Group did not have any services falling short of the required standards.

B. Social *(continued)*

B6. Product Responsibility *(continued)*

Customer Data Protection and Privacy Policies (KPI – B6.5)

The Group attaches great importance to the protection of confidential information which includes the confidential data of the Group and the privacy of customers. The Group has brought up strict management requirements to protect the privacy of customers. Only designated staff are allowed to gain access to the personal data and information of customers.

The Group provides training to its employees, in particular frontline staff, on the requirements of the laws relating to data privacy and data protection to ensure that they understand how to collect, store, use and dispose of customers' information in a lawful manner.

The Group strictly adheres to applicable statutory requirements. Employees are required to keep in strict confidence any information obtained in connection with their employment, including but not limited to trade secrets, client personal data and information, supplier information and other proprietary information.

The Group reviews preventive measures relating to data protection and privacy, and provides relevant training to employees on a regular basis.

During 2023, the Group did not receive any significant complaints regarding loss of customer data or breach of customer privacy. There were no cases of non-compliance with relevant laws and regulations on privacy matters.

Advertising and Labelling

The Group attaches great importance to the protection of consumer rights and interests. The sales protocol of its Motoring Group establishes the guidelines for the sales team. Those guidelines strictly require staff to refrain from any false, misleading and fraudulent behaviour; and to avoid any possible misunderstanding during the sales process, customers are given the opportunity to read carefully the sales and services contract before signing it.

B7. Anti-corruption

The Group aims to set and maintain a high standard of business integrity throughout its operations. The Group prohibits all forms of bribery, extortion, fraudulent, money laundering and corruption activities in connection with any of its business activities. As a preventive measure, all directors and employees are required to strictly comply with applicable codes of conduct that prohibit the said corruption activities.

Number of Concluded Legal Cases (KPI – B7.1)

During 2023, the Group was not aware of any major violations of anti-corruption laws and regulations relating to bribery, extortion, fraud and money laundering that had a significant impact on it. Those laws and regulations include, among others, the Prevention of Bribery Ordinance of (Cap. 201). There were no legal cases regarding corruption practices brought against the Group or its employees during 2023.

Preventive Measures and Whistleblowing Procedures (KPI – B7.2)

The Group strives to promote high ethical standards. During onboarding, every new joiner receives an employee handbook containing a set of code of conduct. The code of conduct clearly states the prohibition of all forms of bribery, extortion, fraud, money laundering and corruption and sets out the expected behaviour of all employees and guidelines on how to handle different situations in business dealings.

B. Social *(continued)*

B7. Anti-corruption *(continued)*

Preventive Measures and Whistleblowing Procedures (KPI – B7.2) (continued)

The Group has adopted a whistleblowing policy for employees and third parties to raise serious concerns about any suspected fraud, malpractice, misconduct or irregularity in relation to the Group in confidence and anonymity. Whistleblowers can report to the chairman or other members of the audit committee. The reported cases may be investigated internally, by external third parties (e.g., auditors, counsels or other experts), and/or be referred to relevant public bodies or regulatory or law enforcement authorities. All cases shall be handled independently and treated in strict confidence. Having reviewed and evaluated all the facts, the audit committee will take follow-up actions. The policy and its effectiveness will be monitored and reviewed annually or as appropriate.

Anti-corruption Training (KPI – B7.3)

The Group endeavours to maintain a culture of integrity, transparency and accountability by adhering to stringent anti-corruption practices. As a preventive measure, the Group assists its employees and directors in adhering to the updated anti-corruption laws and regulations by providing them with anti-corruption training. Employees and directors are also reminded regularly to avoid situations that may lead to a potential conflict of interest.

The Motoring Group organizes anti-corruption training, which is part of the orientation program, for new joiners every month (if any). Through lectures and group discussion, this training equips all new joiners with knowledge and awareness on anti-corruption. Training content includes prevention of bribery, internal code of conduct and guidelines on preventing conflict of interests. It also organizes anti-corruption refresher training for existing employees and directors by batches in a 3-year cycle through online training and face-to-face lectures.

B8. Community Investment

Focus Areas of Contribution (KPI – B8.1)

Recognising the importance of making a positive impact on our society, we strive to promote social development and progress. Policies on community investment have been formulated to engage employees to work hand in hand together with the Group to support the development of a sustainable community through monetary donations and sponsorship of charitable or educational projects. We encourage employees to serve and reciprocate the community by enlisting their participation in community activities, including charitable fund-raising events by way of monetary donations or volunteer work.

Since 2020, three driving certificate courses provided by the Motoring Group have been accredited at level 3 under the Qualification Framework and included on the list of reimbursable courses of the Continuing Education Fund. Students who have completed the courses have a better chance of employment in road transportation and related industries.

In addition, the Motoring Group resumed participating in public community activities after anti-epidemic measures were lifted in early 2023. As before the pandemic, it advocates road safety through sponsorships and participation in various sports and fundraising events as described in the section below.

B. Social *(continued)*

B8. Community Investment *(continued)*

Resources Contributed (KPI – B8.2)

During 2023, the Group made a total of HK$231,500 charitable contributions to support arts, health, sport and social welfare. Of this amount, HK$100,000 were donated to Hospital Authority – Shatin Hospital, HK$30,000 for Yuen Long Arts Festival, HK$30,000 to Youth Outreach, HK$20,000 to Lions Club of Tsing Ma Hong Kong, HK$10,000 to Hong Kong International Airport, HK$10,000 to The Community Chest of Hong Kong, HK$6,000 to Hong Kong Senior Government Officers Association, HK$5,000 to Hong Kong E-vehicles Business General Association, HK$5,000 to Lifeline Express Hong Kong Foundation, HK$5,000 to Special Olympics Hong Kong, HK$3,000 to Yuen Long District Sports Association, HK$2,500 to Hong Kong Former Senior Civil Servants Association Limited, HK$2,000 to Lions Community Services Foundation (HK) Limited, HK$2,000 to Leo Club of Tsing Ma and HK$1,000 to HKU School of Professional and Continuing Education. The Group also sponsored the events of ACCA Community Day by lending traffic cones, Lions Club of Tsing Ma Hong Kong – 25th Anniversary cum Charity Ball and Leo Club of Tsing Ma – 15th Anniversary Charity Gala Dinner by offering free private car alert driving courses.

Going forward, we will expand our efforts in charity work to cater for the specific needs of different community groups as well as to create a more favourable environment for our community and our business.

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2023.

Principal Activities

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are set out in note 12 to the financial statements on pages 111 and 112.

Business Review

This business review is made pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), and paragraph 28(2)(d) of Appendix D2 to the Main Board Listing Rules (the "Listing Rules") published by The Stock Exchange of Hong Kong Limited (the "Exchange"). In the opinion of the directors, the Chairman's Statement, together with the Operation Review and Management Discussion and Analysis sections on pages 2 to 15, provides a comprehensive review of the performance of the Group for the year ended 31 December 2023 as well as its future prospects.

Details of our non-financial performance indicators are given in the operation review on pages 6 to 9; while key financial indicators and details of the principal risks and uncertainties of the Company's business are described in the management discussion and analysis on pages 10 to 15.

Discussions on the Group's environmental policies and performance, compliance with relevant laws, regulations and standards, key relationship with its employees, customers and suppliers, and others that have a significant impact on the Group are set out in the management discussion and analysis on pages 10 to 15, the Environmental, Social and Governance Report on pages 36 to 59, the Corporate Governance Report on pages 18 to 35 and Major Customers and Suppliers of the Directors' Report on page 61. All the review, discussions and analysis mentioned above form part of this report.

During the year, there were no areas of material non-compliance with applicable laws and regulations that had a significant impact on the Company known to the directors, including but not limited to the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

The Group recognises the importance of a sound, healthy stakeholder relationship in building its long-term success. To this end, senior management maintains good communication and exchanges ideas with stakeholders as appropriate. During the year, there were no material and significant disputes between the Company or any of its subsidiaries and their respective employees, customers and suppliers, shareholders or business partners known to the directors.

Results and Appropriations

The results of the Group and appropriations of profit for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on pages 72 to 73 and note 22(b) to the financial statements on pages 123 and 124 respectively.

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 at the forthcoming annual general meeting (the "2024 AGM"), it is expected that the final dividend warrants will be despatched on 3 June 2024 to shareholders registered at the close of business on 28 May 2024. The register of members and transfer books of the Company will be closed from 24 May 2024 to 28 May 2024, both days inclusive, for determining entitlement to the final dividend.

Donations

Donations made by the Group during the year amounted to HK$231,500 (2022: HK$60,000). Details are set out in the section headed "B8. Community Investment" of the Environmental, Social and Governance Report on page 59.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements on pages 108 to 110.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 22(c) to the financial statements on page 124.

Reserves

At 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of part 6 of the Companies Ordinance was HK$6,345,943,000 (2022: HK$5,866,032,000). After the end of the reporting period, the directors proposed a final dividend of HK$0.24 per share (2022: HK$0.24 per share), amounting to HK$89,445,000 (2022: HK$89,445,000) (note 22(b)). This dividend has not been recognised as a liability at the end of the reporting period.

Details of the movements in reserves of the Company during the year are set out in the consolidated statement of changes in equity on page 77 and note 22(a) to the financial statements on page 123.

Five-year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 137.

Major Customers and Suppliers

During the year, less than 30% of the Group's purchases (not being purchases of items of a capital nature) were attributable to the Group's five largest suppliers, and less than 30% of the Group's turnover were attributable to the Group's five largest customers (being the five largest customers of The Hong Kong School of Motoring Limited, a 70%-owned subsidiary).

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns 5% or more of the Company's number of shares in issue) had an interest in those major customers and suppliers during the year.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Director
Cheung Chung Kiu *(Chairman)*
Yeung Hin Chung, John, SBS, OBE, JP *(Managing Director)*
Yuen Wing Shing
Wong Chi Keung
Leung Wai Fai
Tung Wai Lan, Iris

Independent Non-executive Director
Ng Kwok Fu
Luk Yu King, James (retired with effect from the conclusion of the 2023 AGM)
Leung Yu Ming, Steven
Wong Lung Tak, Patrick, BBS, JP (appointed with effect from the conclusion of the 2023 AGM)

In accordance with article 82 of the articles of association of the Company, Mr. Yuen Wing Shing, Ms. Tung Wai Lan, Iris and Mr. Ng Kwok Fu shall retire from office by rotation at the 2024 AGM. Mr. Ng Kwok Fu shall also cease to hold the office of independent non-executive director from the conclusion of the 2024 AGM according to his term of office. All the retiring directors, being eligible, have offered themselves for re-election.

No director proposed for re-election at the 2024 AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is kept at the registered office of the Company and available for inspection by shareholders during office hours.

Confirmation of Independence

The Company has received from each individual independent non-executive director (including Mr. Luk Yu King, James who retired on 22 May 2023) an annual confirmation of his independence and considers them to be independent.

Directors' Information/Significant Commitments

Changes in directors' details since the date of the 2023 interim report of the Company are set out below.

Mr. Ng Kwok Fu has resigned as an independent non-executive director of Y. T. Realty Group Limited on 8 September 2023.

Save as disclosed above, the Company has not been advised by its directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules since its last update to shareholders nor in any of their significant commitments for the purposes of C.1.5 of the Corporate Governance Code set out within Appendix C1 to the Listing Rules.

Directors' Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and Chief Executive's Interests and Short Positions

The register kept by the Company under section 352 of the SFO shows the following directors' interests and long positions in shares and/or in debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2023:

(a) Interests in the Company – Shares

Name of director	Capacity	No. of shares held	Total no. of shares held	Approximate % of interest
Cheung Chung Kiu	Interest of controlled corporation	271,616,585	271,616,585[1]	72.88%
Wong Chi Keung	Beneficial owner	306,019	306,019	0.08%
Ng Kwok Fu	Beneficial owner	9,708		
	Interest of spouse	7,766	17,474	0.01%

(b) Interests in C C Land Holdings Limited (associated corporation) – Shares

Name of director	Capacity	No. of shares held	Total no. of shares held	Approximate % of interest
Cheung Chung Kiu	Interest of controlled corporation	2,871,231,906	2,871,231,906[2]	73.96%

(c) Interests in Instant Glory International Limited (associated corporation) – Shares

Name of director	Capacity	No. of shares held	Total no. of shares held	Approximate % of interest
Cheung Chung Kiu	Interest of controlled corporation	1	1[3]	50%

(d) Interests in Perfect Point Ventures Limited (associated corporation) – Debentures

Name of director	Capacity	Amount of debentures held	Amount of debentures in same class in issue
Cheung Chung Kiu	Beneficial owner	US$135,000,000	US$300,000,000

Notes:

1. Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 271,616,585 shares in the Company by virtue of his indirect control of Rose Dynamics Limited ("Rose Dynamics") which owned those shares. Rose Dynamics was a wholly owned subsidiary of Windsor Dynasty Limited ("Windsor Dynasty"), a company wholly owned by Mr. C.K. Cheung.
2. Mr. C.K. Cheung was deemed to be interested in 2,871,231,906 shares in C C Land Holdings Limited ("C C Land") by virtue of his indirect control of Fame Seeker Holdings Limited ("Fame Seeker") which owned those shares. Fame Seeker was a wholly owned subsidiary of Windsor Dynasty.
3. Mr. C.K. Cheung was deemed to be interested in 1 share representing 50% interest in Instant Glory International Limited by virtue of his direct control of Victory Trend Holdings Limited which owned the share.

Save as disclosed herein, as at 31 December 2023, there were no other interests or short positions in shares and underlying shares and in debentures, of the Company, or of any of its associated corporations, recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the Code for Securities Transactions by Directors adopted by the Company.

Equity-linked Agreements

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are as follows:

Share option scheme

The share option scheme adopted by the Company on 21 May 2015 (the "Scheme") is the only share option scheme of the Company. A summary of the Scheme is given below. Other principal terms of the Scheme are given in the circular to shareholders dated 17 April 2015 (the "Scheme Circular").

(1)	Purpose	:	To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits, to the participants and to serve such other purposes as the board may approve from time to time
(2)	Participants	:	Any director (or any person proposed to be appointed as such, whether executive or non-executive), officer and employee (whether full-time or part-time) of each member of the Eligible Group (as defined in the Scheme Circular); any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer and employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the board
(3)	Total number of shares available for issue (% of number of shares in issue as at 25 March 2024)	:	37,268,820 ordinary shares (10%)
(4)	Maximum entitlement of each participant	:	1% of the total number of ordinary shares in issue in any 12-month period
(5)	Period within which the shares must be taken up under an option	:	To be determined by the board at its absolute discretion as being the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option
(6)	Minimum period for which an option must be held before exercise	:	To be determined by the board from time to time
(7)	Amount payable on application or acceptance of the option	:	HK$1.00
(8)	Basis of determining the exercise price	:	The exercise price shall be a price solely determined by the board but shall be not less than the higher of: (a) the closing price of the shares as stated in the Exchange's daily quotations sheet on the date of grant of the option which must be a business day; and (b) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option
(9)	Remaining life	:	Until 20 May 2025

Equity-linked Agreements *(continued)*

Share option scheme *(continued)*

At the beginning and at the end of the year, the number of options available for grant under the Scheme was 37,268,820 shares. No option lapsed and no option was granted, exercised or cancelled under the Scheme during the year. Nor were there any outstanding options with regard to the Scheme and any other schemes of the Company at the beginning and/or at the end of the year.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions" and the "Share option scheme" above, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements whose objects were, or one of whose objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other Persons' Interests and Short Positions

As at 31 December 2023, the interests and long positions of other persons (not being directors or chief executives) in shares of the Company recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity	No. of shares held	Approximate % of interest
Windsor Dynasty	Interest of controlled corporation	271,616,585	72.88%
Rose Dynamics	Beneficial owner	271,616,585	72.88%

Note: Each parcel of 271,616,585 shares represents Rose Dynamics' direct interest in the Company. Windsor Dynasty was deemed to be interested in those shares by virtue of its direct control of Rose Dynamics.

Apart from the above and Mr. C.K. Cheung's interest already disclosed on page 63, there were no other interests or short positions in shares and underlying shares of the Company recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as at 31 December 2023.

Retirement Schemes

The Group operates a defined contribution retirement scheme, and two Mandatory Provident Fund schemes (the "MPF Schemes"). Particulars of those schemes are set out below.

(I) Pension scheme

(i) Nature of the scheme

The principal scheme operated by the Group is a defined contribution retirement scheme for the employees of The Hong Kong School of Motoring Limited.

(ii) Funding of the scheme

The benefits of the scheme were funded in 2023 by a 5% contribution by employees and a 7.5% contribution by The Hong Kong School of Motoring Limited based on the annual salaries of employees. The contributions excluded the costs of administration and term life assurance.

Retirement Schemes *(continued)*

(I) Pension scheme *(continued)*

(iii) Costs of the scheme

Total costs of the scheme, amounting to HK$0.5 million, were charged to the Group's statement of profit or loss for the year under review. The required contribution rate was calculated as 7.5% of the total salaries payable during the year.

(iv) Forfeited contributions of the scheme

There is no forfeited contribution that may be used to reduce the existing level of contributions under the scheme as at 31 December 2023. No forfeited contribution was utilised during the year.

(II) MPF schemes

As from 1 December 2000, the Group has operated two MPF Schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement scheme. The MPF Schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF Schemes, the employer and its employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The total amount of contributions to the MPF Schemes charged to the Group's statement of profit or loss for the year was HK$9.7 million.

Remuneration Policy

The remuneration policy for employees of the Group is formulated to ensure fair and competitive packages based on business needs and industry practice. Remuneration will be determined by taking into consideration factors such as the Group's operating results, inflation, and market and economic situation. Performance-based assessment such as individual's potential and contribution to the Company, time commitment and responsibility undertaken will also be considered to provide incentives to individual employees to perform at their highest levels as well as to attract, retain and motivate the very best people. The Company's remuneration structure for its employees comprises fixed and variable components including, inter alia, share options and retirement scheme as long-term incentives. Remuneration policy for directors is set out in the Corporate Governance Report on pages 18 to 35.

Further details of the directors' remuneration and the five highest-paid individuals in the Group are set out in notes 8 and 9 to the financial statements respectively.

Management Discussion and Analysis

Further information of the Group which is required to be disclosed pursuant to the Listing Rules is set out on pages 10 to 15.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company maintained throughout the year the prescribed amount of public float under the Listing Rules.

Directors' Report

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.

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

Indemnity of Directors

Permitted indemnity provisions (within the meaning of section 469 of the Companies Ordinance) for the benefit of the directors (including the former director) of the Company are currently in force and were in force throughout the year.

External Auditor

The financial statements for the year have been audited by KPMG, Certified Public Accountants, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the Company's external auditor will be proposed at the 2024 AGM.

On behalf of the board

Cheung Chung Kiu
Chairman

Hong Kong, 25 March 2024

Independent auditor's report to the members of
The Cross-Harbour (Holdings) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of The Cross-Harbour (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 72 to 136 which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of financial assets measured at FVPL - unlisted fund investments	
Refer to note 15 to the consolidated financial statements and the accounting policy in note 2(f) on page 86.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2023 the Group's unlisted fund investments comprised unquoted investment funds with a carrying value of HK$3,801 million. These investments are carried at fair value through profit or loss (FVPL). As set out in the financial statements, the underlying funds have been valued based on valuations performed by the fund managers, investment advisors or administrators of the underlying funds as at 31 December 2023. We identified the valuation of these unquoted investment funds as a key audit matter because of the significance of these investments to the Group's total assets as at 31 December 2023 and the significance of changes in fair value of these investment funds to the Group's profit before taxation and because the valuation of these investments is an area of judgement and estimation which increases the risk of error or potential bias.	Our audit procedures to assess the valuation of investments in unlisted fund investments included the following: • Obtaining independent confirmations from the fund managers, investment advisors or administrators of the underlying funds to confirm the existence and these parties' valuation of the Group's investments in underlying funds; • Obtaining information on the latest available valuation from the fund managers, investment advisors or administrators of the underlying funds and comparing such valuations to the valuations adopted by the Group's management for financial reporting; • Obtaining the most recent audited financial statements for the underlying funds, where applicable, and assessing whether the opinion was unqualified and whether the basis of preparation was appropriate; and • Comparing the net asset value of each fund as reported in the most recently available audited financial statements to the underlying fund managers' original estimates of the investment valuation and assessing whether this has resulted in any material valuation adjustments.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yuen, Derek Man Ching.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2024

Consolidated Statement of Profit or Loss

for the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 $'000	2022 $'000 (restated)
Continuing operations			
Revenue from contracts with customers within the scope of HKFRS 15	3(a)	**684,265**	570,388
Revenue from other sources	3(a)	**45,944**	57,572
Interest revenue from debt securities measured at fair value through profit or loss	3(a)	**22,575**	9,814
Other interest revenue	3(a)	**122,380**	61,886
Total revenue		**875,164**	699,660
Other revenue		**–**	14
Other net gains/(losses)	4	**100,232**	(766,945)
Direct costs and operating expenses	4	**(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		**(16,602)**	(62,939)
Profit/(loss) from operations		**386,807**	(578,634)
Finance costs	5(a)	**(16,157)**	(1,517)
Share of loss of an associate	13(c)	**(47,159)**	(121,991)
Share of profits of a joint venture	14	**15,915**	29,549
Profit/(loss) before taxation	5	**339,406**	(672,593)
Income tax	6(a)	**(40,423)**	(41,538)
Profit/(loss) for the year from continuing operations		**298,983**	(714,131)
Discontinued operation			
Profit for the year from discontinued operation	7	**295,888**	345,929
Profit/(loss) for the year		**594,871**	(368,202)

Consolidated Statement of Profit or Loss

for the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 $'000	2022 $'000 (restated)
Attributable to:			
Equity shareholders of the Company			
– from continuing operations		**224,086**	(791,179)
– from discontinued operation		**295,888**	345,929
		519,974	(445,250)
Non-controlling interests		**74,897**	77,048
Profit/(loss) for the year		**594,871**	(368,202)
Earnings/(loss) per share	10		
Basic and diluted		**$1.40**	($1.19)
From continuing operations			
Basic and diluted		**$0.61**	($2.12)
From discontinued operation			
Basic and diluted		**$0.79**	$0.93

The notes on pages 81 to 136 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 22(b).

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)			
Items that will not be reclassified to profit or loss:			
– Financial assets measured at fair value through other comprehensive income (non-recycling)			
– changes in fair value of equity securities		**(8,570)**	1,861
Items that may be reclassified subsequently to profit or loss:			
– Financial assets measured at fair value through other comprehensive income (recycling)			
– changes in fair value of debt securities		**–**	(34,223)
– impairment losses recognised, net	5(b)	**–**	5,745
– net loss recycled to profit or loss upon derecognition of debt securities at FVOCI	4	**–**	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)
Attributable to:			
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
Total comprehensive income for the year		**586,292**	(242,684)

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

The notes on pages 81 to 136 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in Hong Kong dollars)

		2023		2022	
	Note	$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	11		519,764		236,037
Interest in an associate	13(c)		2,474		291,315
Interest in a joint venture	14		159,750		148,844
Other financial assets	15		3,942,069		3,343,861
Deposits and prepayments	16		44,880		45,315
Deferred tax assets	21(b)		1,163		2,216
			4,670,100		4,067,588
Current assets					
Interest in an associate	13(b)	15,195		—	
Inventories		1,283		1,363	
Other financial assets	15	984,143		1,115,170	
Trade and other receivables	16	70,482		158,405	
Amount due from a joint venture	14(c)	9,000		9,000	
Tax recoverable	21(a)	—		512	
Dividend receivable		851		34,892	
Bank deposits and cash	17(a)	2,764,791		2,453,206	
		3,845,745		3,772,548	
Current liabilities					
Trade and other payables	18	130,455		111,348	
Contract liabilities	19	591,698		644,016	
Lease liabilities	20	78,836		15,500	
Taxation payable	21(a)	4,911		11,117	
Dividends payable		23,092		604	
		828,992		782,585	
Net current assets			3,016,753		2,989,963

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in Hong Kong dollars)

		2023		2022	
	Note	$'000	$'000	$'000	$'000
Total assets less current liabilities			7,686,853		7,057,551
Non-current liabilities					
Lease liabilities	20		270,023		11,994
Deferred tax liabilities	21(b)		3,797		1,957
			273,820		13,951
NET ASSETS			7,413,033		7,043,600
CAPITAL AND RESERVES	22				
Share capital			1,629,461		1,629,461
Reserves			5,585,724		5,230,855
Total equity attributable to equity shareholders of the Company			7,215,185		6,860,316
Non-controlling interests			197,848		183,284
TOTAL EQUITY			7,413,033		7,043,600

Approved and authorised for issue by the board of directors on 25 March 2024.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

The notes on pages 81 to 136 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve (recycling) $'000	Fair value reserve (non-recycling) $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to equity shareholders of the Company								
Balance at 1 January 2022		1,629,461	1,984	(123,654)	27,630	1	5,801,156	7,336,578	201,395	7,537,973
Changes in equity for 2022:										
(Loss)/profit for the year		–	–	–	–	–	(445,250)	(445,250)	77,048	(368,202)
Other comprehensive income		–	–	123,654	1,861	2	–	125,517	1	125,518
Total comprehensive income		–	–	123,654	1,861	2	(445,250)	(319,733)	77,049	(242,684)
Dividends approved in respect of the previous year	22(b)	–	–	–	–	–	(89,445)	(89,445)	–	(89,445)
Non-controlling interest's share of dividends		–	–	–	–	–	–	–	(95,160)	(95,160)
Dividends declared in respect of the current year	22(b)	–	–	–	–	–	(67,084)	(67,084)	–	(67,084)
Balance at 31 December 2022		1,629,461	1,984	–	29,491	3	5,199,377	6,860,316	183,284	7,043,600

	Note	**Share capital $'000**	**Capital reserve $'000**	**Fair value reserve (recycling) $'000**	**Fair value reserve (non-recycling) $'000**	**Exchange reserve $'000**	**Retained profits $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
		Attributable to equity shareholders of the Company								
Balance at 1 January 2023		**1,629,461**	**1,984**	**–**	**29,491**	**3**	**5,199,377**	**6,860,316**	**183,284**	**7,043,600**
Changes in equity for 2023:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**519,974**	**519,974**	**74,897**	**594,871**
Other comprehensive income		**–**	**–**	**–**	**(8,570)**	**(6)**	**–**	**(8,576)**	**(3)**	**(8,579)**
Total comprehensive income		**–**	**–**	**–**	**(8,570)**	**(6)**	**519,974**	**511,398**	**74,894**	**586,292**
Dividends approved in respect of the previous year	22(b)	**–**	**–**	**–**	**–**	**–**	**(89,445)**	**(89,445)**	**–**	**(89,445)**
Non-controlling interest's share of dividends		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(60,330)**	**(60,330)**
Dividends declared in respect of the current year	22(b)	**–**	**–**	**–**	**–**	**–**	**(67,084)**	**(67,084)**	**–**	**(67,084)**
Balance at 31 December 2023		**1,629,461**	**1,984**	**–**	**20,921**	**(3)**	**5,562,822**	**7,215,185**	**197,848**	**7,413,033**

The notes on pages 81 to 136 part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 $'000	2023 $'000	2022 $'000 (restated)	2022 $'000 (restated)
Operating activities					
Profit/(loss) before taxation					
– From continuing operations		339,406		(672,593)	
– From discontinued operation		295,888		345,929	
		635,294		(326,664)	
Adjustments for:					
Interest income		(144,955)		(71,714)	
Share of profits of associates		(247,271)		(221,438)	
Share of profits of a joint venture		(15,915)		(29,549)	
Net losses/(gains) on sale of property, plant and equipment	4	184		(1,336)	
Net fair value (gain)/loss on other financial assets at FVPL	4	(98,007)		615,080	
Net loss recycled to profit or loss upon derecognition of debt securities at FVOCI	4	–		152,132	
Finance costs	5(a)	16,157		1,517	
Depreciation	5(b)	91,957		74,202	
Impairment losses on financial assets	5(b)	16,602		62,939	
Dividend income from equity securities	5(b)	(44,758)		(53,822)	
COVID-19-related rent concessions received	11(b)	–		(25,704)	
Gain on lease modification		–		(1,233)	
Operating profit before changes in working capital		209,288		174,410	
Decease/(increase) in inventories		80		(152)	
Decrease/(increase) in trade and other receivables		13,758		(26,808)	
(Decrease)/increase in contract liabilities		(52,318)		46,427	
Increase/(decrease) in trade and other payables		19,107		(9,418)	
Increase in amount due to an associate		200,417		–	
Cash generated from operating activities		390,332		184,459	
Hong Kong Profits Tax paid		(43,224)		(41,070)	
Net cash generated from operating activities			347,108		143,389

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 $'000	2023 $'000	2022 $'000 (restated)	2022 $'000 (restated)
Investing activities					
Decrease/(increase) in deposits with banks with original maturity over three months		**170,105**		(77,440)	
Payments for the purchase of property, plant and equipment		**(25,973)**		(10,056)	
Payments for purchase of debt securities at FVOCI (recycling)		**–**		(13,094)	
Payments for purchase of other financial assets at FVPL		**(1,056,128)**		(1,236,342)	
Payment for investment in interest-bearing instruments		**(78,000)**		–	
Proceeds from sale of property, plant and equipment		**527**		1,422	
Proceeds from repayment of interest-bearing instruments		**78,000**		130,000	
Proceeds from sale of equity securities at FVPL		**340,766**		128,527	
Proceeds from sale of treasury bills at FVPL		**292,611**		–	
Proceeds from redemption of debt securities at FVPL		**12,389**		–	
Proceeds from distribution from unlisted funds at FVPL		**83,681**		84,507	
Dividend income from equity securities at FVOCI (non-recycling)		**2,733**		2,768	
Dividend income from equity securities at FVPL		**42,417**		51,054	
Dividends received from an associate		**355,000**		542,000	
Dividends received from a joint venture		**5,000**		30,000	
Receipt of repayment from an associate		**–**		2,676	
Interest received		**151,039**		66,946	
Net cash generated from/(used in) investing activities			**374,167**		(297,032)

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	Note	2023 $'000	2023 $'000	2022 $'000 (restated)	2022 $'000 (restated)
Financing activities					
Interest element of lease rentals paid	17(b)	**(16,157)**		(1,517)	
Capital element of lease rentals paid	17(b)	**(29,057)**		(23,075)	
Dividends paid	17(b)	**(134,041)**		(156,779)	
Dividends paid to non-controlling interests		**(60,330)**		(95,160)	
Net cash used in financing activities			**(239,585)**		(276,531)
Net increase/(decrease) in cash and cash equivalents			**481,690**		(430,174)
Cash and cash equivalents at 1 January			**2,016,838**		2,447,012
Cash and cash equivalents at 31 December	17(a)		**2,498,528**		2,016,838

The notes on pages 81 to 136 form part of these financial statements.

Notes to the Consolidated Financial Statements

(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 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and its interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investments in debt and equity securities that are stated at their fair value (see note 2(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 7.

2 Material accounting policies *(continued)*

(c) 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.

2 Material accounting policies *(continued)*

(c) Changes in accounting policies *(continued)*

(i) New and amended HKFRSs (continued)

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.

2 Material accounting policies *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2(m).

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in associates or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 Material accounting policies *(continued)*

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(i)(ii)). At each reporting date, the Group assesses whether there is an objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long term interests where applicable (see note 2(i)(ii)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 2(i)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

The material accounting policies adopted by the associates and the joint venture are consistent with those of the Group.

In accordance with HK(IFRIC)-12, *Service concession arrangements*, the franchise of the associate, Western Harbour Tunnel Company Limited, with the government constitute service concession arrangements and the infrastructure costs are classified as intangible assets and stated at cost less accumulated amortisation and impairment losses in the financial statements of the associate.

2 Material accounting policies *(continued)*

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 23(f). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(vi)).

– fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss in accordance with the policy set out in notes 2(r)(iii) and 2(r)(iv).

Modifications of financial assets

If the terms of a financial asset are modified, the Group performs a quantitative and qualitative evaluation of whether the modification is substantial. If the contractual rights, obligations, and the cash flows are substantially different, then the contractual rights to cashflows from the original financial asset are deemed to have expired, the originally financial asset is derecognized and a new financial asset is recognized in fair value plus any eligible transaction costs.

2 Material accounting policies *(continued)*

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)):

– interests in leasehold land and building where the Group is the registered owner of the property interest (see note 2(h));

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner under of the property interest (see note 2(h)); and

– other items of property, plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Leasehold land is depreciated over the unexpired term of lease.

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the building's estimated useful lives, being no more than 50 years after the date of completion.

– Furniture, fixtures and equipment	3 - 10 years
– Motor vehicles	3 - 5 years
– Yacht	5 - 8 years
– Leasehold improvements	Remaining term of the lease

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Material accounting policies *(continued)*

(h) Leased assets

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

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(i)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 2(f), 2(r)(vi) and 2(i)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

2 Material accounting policies *(continued)*

(h) Leased assets *(continued)*

(i) As a lessee (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

The Group presents right-of-use assets in 'property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and interest-bearing instruments).

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and unlisted fund investments, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls for fixed-rate financial assets and trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2 Material accounting policies *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months; and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);

– the financial asset is 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

2 Material accounting policies *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets (continued)

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with notes 2(r)(v) and 2(r)(vi) are calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it is probable that the debtor will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 365 days past due or when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 Material accounting policies *(continued)*

(i) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– investments in associates and a joint venture in the Group's consolidated statement of financial position; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

2 Material accounting policies *(continued)*

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration the amount is presented as a contract asset (see note 2(k)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs.

All receivables are subsequently stated at amortised cost using the effective interest method and including allowance for credit losses (see note 2(i)(i)).

2 Material accounting policies *(continued)*

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i).

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined benefit plan obligation

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

2 Material accounting policies *(continued)*

(p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes 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.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

(q) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Material accounting policies *(continued)*

(q) Provisions and contingent liabilities *(continued)*

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services.

Revenue is recognised when control over a product or service is transferred to the customer, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

(i) The principal source of income from motoring school operation is driving course fee income which is recognised in profit or loss upon the completion of the relevant training lessons.

(ii) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) The portion of change in fair value of debt securities at FVPL, arising from interest income, is recognised as interest revenue from debt securities at FVPL, which is calculated using the effective interest method.

(vi) Other interest revenue is recognised as it accrues using the effective interest method.

(vii) Gain or loss on disposal of investments in debt and equity securities other than investments in subsidiaries, associates and joint ventures is recognised, on the trade date.

(viii) Consultancy and management fee income from tunnel operation and electronic toll operation are recognised 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.

(ix) Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an assets are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 Material accounting policies *(continued)*

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(u) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

Where an operation is classified as discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

2 Material accounting policies *(continued)*

(v) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

(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.

3 Revenue and segment reporting *(continued)*

(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, and 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 7, 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.

3 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

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.

	Motoring school operation		Electronic toll operation		Treasury Management		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000 (restated)
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
Reportable segment revenue	707,948	569,491	13,800	13,500	152,230	112,989	873,978	695,980
Reportable segment profits/(loss) before tax	261,608	256,457	29,485	42,819	162,366	(861,029)	453,459	(561,753)
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)
Reportable segment assets	1,490,188	1,168,203	178,823	162,792	6,808,770	6,238,912	8,477,781	7,569,907
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
Reportable segment liabilities	1,009,434	719,953	81	91	–	–	1,009,515	720,044

3 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	2023 $'000	2022 $'000 (restated)
Revenue		
Reportable segment revenue	873,978	695,980
Unallocated head office and corporate revenue	1,186	3,680
Consolidated revenue (continuing operations)	875,164	699,660
Profit/(loss)		
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)
Consolidated profit/(loss) before taxation (continuing operations)	339,406	(672,593)
Assets		
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
Consolidated total assets	8,515,845	7,840,136
Liabilities		
Reportable segment liabilities	1,009,515	720,044
Unallocated head office and corporate liabilities	93,297	76,492
Consolidated total liabilities	1,102,812	796,536

(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 gains/(losses)

	2023 $'000	2022 $'000
Other revenue		
Interest income from loan to an associate	–	14
Other net gains/(losses)		
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)	–
	98,007	(615,080)
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)
	100,232	(766,945)

5 Profit/(loss) before taxation

	2023 $'000	2022 $'000
Profit/(loss) before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interest on lease liabilities (note 17(b))	16,157	1,517

5 Profit/(loss) before taxation *(continued)*

	2023 $'000	2022 $'000
(b) Other items		
Auditor's remuneration		
– Audit services	**3,273**	3,215
– Other services	**600**	600
	3,873	3,815
Depreciation (note 11)		
– Owned property, plant and equipment	**14,565**	19,525
– Right-of-use assets	**77,392**	54,677
	91,957	74,202
Impairment losses recognised on financial assets		
– Debt securities at FVOCI (recycling)	**–**	5,745
– Interest bearing instruments, net (note 23(a))	**16,602**	44,117
– Trade and other receivables	**–**	9,069
– Others	**–**	4,008
	16,602	62,939
Dividend income		
– Equity instruments at FVOCI (non-recycling)	**(2,733)**	(2,768)
– Equity instruments at FVPL	**(42,025)**	(51,054)
	(44,758)	(53,822)
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	**120**	1,191

6 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
Current tax - Hong Kong Profits Tax		
Provision for the year	36,808	41,068
Under/(over)-provision in respect of prior years	722	(154)
	37,530	40,914
Deferred tax		
Origination of temporary differences (note 21(b))	2,893	624
	40,423	41,538

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 at applicable tax rates:

	2023 $'000	2022 $'000 (restated)
Profit/(loss) before taxation from continuing operations	339,406	(672,593)
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 from continuing operations	40,423	41,538

7 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 operation.

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

	Note	2023 $'000	2022 $'000
Profit for the year from discontinued operation:			
Management fee from an associate		1,458	2,500
Share of profit of an associate	13(b)	294,430	343,429
Profit for the year from discontinued operation and attributable to ordinary equity shareholders of the Company		295,888	345,929
Cash flows from discontinued operation:			
Net cash inflows from operating activities		1,458	2,500
Net cash inflows from investing activities		555,417	544,676
Net cash inflows		556,875	547,176

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
2023					
Executive directors					
Cheung Chung Kiu	–	–	19,800	2	19,802
Yeung Hin Chung, John	–	6,240	7,200	18	13,458
Yuen Wing Shing	–	6,240	5,850	18	12,108
Wong Chi Keung	–	–	2,250	2	2,252
Leung Wai Fai	–	–	3,600	2	3,602
Tung Wai Lan, Iris	–	5,590	5,850	18	11,458
Independent non-executive directors					
Luk Yu King, James (note (i))	208	–	–	–	208
Ng Kwok Fu	420	–	–	–	420
Leung Yu Ming, Steven	420	–	–	–	420
Wong Lung Tak, Patrick (note (ii))	328	–	–	–	328
	1,376	18,070	44,550	60	64,056
2022					
Executive directors					
Cheung Chung Kiu	–	–	19,800	2	19,802
Yeung Hin Chung, John	–	6,110	7,200	18	13,328
Yuen Wing Shing	–	6,110	5,850	18	11,978
Wong Chi Keung	–	–	2,250	2	2,252
Leung Wai Fai	–	–	3,600	2	3,602
Tung Wai Lan, Iris	–	5,460	5,850	18	11,328
Independent non-executive directors					
Luk Yu King, James	535	–	–	–	535
Ng Kwok Fu	420	–	–	–	420
Leung Yu Ming, Steven	420	–	–	–	420
	1,375	17,680	44,550	60	63,665

Notes:

(i) Mr. Luk Yu King, James retired as an independent non-executive director on 22 May 2023.

(ii) Mr. Wong Lung Tak, Patrick was appointed as an independent non-executive director on 22 May 2023.

9 Individuals with highest emoluments

Of the 5 individuals with the highest emoluments for the years ended 31 December 2023 and 2022, all of them are directors during the year whose emoluments are disclosed in note 8.

10 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.

11 Property, plant and equipment

(a) Reconciliation of carrying amounts

	Ownership interests in leasehold land and buildings held for own use carried at cost $'000	Other properties leased for own use carried at cost $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Yacht $'000	Leasehold improvements $'000	Sub-total $'000	Interests in leasehold land held for own use $'000	Total $'000
Cost:									
At 1 January 2022	230,179	273,473	51,057	171,900	123,312	35,069	884,990	79,328	964,318
Additions	–	20,751	3,099	6,550	–	407	30,807	–	30,807
Disposals	–	–	(16)	(1,900)	–	(180)	(2,096)	–	(2,096)
Modification	–	(40,915)	–	–	–	–	(40,915)	–	(40,915)
At 31 December 2022	230,179	253,309	54,140	176,550	123,312	35,296	872,786	79,328	952,114
At 1 January 2023	230,179	253,309	54,140	176,550	123,312	35,296	872,786	79,328	952,114
Additions	396	350,422	1,399	24,178	–	–	376,395	–	376,395
Disposals	–	–	(1)	(5,268)	–	–	(5,269)	–	(5,269)
At 31 December 2023	230,575	603,731	55,538	195,460	123,312	35,296	1,243,912	79,328	1,323,240
Accumulated depreciation:									
At 1 January 2022	105,336	177,589	42,694	150,585	122,448	25,422	624,074	19,811	643,885
Charge for the year	4,287	49,612	3,333	10,319	348	5,525	73,424	778	74,202
Written back on disposals	–	–	(16)	(1,814)	–	(180)	(2,010)	–	(2,010)
At 31 December 2022	109,623	227,201	46,011	159,090	122,796	30,767	695,488	20,589	716,077
At 1 January 2023	109,623	227,201	46,011	159,090	122,796	30,767	695,488	20,589	716,077
Charge for the year	7,124	69,521	3,158	10,865	348	212	91,228	729	91,957
Written back on disposals	–	–	(1)	(4,557)	–	–	(4,558)	–	(4,558)
At 31 December 2023	116,747	296,722	49,168	165,398	123,144	30,979	782,158	21,318	803,476
Net book value:									
At 31 December 2023	113,828	307,009	6,370	30,062	168	4,317	461,754	58,010	519,764
At 31 December 2022	120,556	26,108	8,129	17,460	516	4,529	177,298	58,739	236,037

11 Property, plant and equipment *(continued)*

(a) Reconciliation of carrying amounts *(continued)*

Interest in leasehold land situated in Hong Kong held for own use at 31 December 2023 and 2022 are under medium-term leases.

(b) Right-of-use assets

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

	Note	2023 $'000	2022 $'000
Ownership interests in leasehold land and buildings held for own use, carried at cost in Hong Kong, with remaining lease term of:			
– between 10 and 50 years		113,828	120,556
Interest in leasehold land held for own use with remaining lease term of:			
– between 10 and 50 years		58,010	58,739
	(i)	171,838	179,295
Other properties leased for own use, carried at depreciated cost	(ii)	307,009	26,108
		478,847	205,403

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

	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	7,142	4,287
Interest in leasehold land	729	778
Other properties leased for own use	69,521	49,612
	77,392	54,677
Interest on lease liabilities (note 5(a))	16,157	1,517
Expense relating to short-term leases	9,865	395
COVID-19-related rent concessions received	–	(25,704)

11 Property, plant and equipment *(continued)*

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

During the year, additions to right-of-use assets were $350,818,000 (2022: $20,751,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 17(c) and 23(b) respectively.

The Group applied the practical expedient in paragraph 46A of HKFRS 16 to all eligible rent concessions received by the Group in 2022, with a total amount of HK$25,704,000 in COVID-19 rent concessions credited to profit or loss during the year ended 31 December 2022.

(i) Ownership interests in leasehold land and buildings held for own use

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

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its driving schools, services centres and offices through tenancy agreements. The leases typically run for an initial period of 1 to 5 years.

(Expressed in Hong Kong dollars)

12 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation/ Place of operation	Particulars of issued and fully paid-up share capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Alpha Hero Limited	British Virgin Islands/ Hong Kong	50,000 shares of US$1 each	70%	–	70%	Holding company
Bigstar Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	100%	Securities investment
Clear Path Limited	British Virgin Islands/ Hong Kong	500 shares of US$1 each	100%	–	100%	Securities investment
Gold Harbour Investment Limited	Hong Kong/ Hong Kong	1 share	100%	–	100%	Holding company
Gold Faith Investments Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	100%	Securities investment
High Fortune Group Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	100%	–	Holding company
Join Harbour Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	100%	Property holding
MEG (HK) Limited	Hong Kong/ Hong Kong	1 share	70%	–	70%	Property holding
Motoring Excellence Group Limited	Hong Kong/ Hong Kong	1 share	70%	–	70%	Holding company
New Horizon School of Motoring Limited	Hong Kong/ Hong Kong	1 share	70%	–	70%	Designated driving school
HKSM Siu Lek Yuen Driving School Limited	Hong Kong/ Hong Kong	1 share	70%	–	70%	Designated driving school
HKSM Yuen Long Driving School Limited	Hong Kong/ Hong Kong	2 shares	70%	–	70%	Designated driving school
The Hong Kong School of Motoring Limited	Hong Kong/ Hong Kong	2,000,000 shares	70%	–	70%	Holding company
Newcheer Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	100%	Securities investment
NKT Driving School Limited	Hong Kong/ Hong Kong	1 share	70%	–	70%	Designated driving school
Smart Chance Global Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	100%	Holding of a yacht
Capital Choice Limited	Hong Kong/ Hong Kong	1 share	100%	–	100%	Money lending business

12 Investments in subsidiaries *(continued)*

Name of company	Place of incorporation/ Place of operation	Particulars of issued and fully paid-up share capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
The Autopass Company Limited	Hong Kong/ Hong Kong	70,000 "A" shares 30,000 "B" shares	100% –	100% –	– –	Investment holding and provision of consultancy services
Aquatic Assets Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	100%	Debenture holding
Master Warrior Holdings Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	100%	Securities investment
Phenomenal Combo Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	100%	Securities investment
Value Train Holdings Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	100%	Securities investment

The following table lists out the information relating to Alpha Hero Limited and its subsidiaries ("AHL group"), the only group of subsidiaries of the Group which have material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2023 $'000	2022 $'000
Gross amounts of AHL group's		
Current assets	**944,802**	910,494
Non-current assets	**548,128**	257,709
Current liabilities	**(744,514)**	(716,532)
Non-current liabilities	**(267,662)**	(3,421)
Net assets	**480,754**	448,250
NCI percentage	**30%**	30%
Carrying amount of NCI	**144,226**	134,475
Revenue	**707,947**	569,491
Profit for the year	**223,103**	216,777
Total comprehensive income	**223,103**	216,777
NCI percentage	**30%**	30%
Profit allocated to NCI	**66,931**	65,033
Dividend paid to NCI	**57,180**	78,960
Cash flows from operating activities	**270,109**	286,650
Cash flows from investing activities	**(12,469)**	(77,884)
Cash flows from financing activities	**(231,231)**	(308,333)

13 Interest in associates

(a) The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associates	Form of business structure	Place of incorporation	Proportion of Ownership interest: Group's effective interest	Proportion of Ownership interest: Held by a subsidiary	Principal activity	Financial year end
Western Harbour Tunnel Company Limited ("WHTCL")	Incorporated	Hong Kong	50%	50%	Operation of the Western Harbour Crossing	31 July
Ace Season Investments Limited ("ASIL")	Incorporated	British Virgin Islands	45%	45%	Securities investment	31 December

Note: The franchise granted to WHTCL expired on 1 August 2023 and the operation of tunnel was classified as discontinued operation as referred to note 7. The carrying amount of interest in associate of WHTCL is expected to be recovered within one year.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

13 Interest in associates *(continued)*

(b) Summarised financial information of the Group's material associate, WHTCL, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	Note	2023 $'000	2022 $'000
Gross amounts of the WHTCL's			
Revenue			
Toll revenue		1,076,737	1,492,327
Other revenue	(i)	50,223	57,152
		1,126,960	1,549,479
Other income		17,902	3,884
Expenditure			
Operating and administrative expenses		(85,741)	(129,453)
Rates and government rent		(36,524)	(61,369)
Amortisation and depreciation	(ii)	(304,725)	(515,383)
Operating profit before finance charges		717,872	847,158
Interest on shareholders' loans		–	(27)
Profit before taxation		717,872	847,131
Income tax	(iii)	(118,425)	(141,554)
Post-tax profit or loss from discontinued operation		599,447	705,577
Group's effective interest		50%	50%
Group's share of total comprehensive income		299,724	352,789
Fair value adjustments		(5,294)	(9,359)
	7	294,430	343,430
Dividend declared by the associate		320,500	499,000
Gross amounts of the WHTCL's			
Current assets		503,909	472,566
Non-current assets		–	304,766
Current liabilities	(iv)	(73,520)	(266,114)
Non-current liabilities		–	(39,277)
Equity		430,389	471,941

13 Interest in associates *(continued)*

(b) *(continued)*

	Note	2023 $'000	2022 $'000
Reconciled to the Group's interest in WHTCL			
Gross amounts of net assets of the associate		**430,389**	471,941
Group's effective interest		**50%**	50%
Group's share of net assets of the associate		**215,195**	235,971
Fair value adjustments		**–**	5,294
Amount due (to)/from the associate	(v)	**(200,000)**	417
Carrying amount in the consolidated financial statements		**15,195**	241,682

Notes:

(i) Other revenue includes income from telecommunications network providers and outdoor advertising site rental.

(ii) Amortisation of the cost of tunnel is calculated to write-off the cost over the franchise period on a units-of-usage basis whereby amortisation is provided based on the share of traffic volume for a particular period over the projected total traffic volume for the remainder of the franchise period of the tunnel. The franchise operating right expired on 1 August 2023, being the end of the franchising period.

(iii) Taxation for the year comprises current tax and movements in deferred tax liabilities for the year. The provision for Hong Kong Profits Tax for 2023 is calculated at 8.25% on assessable profits up to $2,000,000 and 16.5% on any part of assessable profits over $2,000,000 for the year (2022: 8.25% on assessable profits up to $2,000,000 and 16.5% on any part of assessable profits over $2,000,000 for the year).

(iv) Current liabilities include current tax liabilities of $71,512,000 (2022: $101,509,000).

(v) The amount due (to)/from the associate is unsecured, interest free and repayable on demand.

(c) Aggregate information of ASIL:

	2023 $'000	2022 $'000
Carrying amount in the consolidated financial statements	**2,474**	49,633
Group's share of ASIL		
Loss before taxation	**(47,159)**	(121,991)
Loss and total comprehensive income	**(47,159)**	(121,991)
Loan to an associate (note)	**108,935**	108,935

Note: In accordance with the terms of the associate agreement, partners to ASIL have provided loan capital to ASIL in proportion to their shareholdings and under equal terms. The loans are unsecured, interest free and subordinated to the other financing obtained by ASIL. Repayment of any amount of the loan capital is subject to ASIL having sufficient assets after taking into account the external financing and retained earnings. Accordingly, the loan to ASIL forms an integral part of the Group's equity investment in the associate.

14 Interest in a joint venture

(a) Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest				
Name of joint venture	Form of business structure	Place of incorporation	Particulars of issued and fully paid up share capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity	Financial year end
Autotoll (BVI) Limited	Incorporated	British Virgin Islands	2 shares of US$1 each	50%	–	50%	Investment holding	31 December

Autotoll (BVI) Limited, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

(b) Summarised financial information of the Group's interest in Autotoll (BVI) Limited:

	2023 $'000	2022 $'000
Carrying amount in the consolidated financial statements	**159,750**	148,844
Group's share of Autotoll (BVI) Limited		
Profit before taxation	**15,915**	29,549
Other comprehensive income	**(9)**	3
Profit and total comprehensive income	**15,906**	29,552

(c) The amount due from a joint venture is unsecured, interest-free and has no fixed terms of repayment.

15 Other financial assets

	Note	2023 $'000	2022 $'000
Non-current			
Financial assets designated at FVOCI (non-recycling)			
– Equity securities listed in Hong Kong*	(i)	53,223	61,793
Financial assets measured at FVPL			
– Unlisted fund investments	(ii)	3,800,645	3,125,590
– Unlisted equity security		88,201	156,478
		3,888,846	3,282,068
		3,942,069	3,343,861
Current			
Financial assets measured at FVPL			
– 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
		984,143	1,098,568
Financial assets measured at amortised cost			
– Unsecured, interest-bearing instruments	(v)	60,000	145,000
Less: loss allowance		(60,000)	(128,398)
		–	16,602
		984,143	1,115,170
Total		4,926,212	4,459,031

* Fair value measured using unadjusted quoted price in active markets. Details of fair value measurement of financial assets are set out in note 23(f).

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, 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, industrials 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.

15 Other financial assets *(continued)*

Notes: *(continued)*

(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 fair value 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.

16 Trade and other receivables

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

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	2022
	$'000	$'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
	12,780	9,717

17 Bank deposits and cash

(a) Cash and cash equivalents comprise

	2023 $'000	2022 $'000
Deposits with banks and other financial institutions	2,223,152	1,960,921
Cash at bank and in hand	541,639	492,285
Bank deposits and cash in the consolidated statement of financial position	2,764,791	2,453,206
Less: Deposits with original maturity over three months	(266,263)	(436,368)
Cash and cash equivalents in the consolidated cash flow statement	2,498,528	2,016,838

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Dividends payable $'000	Lease liabilities $'000	Total $'000
At 1 January 2023	604	27,494	28,098
Changes from financing cash flows:			
Interest element of lease rentals paid	–	(16,157)	(16,157)
Capital element of lease rentals paid	–	(29,057)	(29,057)
Dividends paid	(134,041)	–	(134,041)
Total changes from financing cash flows	(134,041)	(45,214)	(179,255)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	350,422	350,422
Interest expenses (note 5(a))	–	16,157	16,157
Dividends approved in respect of the previous years (note 22(b)(ii))	89,445	–	89,445
Dividends declared in respect of the current year (note 22(b)(i))	67,084	–	67,084
Total other changes	156,529	366,579	523,108
At 31 December 2023	23,092	348,859	371,951

17 Bank deposits and cash *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Dividends payable $'000	Lease liabilities $'000	Total $'000
At 1 January 2022	854	97,670	98,524
Changes from financing cash flows:			
Interest element of lease rentals paid	—	(1,517)	(1,517)
Capital element of lease rentals paid	—	(23,075)	(23,075)
Dividends paid	(156,779)	—	(156,779)
Total changes from financing cash flows	(156,779)	(24,592)	(181,371)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	—	20,751	20,751
Interest expenses (note 5(a))	—	1,517	1,517
COVID-19 - related rent concession received (note 11(b))	—	(25,704)	(25,704)
Gain on lease modification	—	(42,148)	(42,148)
Dividends approval in respect of the previous years (note 22(b)(ii))	89,445	—	89,445
Dividends declared in respect of the current year (note 22(b)(i))	67,084	—	67,084
Total other changes	156,529	(45,584)	110,945
At 31 December 2022	604	27,494	28,098

(c) Total cash outflow for leases

Cash outflows included in the cash flow statement for leases comprise the following:

	2023 $'000	2022 $'000
Within operating cash flows	**9,865**	395
Within financing cash flows	**45,214**	24,592
	55,079	24,987

These amounts relate to the following:

	2023 $'000	2022 $'000
Lease rentals paid	**55,079**	24,987

18 Trade and other payables

	2023 $'000	2022 $'000
Trade payables	**7,279**	7,901
Other payables and accruals	**123,176**	103,447
	130,455	111,348

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
	7,279	7,901

19 Contract liabilities

	2023 $'000	2022 $'000
Course fee received in advance	**591,698**	644,016

Note:

The revenue recognised during the year that was included in the contract liabilities balance at the beginning of the period amounted to $434,781,000 (2022: $380,749,000).

When the Group receives the prepayments for course fees before commencement of motoring courses, this gives rise to contract liabilities at the start of a contract, until the completion of the relevant training lessons at which time related revenue is recognised. The Group typically receives the amounts in full before relevant courses commence.

All the amount of receipts in advance of performance are expected to be substantially recognised as income within twelve months from the reporting date.

20 Lease liabilities

At 31 December 2023, the lease liabilities were repayable as follows:

	2023 $'000	2022 $'000
Within 1 year	**78,836**	15,500
After 1 year but within 2 years	**82,277**	5,479
After 2 years but within 5 years	**187,746**	6,515
	270,023	11,994
	348,859	27,494

21 Income tax in the consolidated statement of financial position

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

	2023 $'000	2022 $'000
Provision for Hong Kong Profits Tax for the year	36,808	41,068
Provisional Profits Tax paid	(31,897)	(30,463)
	4,911	10,605
Taxation recoverable recognised in the consolidated statement of financial position	–	(512)
Taxation payable recognised in the consolidated statement of financial position	4,911	11,117
	4,911	10,605

(b) Deferred tax assets and liabilities recognised:

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

	Tax losses recognised $'000	Depreciation allowances in excess of the related depreciation $'000	Total $'000
Deferred tax arising from:			
At 1 January 2022	(2,278)	1,395	(883)
Charged to profit or loss	496	128	624
At 31 December 2022	(1,782)	1,523	(259)
At 1 January 2023	**(1,782)**	**1,523**	**(259)**
Charged to profit or loss	**492**	**2,401**	**2,893**
At 31 December 2023	**(1,290)**	**3,924**	**2,634**

	2023 $'000	2022 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	(1,163)	(2,216)
Net deferred tax liabilities recognised in the consolidated statement of financial position	3,797	1,957
	2,634	(259)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $1,578,397,000 (2022: $1,454,985,000) as it is not probable that future taxable profits against which the unused tax losses can be utilised will be available. The tax losses do not expire under the current tax legislation.

22 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital $'000	Retained profits $'000	Total $'000
Balance at 1 January 2022	1,629,461	2,969,486	4,598,947
Changes in equity for 2022:			
Dividends approved in respect of the previous year (note 22(b))	–	(89,445)	(89,445)
Profit and total comprehensive income for the year	–	3,053,075	3,053,075
Dividends declared in respect of the current year (note 22(b))	–	(67,084)	(67,084)
Balance at 31 December 2022 and 1 January 2023	1,629,461	5,866,032	7,495,493
Changes in equity for 2023:			
Dividends approved in respect of the previous year (note 22(b))	**–**	**(89,445)**	**(89,445)**
Profit and total comprehensive income for the year	**–**	**636,440**	**636,440**
Dividends declared in respect of the current year (note 22(b))	**–**	**(67,084)**	**(67,084)**
Balance at 31 December 2023	**1,629,461**	**6,345,943**	**7,975,404**

(b) 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
	156,529	156,529

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.

22 Capital, reserves and dividends *(continued)*

(b) Dividends *(continued)*

(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

(c) Share capital

Issued share capital

	2023 No. of shares ('000)	2023 $'000	2022 No. of shares ('000)	2022 $'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	372,688	1,629,461	372,688	1,629,461

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve has been set up and are dealt with in accordance with the accounting policies adopted for subsidiaries in note 2(d).

(ii) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(f)).

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2(f)).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

22 Capital, reserves and dividends *(continued)*

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2023, the Group did not have external borrowings. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

In order to monitor its capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or raise new debt financing.

The adjusted capital at 31 December 2023 and 2022 was as follows:

	2023 **$'000**	2022 $'000
Total equity	**7,413,033**	7,043,600
Less: proposed dividend (note 22(b))	**(89,445)**	(89,445)
	7,323,588	6,954,155

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

23 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, loans to associates and trade and other receivables. Management monitors the Group's credit risk exposure on an ongoing basis.

Bank deposits

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limits to the amounts deposited in each of these financial institutions. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as at 31 December 2023 and 2022.

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

(a) Credit risk *(continued)*

Loans to associates

With respect to loans to associates, management reviews the financial position of the borrowers on an ongoing basis.

Such associates are considered to have sound financial position and the identified impairment loss was immaterial as at 31 December 2023 and 2022. The maximum exposure to credit risk at the end of the reporting period are disclosed in note 13.

Trade and other receivables

Credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Trade receivables are due within one month from the date of billing while further credit may be granted to individual debtors when appropriate. Normally, the Group does not obtain collateral from debtors.

The Group applies the HKFRS 9 simplified approach under which credit losses on trade and other receivables are measured at an amount equal to the lifetime expected credit losses. The identified impairment loss was immaterial as at 31 December 2023. The maximum exposure to credit risk at the end of the reporting period equals the respective carrying amount as at 31 December 2023 as disclosed in note 16.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay, are within one year or on demand, except for the lease liabilities as disclosed below:

	2023 Contractual undiscounted cash out flow					2022 Contractual undiscounted cash out flow				
	Within 1 year	**After 1 year but within 2 years**	**After 2 year but within 5 years**	**Total**	**Carrying amount at 31 December**	Within 1 year	After 1 year but within 2 years	After 2 year but within 5 years	Total	Carrying amount at 31 December
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000	$'000
Lease liabilities	**96,502**	**95,557**	**200,561**	**392,620**	**348,859**	15,996	5,726	6,635	28,357	27,494

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

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest income from floating rate income-earning financial assets, and the impact of rate changes on the fair value of fixed rate instruments at FVOCI and FVPL. The Group invests in interest-bearing instruments and listed debt securities with fixed coupon rate. The Group manages its interest rate risk regularly by monitoring the interest rate profile of its investments. The Group did not enter into any interest rate swaps instrument during 2022 and 2023.

The following table details the interest rate profile of the Group's interest-bearing financial assets at the end of the reporting period.

		2023	2022
	Fixed/floating	Carrying amount $'000	Carrying amount $'000
Bank deposits and cash	Floating	541,467	492,110
Bank deposits and cash	Fixed	2,223,152	1,960,921
Interest-bearing instruments	Fixed	–	145,000
Debt securities measured at FVPL	Fixed	311	82,826

Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points (2022: 100 basis points) in interest rates, with all other variables held constant, would have:

(i) increased/decreased the Group's profit after tax and retained profits by approximately $5,415,000 (2022: $4,920,000) in response to the impact of general increase/decrease in interest rate on interest income from bank deposits and cash at floating rate;

(ii) decreased/increased the Group's profit after tax and retained profits by approximately $30,000 (2022: $8,000,000) in response to the impact of general increase/decrease in interest rate on the fair value of debt securities at FVPL; and

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis as 2022, except for the basis points after taking into consideration of the fluctuation of historical interest rate during the year ended 31 December 2023 as well as its recent market trends.

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

(d) Currency risk

The Group has foreign currency monetary assets and liabilities that are denominated in currencies other than the functional currency of the entity to which they relate. Exchange differences arising on settling or translating these foreign currency monetary items at rates different from those at the dates of the transactions giving rise to these monetary items are recognised in profit or loss.

The Group is exposed to currency risk primarily through its investments in securities and cash balances denominated in currencies other than its functional currency. The currencies giving rise to this risk are primarily Australian dollars.

In respect of the Group's assets denominated in United States dollars, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

Management of the Group continuously monitors the Group's exposure to such foreign currency risks to ensure they are at manageable levels.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in currencies other than the functional currency of the entity to which they relate and the United States dollars. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

		Exposure to foreign currencies (expressed in Hong Kong dollars)	
	Foreign currency	**2023**	2022
		$'000	$'000
Bank deposits and cash	Australian dollar	**7,061**	6,705
Other financial assets	Singapore dollar	**–**	14,563

At 31 December 2023, it is estimated that a general increase of one percentage point in foreign exchange rates arising from recognised assets or liabilities denominated in currencies other than United States dollars and Hong Kong dollars would have an insignificant impact on the Group's earnings for the year.

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

(e) Equity price risk

The Group is exposed to market price risk arising from the equity investments held at the end of the reporting period (see note 15).

The following table details the Group's equity investments at the end of the reporting period and fair value gain/(loss) recognised during the year.

	2023		2022	
	Fair value gain/(loss) $'000	**Carrying amount at 31 December $'000**	Fair value gain/(loss) $'000	Carrying amount at 31 December $'000
Financial assets designated at FVOCI (non-recycling)				
– Equity securities listed in Hong Kong	**(8,570)**	**53,223**	1,861	61,793
Financial assets measured at FVPL				
– Unlisted fund investments	**152,218**	**3,800,645**	(480,853)	3,125,590
– Unlisted equity security	**(68,277)**	**88,201**	72,532	156,478
– Equity securities listed in and outside Hong Kong	**122,827**	**983,832**	(199,469)	1,015,742

The Group's listed investments are listed on the Stock Exchange in and outside Hong Kong. Decisions to buy or sell the listed investments are based on daily monitoring of the performance of individual securities as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The Group's unlisted equity security are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities together with an assessment of their relevance of the Group's long term strategic plans.

As at 31 December 2023, the Group's unlisted fund investments (note 15) represented the investments in 55 private funds. The Group managed the equity 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.

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

(e) Equity price risk *(continued)*

At 31 December 2023, it is estimated that an increase/decrease of 10% (2022: 10%) in the fair value of the Group's all listed and unlisted equity securities, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2023			2022		
		Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000		Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
Change in the relevant equity price risk variable:						
Increase	10%	471,034	5,322	10%	413,021	6,179
Decrease	(10)%	(471,034)	(5,322)	(10)%	(413,021)	(6,179)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that all other variables remain constant. The analysis is performed on the same basis as 2022.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy *(continued)*

	Fair value at 31 December 2023 $'000	Fair value measurements as at 31 December 2023 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value at 31 December 2022 $'000	Fair value measurements as at 31 December 2022 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurements								
Assets								
Financial assets measured at FVOCI (non-recycling):								
– Equity securities listed in Hong Kong	53,223	53,223	–	–	61,793	61,793	–	–
Financial assets measured at FVPL:								
– Unlisted fund investments	3,800,645	–	2,204	3,798,441	3,125,590	–	2,764	3,122,826
– Unlisted equity security	88,201	–	–	88,201	156,478	–	–	156,478
– Equity securities listed in Hong Kong	726,966	726,966	–	–	788,179	788,179	–	–
– Equity securities listed outside Hong Kong	256,866	256,866	–	–	227,563	227,563	–	–
– Debt securities listed outside Hong Kong	311	311	–	–	82,826	82,826	–	–
	4,926,212	1,037,366	2,204	3,886,642	4,442,429	1,160,361	2,764	3,279,304

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the financial assets is determined based on executable quotes provided by investment fund managers.

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

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements

The fair value of unlisted equity security is determined using the price/sales ratios of comparable listed companies under market approach.

Instruments	Valuation techniques	Significant unobservable inputs	Market multiples	Change in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss
As at 31 December 2023					
– Unlisted equity security	Market comparable companies	Enterprise Value-to-Sales	4.57	+/-5%	+/- $7,272,000

Instruments	Valuation techniques	Significant unobservable inputs	Weighted average	Change in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss
As at 31 December 2022					
– Unlisted equity security	Market comparable companies	Discount for lack of marketability	20%	+/-5%	+/- $6,275,000

The Group's unlisted private funds categorised in Level 3 were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations provided by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input. The fund managers estimated the fair value of underlying investments based on direct market quote for level 1 financial instruments. For other investments, the fund managers apply appropriate valuation techniques such as latest transaction price, discounted cash flow, or a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instruments or based on any available observable market data.

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

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2023 $'000	2022 $'000
Financial assets measured at FVPL:		
– Unlisted fund investments:		
At 1 January	3,122,826	2,815,749
Payment for capital contribution	538,848	954,676
Proceeds from distribution	(16,016)	(170,464)
Changes in fair value recognised in profit or loss during the period	152,783	(477,135)
At 31 December	3,798,441	3,122,826
– Unlisted equity security:		
At 1 January	156,478	83,946
Changes in fair value recognised in profit or loss during the period	(68,277)	72,532
At 31 December	88,201	156,478

24 Commitments

Investment commitment

The Group makes capital commitments to various funds. At the end of the reporting period, the Group had the following outstanding commitments to make capital contributions to investment vehicles:

	2023	2022
	$'000	$'000
Private funds	**1,748,364**	2,037,170

25 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

All members of key management personnel are board members, and their remuneration is disclosed in note 7.

(b) Other related party transactions

During the year, the Group was involved in the following material related party transactions, none of which is regarded as a "connected transaction" as defined under the Listing Rules.

(i) During the year ended 31 December 2023, the Group received a fund transfer of HK$200,000,000 from an associate, Western Harbour Tunnel Company Limited. The outstanding balance as at 31 December 2023 is unsecured, interest-free, and repayable on demand.

The Group received interest income and management fee income from Western Harbour Tunnel Company Limited of $Nil (2022: $14,000) and $1,458,000 (2022: $2,500,000) respectively.

(ii) The Group received consultancy fees income from a joint venture of $13,800,000 (2022: $13,500,000).

26 Company-level statement of financial position

	Note	2023 $'000	2022 $'000
Non-current assets			
Property, plant and equipment		**10,970**	15,920
Investments in subsidiaries		**863,718**	854,449
Amount due from subsidiaries		**6,496,171**	6,364,114
Amount due from an associate		**–**	417
		7,370,859	7,234,900
Current assets			
Trade and other receivables		**6,124**	2,330
Cash and cash equivalents		**1,240,263**	922,682
		1,246,387	925,012
Current liabilities			
Trade and other payables		**58,721**	58,490
Dividends payable		**23,092**	604
		81,813	59,094
Net current assets		**1,164,574**	865,918
Total assets less current liabilities		**8,535,433**	8,100,818
Non-current liability			
Amounts due to subsidiaries		**560,029**	605,325
NET ASSETS		**7,975,404**	7,495,493
CAPITAL AND RESERVES	22(a)		
Share capital		**1,629,461**	1,629,461
Reserve		**6,345,943**	5,866,032
TOTAL EQUITY		**7,975,404**	7,495,493

Approved and authorised for issue by the board of directors on 25 March 2024

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

(Expressed in Hong Kong dollars)

27 Non-adjusting event after the reporting period

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 22(b).

28 Immediate and ultimate controlling party

At 31 December 2023, the directors consider the immediate parent and ultimate parent undertaking as defined in Schedule 1 of Hong Kong Companies Ordinance to be Windsor Dynasty Limited, which is incorporated in British Virgin Islands. This entity does not produce financial statements available for public use. The directors consider the ultimate controlling party to be Mr. Cheung Chung Kiu.

29 Comparative figures

As a result of the Tunnel Operation has been included as discontinued operation during the year, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2023. Further details of the discontinued operation are disclosed in note 7.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements: *Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, Presentation of financial statements: *Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to HKFRS 16, Leases: *Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial Instruments: *Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, The effects of changes in foreign exchange rates: *Lack of exchangeability*	1 January 2025

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

Five Year Summary

(Expressed in Hong Kong dollars)

	2019 $'000 (restated)	2020 $'000 (restated)	2021 $'000 (restated)	2022 $'000 (restated)	**2023** **$'000**
Consolidated statement of profit or loss					
Revenue from continuing operations	693,437	758,022	697,166	699,660	**875,164**
Profit/(loss) attributable to equity shareholders of the Company for the year	108,270	305,382	(511,925)	(791,179)	**224,086**
Profit attributable to equity shareholders of the Company for the year from a discontinued operation	619,036	419,861	462,680	345,929	**295,888**
Dividends payable to equity shareholders of the Company attributable to the year	156,529	156,529	156,529	156,529	**156,529**
Consolidated statement of financial position					
Property, plant and equipment	414,193	343,766	320,433	236,037	**519,764**
Interest in associates	714,835	575,222	571,492	291,315	**2,474**
Interest in a joint venture	108,949	141,304	149,292	148,844	**159,750**
Other financial assets	2,312,796	4,192,107	2,968,717	3,343,861	**3,942,069**
Deposits and prepayments	30,939	270,989	74,441	45,315	**44,880**
Deferred tax assets	4,964	4,594	3,065	2,216	**1,163**
Current assets	4,603,410	4,637,779	4,280,457	3,772,548	**3,845,745**
	8,190,086	10,165,761	8,367,897	7,840,136	**8,515,845**
Current liabilities	566,860	800,260	800,547	782,585	**828,992**
Deferred tax liabilities	3,924	2,494	2,182	1,957	**3,797**
Lease liabilities	116,481	64,142	27,195	11,994	**270,023**
NET ASSETS	7,502,821	9,298,865	7,537,973	7,043,600	**7,413,033**
Capital and reserves					
Share capital and other statutory capital reserves	1,629,461	1,629,461	1,629,461	1,629,461	**1,629,461**
Other reserves	5,714,479	7,485,144	5,707,117	5,230,855	**5,585,724**
Total equity attributable to equity shareholders of the Company	7,343,940	9,114,605	7,336,578	6,860,316	**7,215,185**
Non-controlling interests	158,881	184,260	201,395	183,284	**197,848**
TOTAL EQUITY	7,502,821	9,298,865	7,537,973	7,043,600	**7,413,033**

Note: 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.