



The Cross-Harbour (Holdings) Limited

(Stock Code : 32)



2017 INTERIM REPORT



MIX
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FSC™ C127090

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Corporate Information

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

Luk Yu King, James

Leung Yu Ming, Steven

Audit Committee

Luk Yu King, James (*Chairman*)

Ng Kwok Fu

Leung Yu Ming, Steven

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

Leung Shuk Mun, Phyllis Sylvia

Legal Adviser

Woo, Kwan, Lee & Lo

Registered Office

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Wanchai

Hong Kong

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External Auditor

KPMG

Registrar & Transfer Office

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Wanchai

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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

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2017 \$'000	2016 \$'000
Revenue	2	207,108	205,871
Other revenue		12	13
Other net gains/(losses)	3	227,654	(184,062)
Direct costs and operating expenses		(85,815)	(81,116)
Selling and marketing expenses		(13,616)	(13,217)
Administrative and corporate expenses		(44,385)	(41,440)
Profit/(loss) from operations		290,958	(113,951)
Finance costs	4(a)	(23)	(14)
Share of profits less losses of associates	8	291,342	262,596
Share of profits of a joint venture		9,122	12,166
Profit before taxation	4	591,399	160,797
Income tax	5	(12,211)	(13,460)
Profit for the period		579,188	147,337
Attributable to:			
Equity shareholders of the Company		557,535	123,133
Non-controlling interests		21,653	24,204
Profit for the period		579,188	147,337
Earnings per share	6		
Basic and diluted		150 cents	33 cents

The notes on pages 9 to 23 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2017 \$'000	2016 \$'000
Profit for the period		579,188	147,337
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
– Available-for-sale securities:			
net movement in the investment revaluation reserve	7	11,948	(178,041)
– Share of other comprehensive income of a joint venture:			
– Exchange differences on translation of financial statements of overseas subsidiary and joint venture		121	(215)
		12,069	(178,256)
Total comprehensive income for the period		591,257	(30,919)
Attributable to:			
Equity shareholders of the Company		569,568	(55,058)
Non-controlling interests		21,689	24,139
Total comprehensive income for the period		591,257	(30,919)

The notes on pages 9 to 23 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2017 - unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2017		31 December 2016	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment			160,234		151,108
Interest in leasehold land held for own use			19,327		22,245
			<u>179,561</u>		<u>173,353</u>
Interest in associates	8		1,401,889		1,566,234
Interest in a joint venture			98,847		89,604
Available-for-sale securities	9		913,474		676,116
Deferred tax assets			1,870		1,810
			<u>2,595,641</u>		<u>2,507,117</u>
Current assets					
Trading securities			609,899		365,578
Inventories			815		699
Trade and other receivables	10		65,489		22,358
Taxation recoverable			589		2,483
Dividend receivable			75,813		77,000
Bank deposits and cash	11		2,872,842		2,786,817
			<u>3,625,447</u>		<u>3,254,935</u>
Current liabilities					
Trade and other payables	12		38,483		87,522
Course fees received in advance			298,853		272,552
Taxation payable			15,958		5,302
Dividends payable			7,272		2,243
			<u>360,566</u>		<u>367,619</u>
Net current assets			<u>3,264,881</u>		<u>2,887,316</u>

Consolidated Statement of Financial Position

As at 30 June 2017 - unaudited

(Expressed in Hong Kong dollars)

	Note	30 June 2017		31 December 2016	
		\$'000	\$'000	\$'000	\$'000
Total assets less current liabilities			5,860,522		5,394,433
Non-current liabilities					
Loan from an associate	8		258,093		279,384
Deferred tax liabilities			5,491		5,770
			<u>263,584</u>		<u>285,154</u>
NET ASSETS			<u>5,596,938</u>		<u>5,109,279</u>
CAPITAL AND RESERVES					
Share capital	13(b)		1,629,461		1,629,461
Reserves			3,834,099		3,350,249
Total equity attributable to equity shareholders of the Company			5,463,560		4,979,710
Non-controlling interests			133,378		129,569
TOTAL EQUITY			<u>5,596,938</u>		<u>5,109,279</u>

The notes on pages 9 to 23 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 - unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								
	Note	Share capital	Capital reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016		1,629,461	1,984	256,758	188	2,915,465	4,803,856	120,995	4,924,851
Changes in equity for the six months ended 30 June 2016:									
Profit for the period		—	—	—	—	123,133	123,133	24,204	147,337
Other comprehensive income		—	—	(178,041)	(150)	—	(178,191)	(65)	(178,256)
Total comprehensive income for the period		—	—	(178,041)	(150)	123,133	(55,058)	24,139	(30,919)
Dividend approved in respect of the previous financial year	13(a)	—	—	—	—	(63,357)	(63,357)	—	(63,357)
Non-controlling interest's share of dividends		—	—	—	—	—	—	(20,052)	(20,052)
Dividend declared in respect of the current financial year	13(a)	—	—	—	—	(22,361)	(22,361)	—	(22,361)
Balance at 30 June 2016		1,629,461	1,984	78,717	38	2,952,880	4,663,080	125,082	4,788,162
Changes in equity for the six months ended 31 December 2016:									
Profit for the period		—	—	—	—	287,293	287,293	20,933	308,226
Other comprehensive income		—	—	74,215	(155)	—	74,060	(66)	73,994
Total comprehensive income for the period		—	—	74,215	(155)	287,293	361,353	20,867	382,220
Non-controlling interest's share of dividends		—	—	—	—	—	—	(16,380)	(16,380)
Dividends declared in respect of the current financial year		—	—	—	—	(44,723)	(44,723)	—	(44,723)
Balance at 31 December 2016		1,629,461	1,984	152,932	(117)	3,195,450	4,979,710	129,569	5,109,279

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 - unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total		
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	1,629,461	1,984	152,932	(117)	3,195,450	4,979,710	129,569	5,109,279
Changes in equity for the six months ended 30 June 2017:								
Profit for the period	—	—	—	—	557,535	557,535	21,653	579,188
Other comprehensive income	—	—	11,948	85	—	12,033	36	12,069
Total comprehensive income for the period	—	—	11,948	85	557,535	569,568	21,689	591,257
Dividend approved in respect of the previous financial year	13(a)	—	—	—	(63,357)	(63,357)	—	(63,357)
Non-controlling interest's share of dividends		—	—	—	—	—	(17,880)	(17,880)
Dividends declared in respect of the current financial year	13(a)	—	—	—	(22,361)	(22,361)	—	(22,361)
Balance at 30 June 2017	<u>1,629,461</u>	<u>1,984</u>	<u>164,880</u>	<u>(32)</u>	<u>3,667,267</u>	<u>5,463,560</u>	<u>133,378</u>	<u>5,596,938</u>

The notes on pages 9 to 23 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2017	2016
Note	\$'000	\$'000
Operating activities		
Cash generated from operations	3,756	51,691
Tax paid	—	(510)
Net cash generated from operating activities	3,756	51,181
Investing activities		
Increase in deposits with banks with original maturity over three months	(10,038)	(96,761)
Payments for purchase of available-for-sale securities	(242,497)	(42,858)
Payments for purchase of trading securities	—	(172,805)
Payment for purchase of property, plant and equipment	(28,257)	(23,122)
Dividends received from associates	460,699	427,289
Proceeds from sale of property, plant and equipment	204	10,831
Proceeds from sale of available-for-sale securities	470	—
Dividends received from listed investments	936	1,508
Interest received	10,597	5,895
(Repayment to)/loan from associate	(21,291)	25,201
Net cash generated from investing activities	170,823	135,178
Financing activities		
Dividends paid to equity shareholders of the Company	(80,689)	(60,678)
Other cash flows arising from financing activities	(17,903)	(20,067)
Net cash used in financing activities	(98,592)	(80,745)
Net increase in cash and cash equivalents	75,987	105,614
Cash and cash equivalents at 1 January	2,680,310	1,873,553
Cash and cash equivalents at 30 June	11 2,756,297	1,979,167

The notes on pages 9 to 23 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 25 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements.

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 24.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Revenue and segment reporting

(a) Revenue

The analysis of the principal activities of the operations of the Company and its subsidiaries during the financial period is as follows:

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Principal activities		
Motoring school operations	187,015	174,494
Net gain from disposal of available-for-sale securities	252	—
Investment and other activities	19,841	31,377
	<u>207,108</u>	<u>205,871</u>

(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 operations: this segment invests in subsidiaries which operate three driver training centres.
- Tunnel operations: this segment invests in associates which operate the Western Harbour Tunnel and Tate's Cairn Tunnel franchises.
- Electronic toll operations: this segment invests in a joint venture which operates an electronic toll collection system and provision of telematics service.
- Treasury: this segment operates investing and financing activities and receives dividend income and interest income.

(i) Segment results and assets

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 attributable to the sales activities and the accruals of the individual segments and 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results and assets (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 period is set out below.

	Motoring School Operations		Tunnel Operations		Electronic Toll Operations		Treasury		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue from external customers	187,015	174,494	1,250	1,250	2,400	2,400	4,850	21,145	195,515	199,289
Net gain from disposal of available-for-sale securities	—	—	—	—	—	—	252	—	252	—
Interest revenue	2,355	1,606	—	—	—	—	8,086	3,976	10,441	5,582
Reportable segment revenue	189,370	176,100	1,250	1,250	2,400	2,400	13,188	25,121	206,208	204,871
Reportable segment profit/(loss) before tax	73,587	80,283	292,592	263,846	11,402	14,457	241,035	(169,844)	618,616	188,742
Depreciation	10,695	8,188	—	—	—	—	—	—	10,695	8,188
Share of profits less losses of associates	—	—	291,342	262,596	—	—	—	—	291,342	262,596
Share of profits of a joint venture	—	—	—	—	9,122	12,166	—	—	9,122	12,166
Income tax	11,934	13,181	—	—	277	279	—	—	12,211	13,460
Reportable segment assets at 30 June 2017 / 31 December 2016	697,703	647,677	1,401,889	1,566,234	100,028	104,469	3,962,561	3,377,404	6,162,181	5,695,784

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Revenue		
Reportable segment revenue	206,208	204,871
Unallocated head office and corporate revenue	900	1,000
	<u>207,108</u>	<u>205,871</u>
Profit		
Reportable segment profit derived from Group's external customers	618,616	188,742
Other revenue	12	13
Unallocated head office and corporate income and expenses	(27,229)	(27,958)
	<u>591,399</u>	<u>160,797</u>
Assets		
Reportable segment assets	6,162,181	5,695,784
Unallocated head office and corporate assets	58,907	66,268
	<u>6,221,088</u>	<u>5,762,052</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Other net gains/(losses)

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Net unrealised gains/(losses) on trading securities	244,321	(138,233)
Available-for-sale securities: losses reclassified from equity on impairment	(16,869)	(56,645)
Net gains on sale of property, plant and equipment	202	10,816
	<u>227,654</u>	<u>(184,062)</u>

4 Profit before taxation

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Other borrowing costs	<u>23</u>	<u>14</u>
(b) Other items		
Depreciation	19,271	17,167
Cost of inventories consumed	3,775	5,366
Contributions to defined contribution retirement scheme	3,047	3,106
Dividend income from listed investments	(4,749)	(21,081)
Interest income from listed investments	(141)	—
Other interest income	<u>(10,300)</u>	<u>(5,582)</u>

5 Income tax

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Current tax – Hong Kong Profits Tax	12,550	12,556
Deferred tax	<u>(339)</u>	<u>904</u>
	<u>12,211</u>	<u>13,460</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 30 June 2017.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$557,535,000 (2016: \$123,133,000) and the weighted average of 372,688,206 ordinary shares (2016: 372,688,206 ordinary shares) in issue during the period. Diluted earnings per share are the same as basic earnings per share as the Company had no dilutive potential ordinary shares.

7 Other comprehensive income

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	(4,669)	(234,686)
Reclassification adjustment for amounts transferred to profit or loss:		
– gains on disposal	(252)	—
– impairment losses	<u>16,869</u>	<u>56,645</u>
Net movement in the investment revaluation reserve recognised during the period	<u><u>11,948</u></u>	<u><u>(178,041)</u></u>

8 Interest in associates

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

Name of associate	Form of business structure	Place of incorporation and business	Proportion of ownership interest		Principal activity	Financial year end
			Group's effective interest	Held by a subsidiary		
Western Harbour Tunnel Company Limited ("WHTCL")	Incorporated	Hong Kong	50%	50%	Operation of the Western Harbour Crossing	31 July
Tate's Cairn Tunnel Company Limited ("TCTCL")	Incorporated	Hong Kong	39.5%	39.5%	Operation of the Tate's Cairn Tunnel	30 June

- (b) All of the above associates are accounted for using the equity method in the consolidated financial statements based on the financial statements of WHTCL and TCTCL for the six months ended 30 June 2017 respectively.
- (c) WHTCL was granted a thirty-year franchise to construct and operate the Western Harbour Tunnel in accordance with the Western Harbour Crossing Ordinance enacted on 22 July 1993.
- (d) TCTCL was granted a thirty-year franchise to construct and operate the Tate's Cairn Tunnel in accordance with the Tate's Cairn Tunnel Ordinance enacted on 1 July 1988.
- (e) The loan from an associate is unsecured and interest free. The loan is classified as non-current as it is not repayable within the next twelve months.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

- (f) Summarised financial information of the 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	Six months ended 30 June	
		2017 \$'000	2016 \$'000
Gross amounts of the associate's			
Revenue			
Toll revenue		845,627	778,477
Other revenue	(i)	23,848	20,372
		<u>869,475</u>	<u>798,849</u>
Other income		646	334
Expenditure			
Operating and administrative expenses		(49,314)	(47,391)
Rates and government rent		(32,098)	(29,217)
Amortisation and depreciation	(ii)	(177,752)	(177,311)
Operating profit before finance charges		610,957	545,264
Interest on shareholders' loans		(25)	(25)
Profit before taxation		610,932	545,239
Income tax	(iii)	(101,897)	(91,107)
Profit and total comprehensive income		<u>509,035</u>	<u>454,132</u>
Group's effective interest		50%	50%
Group's share of profit and total comprehensive income		254,517	227,066
Fair value adjustments		(4,677)	(4,677)
		<u>249,840</u>	<u>222,389</u>
Dividend received from the associate		<u>394,000</u>	<u>363,000</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

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

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Gross amounts of the associate's		
Current assets	357,744	372,910
Non-current assets	2,554,717	2,731,892
Current liabilities	(iv) (461,550)	(346,098)
Non-current liabilities	(412,066)	(440,894)
Equity	<u>2,038,845</u>	<u>2,317,810</u>
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	2,038,845	2,317,810
Group's effective interest	50%	50%
Group's share of net assets of the associate	1,019,422	1,158,905
Fair value adjustments	56,771	61,448
Amount due from the associate	(v) 417	417
Loan to and interest receivable from the associate	(vi) <u>2,559</u>	<u>2,547</u>
Carrying amount in the consolidated financial statements	<u>1,079,169</u>	<u>1,223,317</u>

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.
- (iii) Taxation includes the current and deferred income tax for the period. The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the period ended 30 June 2017.
- (iv) Current liabilities include current tax liabilities of \$261.5 million (2016: \$132.5 million).
- (v) The amount due from an associate is unsecured, interest free and repayable on demand. The amount is classified as non-current as the directors do not intend to demand repayment within the next twelve months.
- (vi) The loan to an associate is unsecured and bears interest at a rate of 1% per annum as determined by the shareholders of that associate. Interest earned by the Group from the associate for the six months ended 30 June 2017 amounted to \$12,000 (2016: \$13,000). The loan is repayable on demand as may from time to time be agreed among the associate shareholders. The loan is classified as non-current as the directors do not intend to demand repayment within the next twelve months.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

- (g) Summarised financial information of the material associate, TCTCL, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	Six months ended 30 June	
	2017 \$'000	2016 \$'000
Gross amounts of the associate's		
Revenue	274,990	268,753
Profit and total comprehensive income	153,034	149,756
Group's effective interest	39.5%	39.5%
Group's share of profit and total comprehensive income	60,448	59,154
Fair value adjustments	(18,946)	(18,946)
	<u>41,502</u>	<u>40,208</u>
Dividend received from the associate	<u>61,699</u>	<u>57,789</u>
	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Gross amounts of the associate's		
Current assets	146,151	36,789
Non-current assets	716,708	801,811
Current liabilities	(132,463)	(99,904)
Non-current liabilities	(10,109)	(15,243)
Equity	<u>720,287</u>	<u>723,453</u>
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	720,287	723,453
Group's effective interest	39.5%	39.5%
Group's share of net assets of the associate	284,513	285,764
Goodwill and fair value adjustments	<u>38,207</u>	<u>57,153</u>
Carrying amount in the consolidated financial statements	<u>322,720</u>	<u>342,917</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Available-for-sale securities

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Listed in Hong Kong	419,405	425,367
Listed outside Hong Kong	191,263	—
Unlisted securities	302,806	250,749
	<u>913,474</u>	<u>676,116</u>

10 Trade and other receivables

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

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Within 1 month	4,411	3,458
1 to 2 months	47	103
2 to 3 months	136	42
Over 3 months	351	70
Trade receivables, net of allowance for doubtful debts	4,945	3,673
Other receivables	5,591	4,492
Trade and other receivables	10,536	8,165
Deposits and prepayments	54,953	14,193
	<u>65,489</u>	<u>22,358</u>

Debts are normally due within one month from the date of billing, however, further credit may be granted to individual customers when appropriate.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Bank deposits and cash

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Deposits with banks and other financial institutions	2,432,742	2,534,092
Cash at bank and in hand	<u>440,100</u>	<u>252,725</u>
Bank deposits and cash in the consolidated statement of financial position	2,872,842	<u>2,786,817</u>
Less: Deposits with original maturity over three months	<u>(116,545)</u>	
Cash and cash equivalents in the condensed consolidated cash flow statement	<u>2,756,297</u>	

At 30 June 2017, a bank account in a financial institution with the amount of \$9,590,000 (31 December 2016: \$8,999,000) served as a security against treasury facilities granted to the Group. During the period, the Group did not utilise any of such facilities.

12 Trade and other payables

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

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Within 1 month	534	475
1 month to 3 months	920	771
Over 3 months but within 6 months	<u>3,045</u>	<u>2,633</u>
Trade payables	4,499	3,879
Other payables and accruals	<u>33,984</u>	<u>83,643</u>
	<u>38,483</u>	<u>87,522</u>

All of the balances are expected to be settled or recognised as income within one year or are repayable on demand.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
First interim dividend declared during the interim period of 6 cents per share (2016: 6 cents per share)	22,361	22,361
Second interim dividend declared after the interim period of 6 cents per share (2016: 6 cents per share)	<u>22,361</u>	<u>22,361</u>
	<u>44,722</u>	<u>44,722</u>

The second interim dividend declared after the interim period has not been recognised as a liability at the end of the reporting period.

(ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 17 cents per share (2016: 17 cents per share)	<u>63,357</u>	<u>63,357</u>

(b) Share capital

Movements of the Company's ordinary shares are set out below:

	2017		2016	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
Ordinary shares, issued and fully paid:				
At 1 January	<u>372,688</u>	<u>1,629,461</u>	<u>372,688</u>	<u>1,629,461</u>
At 30 June/31 December	<u>372,688</u>	<u>1,629,461</u>	<u>372,688</u>	<u>1,629,461</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Fair value measurement of financial instruments

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.

For financial instruments traded in inactive markets, their fair value measurements are based on net asset values provided by the relevant investment fund manager.

	Fair value at	Fair value measurements as at			Fair value at	Fair value measurements as at		
	30 June	30 June 2017 categorised into			31 December	31 December 2016 categorised into		
	2017	Level 1	Level 2	Level 3	2016	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements								
Assets								
Available-for-sale securities:								
- Listed	610,668	610,668	—	—	425,367	425,367	—	—
- Unlisted	302,806	—	—	302,806	250,749	—	—	250,749
Trading securities:								
- Listed	522,778	522,778	—	—	273,770	273,770	—	—
- Unlisted	87,121	—	58,770	28,351	91,808	—	62,162	29,646
	<u>1,523,373</u>	<u>1,133,446</u>	<u>58,770</u>	<u>331,157</u>	<u>1,041,694</u>	<u>699,137</u>	<u>62,162</u>	<u>280,395</u>

During the six months ended 30 June 2017, 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Fair value measurement of financial instruments (continued)

Information about Level 3 fair value measurements

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>
Unlisted available-for-sale securities	Net asset value	N/A
Unlisted trading securities	Net asset value	N/A

The Group's unlisted available-for-sale securities and trading securities categorised in Level 3 comprise unlisted investment funds, the fair values of which are based on their net asset values. The fair values of the funds' underlying investments are determined by the investment fund manager based on a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount.

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

	2017 \$'000	2016 \$'000
<i>Unlisted available-for-sale securities:</i>		
At 1 January	250,749	123,192
Payment for purchase	49,407	42,858
Net unrealised gains/(losses) recognised in other comprehensive income during the period	<u>2,650</u>	<u>(5,454)</u>
At 30 June	<u>302,806</u>	<u>160,596</u>
Total gains or losses for the period reclassified from other comprehensive income on disposal	<u>—</u>	<u>—</u>
Total losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(1,638)</u>	<u>(7,438)</u>
	2017 \$'000	2016 \$'000
<i>Unlisted trading securities:</i>		
At 1 January	29,646	27,370
Transfer in	—	11,706
Changes in fair value recognised in profit or loss during the period	<u>(1,295)</u>	<u>(9,076)</u>
At 30 June	<u>28,351</u>	<u>30,000</u>
Total losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(1,295)</u>	<u>(9,076)</u>

During the six months ended 30 June 2017, there were no transfer into or out of Level 3. During the period ended 30 June 2016, a portion of an unlisted trading security held by the Group with fair value amounting to \$11,706,000 was transferred out of Level 2 into Level 3 of the fair value hierarchy. The transfer is resulted from a reclassification of the portion of the unlisted trading security from the investment in ordinary shares to private equity investment shares, which no longer satisfy the criteria of Level 2 fair value hierarchy.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Material related party transactions

During the period, the Group entered into the following material related party transactions, none of which is regarded as a “connected transaction” as defined under the Listing Rules.

- (a) The Group extended a loan to and received interest from an associate, WHTCL. The balance of the loan and interest receivable at 30 June 2017 was \$2.5 million (31 December 2016: \$2.5 million).

The Group received interest income and management fee income from WHTCL of \$12,000 (2016: \$13,000) and \$1.3 million (2016: \$1.3 million) respectively.

- (b) The Group received a loan from an associate, Tate’s Cairn Tunnel Company Limited. The balance of the loan at 30 June 2017 was \$258.1 million (31 December 2016: \$279.4 million).

- (c) The Group received consultancy fees and management fee income from a joint venture of \$1.8 million (2016: \$1.8 million) and \$0.6 million (2016: \$0.6 million) respectively.

16 Non-adjusting event after the reporting period

On 25 August 2017, the Directors proposed a second interim dividend. Further details are set out in note 13(a) “Dividends”.

Review Report to the Board of Directors

Review Report to the Board of Directors of The Cross-Harbour (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 2 to 23 which comprises the consolidated statement of financial position of The Cross-Harbour (Holdings) Limited as of 30 June 2017 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

Hong Kong, 25 August 2017

Management Discussion and Analysis

The board of directors of The Cross-Harbour (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017. The interim results have been reviewed by the audit committee and KPMG. KPMG’s review report is set out on page 24.

The Group’s unaudited profit attributable to shareholders for the first half of 2017 amounted to HK\$557.5 million, a 352.9% increase as compared with HK\$123.1 million for the first half of 2016. Earnings per share were HK\$1.50 against HK\$0.33 for the last corresponding period.

Dividends

A first quarterly interim dividend of HK\$0.06 per share, absorbing a total amount of HK\$22.4 million, was paid on 30 June 2017. Your directors have today declared a second quarterly interim dividend of HK\$0.06 per share payable on 20 September 2017 to shareholders registered at the close of business on 13 September 2017.

Closure of Books

The register of members and transfer books of the Company will be closed from Monday, 11 September 2017 to Wednesday, 13 September 2017, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for the second quarterly interim dividend, all transfer documents and accompanying share certificates must be lodged for registration with Tricor Tengis Limited by 4:30 p.m., Friday, 8 September 2017.

Business Review and Prospects

With signs of stronger recovery in advanced economies and stabilisation in mainland China, the Hong Kong economy grew robustly by 4.3% in the first quarter of 2017, the highest since the second quarter of 2011. In addition to a rebound in the number of tourist arrivals and favourable financial market conditions, solid employment as well as strong asset market performances, in particular the residential property markets with new recorded high prices, continued to provide support for private consumption, the main growth driver for the Hong Kong economy. Going forward, though there are still global uncertainties such as potential changes in international trade policies, formal Brexit negotiation between UK and European Union as well as the evolving political challenges in the Middle East, the Hong Kong economy is expected to benefit from further recovery in advanced economies and steady growth in mainland China. The US Fed raised its benchmark interest rate twice in the first half year. However, given the expected gradual pace of future rate hikes, the overall interest rate environment in the U.S. remains fairly accommodative and the impact on Hong Kong is likely to be moderate. Hong Kong’s fundamentals have become noticeably stronger than in 2016 and assuming the growth momentum to continue, a further upturn in GDP growth to a range of 2% to 3% for the full year is expected. On the contrary, inflationary pressure is likely to be contained in the near term amid the modest global inflation.

Electronic Toll Operation

Autotoll Limited (“Autotoll”), 50% owned by The Autopass Company Limited (a 70% owned subsidiary), provides electronic toll clearing facilities in Hong Kong covering eleven different toll roads and tunnels. There are fifty-three auto-toll lanes in operation at present. The total number of tags in circulation as at 30 June 2017 was about 327,000. The overall usage of auto-toll facilities in all eleven toll roads and tunnels maintained at around 50%. The number of daily transactions handled by Autotoll was about 406,000 with toll amount of approximately HK\$10.3 million. The number of subscribers for the Global Positioning System at the end of June was about 12,900.

Motoring School Operation

Alpha Hero Group (70% owned) which operates driving training schools, recorded a minimal increase in the number of driving lessons demanded for the period under review as compared with the previous corresponding period. Tuition fee income, however, increased by 7% as a result of increase in both lesson income unit rate and demand for motorcycle training courses. In view of the persistently low interest rates and rising rentals, a property was acquired during the period under review as a measure to improve the cost structure in the long run.

Tunnel Operations

(I) Western Harbour Tunnel Company Limited (“WHTCL”) – 50% owned

The average daily throughput of the Western Harbour Tunnel (“WHT”) for the first half year under review maintained at about 66,200 vehicle journeys as compared with the last corresponding period, despite the implementation of its eighth toll increase effective from 1 January 2017. Toll charges for private cars, taxis, light buses and goods vehicles have risen by HK\$5 while the tolls for motorcycles and additional axles remain unchanged. Toll increases for single and double decked buses are HK\$10 and HK\$15 respectively. The average toll per vehicle increased from HK\$65.04 in the last corresponding period to HK\$70.55 in the first half year under review. WHT’s market share, however, was maintained at 26% for the period under review and the revenue growth of WHTCL is expected to remain solid for the remaining period of the year under the new tolls.

(II) Tate’s Cairn Tunnel Company Limited (“TCTCL”) – 39.5% owned

The average daily throughput of the Tate’s Cairn Tunnel during the first half year under review increased by 3% to approximately 60,300 vehicle journeys as compared with the last corresponding period.

Treasury Management Business

The Hong Kong stock market has grown more vibrant in the first half of 2017 and outperformed its major counterparts worldwide. Hang Seng Index increased for six consecutive months with a cumulative gain of 17% and is poised to benefit from Mainland’s economic recovery and improving market liquidity as southbound fund flows via Shanghai-HK and Shenzhen-HK Stock Connect are making increasing contributions to the rising turnover of the Hong Kong stock market. As a result, the overall performance of the Group’s treasury segment during the period under review improved significantly and a fair value gain on its portfolio investment was recorded at the end of the interim period. Nevertheless, the investment outlook for the second half year may face more correction pressure. In tandem with U.S. rate hikes and amid a continued improvement of the economies, other major central banks are likely to unwind their quantitative easing policies in the near term and the global stock markets may enter into a consolidation phase in the remaining months of the year. On the other hand, the inclusion of A-shares into MSCI indices, easing depreciation pressure on the renminbi and the successful launch of Bond-Connect program in Hong Kong not only help to stimulate foreign investments into China’s stock and bond markets, but also further strengthen the ties between Hong Kong and the Mainland. The performance of the Hong Kong financial markets will benefit in the long run.

Management Discussion and Analysis

Commentary on Interim Results

(I) Review of 2017 Interim Results

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2017 amounted to HK\$557.5 million, representing an increase of 352.9% as compared to HK\$123.1 million for the last corresponding period. Earnings per share were HK\$1.50. The significant increase in 2017 interim result was primarily attributable to the favourable performance of the treasury segment resulting from a substantial fair value gain in securities investment during the period under review.

The Group's revenue was HK\$207.1 million for the period under review against HK\$205.9 million recorded in the same period last year. The motoring school operations recorded an increase in revenue of 7.2% to HK\$187.0 million as compared with the last corresponding period. The improvement in tuition fee income was a result of an increase in both lesson income unit rate and demand for motorcycle training courses. However, profit before tax decreased by 8.3% to HK\$73.6 million as compared to HK\$80.3 million recorded in the last corresponding period due to a significant gain of HK\$10.8 million on disposal of motor vehicles as a result of extensive fleet replacement.

Turning to the Group's treasury investment, a realised net gain of HK\$0.3 million on disposal of available-for-sale securities was recorded during the first half year under review, whereas there was no disposal in the last corresponding period. Dividend income and interest income from listed investments in the first six months amounted to HK\$4.9 million as compared to HK\$21.1 million for the last corresponding period.

In addition, the Group's treasury segment recorded a significant unrealised fair value gain on trading securities of HK\$244.3 million for first half year under review against a loss of HK\$138.2 million recorded in the last corresponding period. Revaluation deficit arising on certain available-for-sale securities of HK\$16.9 million, as compared to HK\$56.6 million recorded in the last corresponding period, was transferred from the investment revaluation reserve to the consolidated statement of profit or loss as a result of impairment losses on those securities at 30 June 2017.

The Group's share of profits less losses of associates has increased by 10.9% to HK\$291.3 million as compared to HK\$262.6 million in the last corresponding period due to improved performance of both WHTCL and TCTCL. An increase in contribution from WHTCL during the period under review was attributable to a 8.6% increase in toll revenue after the implementation of toll increase in January 2017, whereas TCTCL also registered a 1.8% increase in toll income as a result of an increase in throughput. After accounting for the amortisation of fair value in excess of net book value of WHTCL and TCTCL as at the completion dates of the acquisitions in 2008, profit contributions from WHTCL and TCTCL for the first half year under review were HK\$249.8 million and HK\$41.5 million respectively as compared to HK\$222.4 million and HK\$40.2 million recorded in the last corresponding period.

The Group's share of profits of a joint venture, Autotoll Limited, which operates an electronic toll collection system, was HK\$9.1 million for the first half year under review against HK\$12.2 million recorded in the last corresponding period, representing a decrease of HK\$3.1 million or 25.4% as a result of a decrease in project income and an increase in operating expenses incurred for coping with increasing competitions with other store value facilities service providers.

(II) Treasury Investments

As at 30 June 2017, the Group maintained a portfolio of investments with an aggregate fair value of HK\$1,523.4 million (31 December 2016: HK\$1,041.7 million). The portfolio composed of HK\$1,133.4 million listed investments and HK\$390.0 million unlisted investment funds managed by financial institutions. The substantial increase in portfolio balance was a result of positive fair value changes of HK\$244.3 million in certain trading securities, in addition to the purchase of HK\$193.1 million listed bond and HK\$49.4 million unlisted investment fund during the period under review. The Group also recorded an increase in the investment revaluation reserve in the amount of HK\$11.9 million after adjusted for impairment losses recognised on certain available-for-sale securities. Further details of the Group's investment portfolio in respect of its classification and fair value measurement are provided in note 14 of the interim financial report.

Certain securities were pledged to the financial institution to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. As at 30 June 2017, these facilities were not utilised by the Group.

(III) Liquidity and Financial Resources

As at 30 June 2017, the Group had bank balances and deposits in the amount of HK\$2,872.8 million. The Group did not have any debts outstanding as at 30 June 2017 and 31 December 2016. 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.

(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 operation, treasury management and securities investment, tunnel operation and electronic toll collection. Further information on the segmental details is provided in note 2(b) of the interim financial report.

(V) Employees

The Group has 523 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 and employee share options are 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 first six months amounted to HK\$89.0 million.

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Positions

The register kept by the Company under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows the following interests of directors in the shares of the Company as at 30 June 2017:

Name	Capacity	No. of shares	Total no. of shares	% of shares in issue
Cheung Chung Kiu	Interest of controlled corporation	53,009,708	53,009,708 ¹	14.22%
Wong Chi Keung	Beneficial owner	306,019	306,019	0.08%
Ng Kwok Fu	Beneficial owner	9,708		
	Interest of spouse	<u>7,766</u>	17,474	0.01%

Notes:

¹ Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 53,009,708 shares in the Company by virtue of his indirect interest in Funrise Limited ("Funrise") which owned those shares. Funrise was a wholly owned subsidiary of Yugang International (B.V.I.) Limited ("Yugang BVI"), and Yugang BVI in turn was a wholly owned subsidiary of Yugang International Limited ("Yugang International"). Yugang International was owned as to 0.57% by Mr. C.K. Cheung, as to 9.16% by Timmex Investment Limited (a company wholly owned by Mr. C.K. Cheung) and as to 34.33% by Chongqing Industrial Limited ("Chongqing Industrial"). Chongqing Industrial was owned as to 35% by Mr. C.K. Cheung, as to 30% by each of Prize Winner Limited ("Prize Winner") and Peking Palace Limited ("Peking Palace"), and as to 5% by Miraculous Services Limited ("Miraculous Services"). Mr. C.K. Cheung owned 50% of Prize Winner, with the remaining 50%, and the entire interests in Peking Palace and Miraculous Services, being held by Palin Holdings Limited ("Palin Holdings") (a company wholly owned by Mr. C.K. Cheung) as trustee for Palin Discretionary Trust, a family discretionary trust whose objects included Mr. C.K. Cheung and his family.

² All of the interests disclosed above represent long positions.

Save as disclosed herein, as at 30 June 2017 no director or chief executive had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Code for Securities Transactions by Directors.

Share Options

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 principal terms of the Scheme is given in the circular to shareholders dated 17 April 2015.

No option lapsed and no option was granted, exercised or cancelled under the Scheme during the six months ended 30 June 2017. 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 period.

Other Persons' Interests and Short Positions

As at 30 June 2017, so far as is known to the directors of the Company, the following persons, other than the directors, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	Capacity	No. of shares	% of shares in issue
Palin Holdings	Interest of controlled corporation	53,009,708	14.22%
Chongqing Industrial	Interest of controlled corporation	53,009,708	14.22%
Yugang International	Interest of controlled corporation	53,009,708	14.22%
Yugang BVI	Interest of controlled corporation	53,009,708	14.22%
Funrise	Beneficial owner	53,009,708	14.22%

Note: Each parcel of 53,009,708 shares represents a long position and Funrise's interest in the Company (which is duplicated in Mr. C.K. Cheung's interest in the Company's shares). Palin Holdings, Chongqing Industrial, Yugang International and Yugang BVI were deemed to be interested in those shares by virtue of their direct or indirect interest in Funrise.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 30 June 2017, had, or was deemed to have, any interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO, other than as disclosed on page 29.

Other Information

Corporate Governance Code

Throughout the accounting period covered by the interim report, the Company complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out within Appendix 14 to the Main Board Listing Rules (the “Listing Rules”) save 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 D.1.4 of the CG Code. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified in the Company’s articles of association, applicable laws and the Listing Rules. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Model Code for Securities Transactions

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (within the meaning of the CG Code) no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out within Appendix 10 to the Listing Rules.

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

Purchase, Sale or Redemption of Shares

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

Review by Audit Committee

The interim report has been reviewed by the audit committee and KPMG. The audit committee has also reviewed the accounting principles and practices adopted by the Company and discussed internal control, risk management and financial reporting matters with management.

Directors’ Information

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) of the Listing Rules since its last update to shareholders.

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

Hong Kong, 25 August 2017