



The Cross-Harbour (Holdings) Limited

(Stock Code : 32)



2018 INTERIM REPORT



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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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External Auditor

KPMG

Registrar & Transfer Office

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Tel: (852) 2980 1333

Fax: (852) 2810 8185

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited

Share Listing

The Stock Exchange of Hong Kong Limited

Stock Code: 32

* The registered office of the Company has relocated from 3301-3307 to the 25th Floor of China Resources Building with effect from 27 August 2018.

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2018 \$'000	2017 \$'000
Revenue	3	253,292	207,108
Other revenue		13	12
Other net (losses)/gains	4	(555,321)	227,654
Direct costs and operating expenses		(95,266)	(85,815)
Selling and marketing expenses		(16,507)	(13,616)
Administrative and corporate expenses		(54,336)	(44,385)
(Loss)/profit from operations		(468,125)	290,958
Finance costs	5(a)	(29)	(23)
Share of profits of associates	9	307,596	291,342
Share of profits of a joint venture		9,870	9,122
(Loss)/profit before taxation	5	(150,688)	591,399
Income tax	6	46,541	(12,211)
(Loss)/profit for the period		(104,147)	579,188
Attributable to:			
Equity shareholders of the Company		(127,977)	557,535
Non-controlling interests		23,830	21,653
(Loss)/profit for the period		(104,147)	579,188
(Loss)/earnings per share	7		
Basic and diluted		\$(0.34)	\$1.50

The notes on pages 9 to 28 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 — unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2018 \$'000	2017 \$'000
(Loss)/profit for the period		(104,147)	579,188
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
— Financial assets designated at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)	8	149,796	—
Items that are or may be reclassified subsequently to profit or loss:			
— Financial assets designated at fair value through other comprehensive income — net movement reserve in fair value reserve (recycling)	8	(56,923)	—
— Available-for-sale securities: net movement in investment revaluation reserve	8	—	11,948
— Share of other comprehensive income of a joint venture: — Exchange differences on translation of financial statements of overseas subsidiary and joint venture		(40)	121
Other comprehensive income for the period		92,833	12,069
Total comprehensive income for the period		(11,314)	591,257
Attributable to:			
Equity shareholders of the Company		(35,132)	569,568
Non-controlling interests		23,818	21,689
Total comprehensive income for the period		(11,314)	591,257

The notes on pages 9 to 28 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2018 — unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2018		31 December 2017	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment			181,020		143,293
Interest in leasehold land held for own use			21,149		21,516
			202,169		164,809
Interest in associates	9		1,205,162		1,355,539
Interest in a joint venture			108,156		98,326
Available-for-sale securities			—		1,177,266
Other financial assets			1,823,835		—
Deposits for acquisition of tangible assets			1,356		11,776
Deferred tax assets			1,370		2,030
			3,342,048		2,809,746
Current assets					
Trading securities			—	988,187	
Other financial assets		1,058,971		—	
Inventories		873		808	
Trade and other receivables	10	62,087		55,195	
Loan receivables	11	80,000		—	
Taxation recoverable		282		1,095	
Dividend receivable		77,079		79,000	
Bank deposits and cash	12	2,395,587		3,284,932	
			3,674,879		4,409,217
Current liabilities					
Trade and other payables	13	40,298		100,382	
Course fees received in advance		308,597		299,976	
Loan from an associate	9	299,805		—	
Taxation payable		23,056		9,019	
Dividends payable		1,500		3,601	
			673,256		412,978
Net current assets			3,001,623		3,996,239

Consolidated Statement of Financial Position

As at 30 June 2018 — unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2018		31 December 2017	
		\$'000	\$'000	\$'000	\$'000
Total assets less current liabilities			6,343,671		6,805,985
Non-current liabilities					
Loan from an associate	9		—		272,866
Deferred tax liabilities			4,676		66,153
			4,676		339,019
NET ASSETS			6,338,995		6,466,966
CAPITAL AND RESERVES					
Share capital	14(b)		1,629,461		1,629,461
Reserves			4,563,933		4,695,964
Total equity attributable to equity shareholders of the Company			6,193,394		6,325,425
Non-controlling interests			145,601		141,541
TOTAL EQUITY			6,338,995		6,466,966

The notes on pages 9 to 28 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 — unaudited
(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Fair value reserve	Exchange reserve	Retained profits	Total		
	\$'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	14(a)	—	—	—	(63,357)	(63,357)	—	(63,357)
Non-controlling interest's share of dividends		—	—	—	—	—	(17,880)	(17,880)
Dividend declared in respect of the current financial year	14(a)	—	—	—	(22,361)	(22,361)	—	(22,361)
Balance at 30 June 2017	1,629,461	1,984	164,880	(32)	3,667,267	5,463,560	133,378	5,596,938
Changes in equity for the six months ended 31 December 2017:								
Profit for the period	—	—	—	—	622,513	622,513	25,541	648,054
Other comprehensive income	—	—	283,955	120	—	284,075	52	284,127
Total comprehensive income for the period	—	—	283,955	120	622,513	906,588	25,593	932,181
Non-controlling interest's share of dividends		—	—	—	—	—	(17,430)	(17,430)
Dividends declared in respect of the current financial year		—	—	—	(44,723)	(44,723)	—	(44,723)
Balance at 31 December 2017	1,629,461	1,984	448,835	88	4,245,057	6,325,425	141,541	6,466,966

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 — unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company								Total equity \$'000
	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	
Balance at 1 January 2018	1,629,461	1,984	448,835	—	88	4,245,057	6,325,425	141,541	6,466,966
Impact on initial application of HKFRS 9	—	—	(438,446)	306,985	—	131,461	—	—	—
Adjusted balance at 1 January 2018	1,629,461	1,984	10,389	306,985	88	4,376,518	6,325,425	141,541	6,466,966
Changes in equity for the six months ended 30 June 2018:									
(Loss)/profit for the period	—	—	—	—	—	(127,977)	(127,977)	23,830	(104,147)
Other comprehensive income	—	—	(56,923)	75,599	(28)	74,197	92,845	(12)	92,833
Total comprehensive income	—	—	(56,923)	75,599	(28)	(53,780)	(35,132)	23,818	(11,314)
Dividend approved in respect of the previous financial year	14(a)	—	—	—	—	(74,538)	(74,538)	—	(74,538)
Non-controlling interest's share of dividends	—	—	—	—	—	—	—	(19,758)	(19,758)
Dividends declared in respect of the current financial year	14(a)	—	—	—	—	(22,361)	(22,361)	—	(22,361)
Balance at 30 June 2018	1,629,461	1,984	(46,534)	382,584	60	4,225,839	6,193,394	145,601	6,338,995

The notes on pages 9 to 28 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2018 \$'000	2017 \$'000
Operating activities			
Cash generated from operations		9,881	8,770
Tax refund		575	—
Net cash generated from operating activities		10,456	8,770
Investing activities			
Decrease/(increase) in deposits with banks with original maturity over three months		176,131	(10,038)
Payments for purchase of available-for-sale securities		—	(242,497)
Payments for purchase of other financial assets		(1,354,696)	—
Payment for purchase of property, plant and equipment		(48,562)	(28,257)
Dividends received from associates		462,986	460,699
Proceeds from sale of other financial assets		174,298	—
Interest received		24,271	10,597
Loan from/(repayment to) associate		26,939	(21,291)
Loan advanced to third parties		(80,000)	—
Other cash flows arising from investing activities		13,750	(3,404)
Net cash (used in)/generated from investing activities		(604,883)	165,809
Financing activities			
Dividends paid to equity shareholders of the Company		(99,000)	(80,689)
Other cash flows arising from financing activities		(19,787)	(17,903)
Net cash used in financing activities		(118,787)	(98,592)
Net (decrease)/increase in cash and cash equivalents		(713,214)	75,987
Cash and cash equivalents at 1 January		3,018,042	2,680,310
Cash and cash equivalents at 30 June	12	2,304,828	2,756,297

The notes on pages 9 to 28 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 24 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of the significant impact of changes in accounting policies are set out in note 2.

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 2017 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 Hong Kong Financial Reporting Standards (“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 29.

The financial information relating to the financial year ended 31 December 2017 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under 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 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- **HKFRS 9, *Financial instruments***

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	\$'000
Retained earnings	
Transferred from fair value reserve (recycling) relating to financial assets now measured at fair value through profit or loss	<u>131,461</u>
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income	(306,985)
Transferred to retained earnings relating to financial assets now measured at fair value through profit or loss	<u>(131,461)</u>
Net decrease in fair value reserve (recycling)	<u>(438,446)</u>
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at fair value through other comprehensive income	<u>306,985</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(b) HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation* (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

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

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 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 (non-recycling), are recognised in profit or loss as revenue.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 \$'000	Reclassification \$'000	HKFRS 9 carrying amount at 1 January 2018 \$'000
Financial assets designated at FVOCI (non-recycling)			
Equity securities (i)	—	490,895	490,895
Financial assets designated at FVOCI (recycling)			
Bond investment (ii)	—	203,479	203,479
Financial assets measured at FVPL			
Unlisted fund investments (iii)	—	408,245	408,245
Equity securities not held for trading (iv)	—	1,062,834	1,062,834
Trading securities	988,187	(988,187)	—
	<u>988,187</u>	<u>482,892</u>	<u>1,471,079</u>
Financial assets classified as available-for-sale securities under HKAS 39	<u>1,177,266</u>	<u>(1,177,266)</u>	<u>—</u>

Notes:

- (i) Under HKAS 39, equity securities were classified as available-for-sale securities. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated certain investments at FVOCI (non-recycling), as the investments are held for strategic purposes.
- (ii) Under HKAS 39, bond investment was classified as available-for-sale securities. It is classified as at FVOCI (recycling) under HKFRS 9.
- (iii) Under HKAS 39, the Group's unlisted fund investments were classified as available-for-sale securities or trading securities. All of the Group's unlisted fund investments are classified as at FVPL under HKFRS 9.
- (iv) Under HKAS 39, the Group's equity securities were classified as available-for-sale securities or trading securities. These equity securities are classified as at FVPL under HKFRS 9.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Changes in accounting policies (continued)

(b) HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation* (continued)

(ii) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loan to third parties). 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. The adoption of the ECL model has no significant impact to the financial assets of the Group.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 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	
	2018	2017
	\$'000	\$'000
Principal activities		
Motoring school operations	210,503	187,015
Net gain from disposal of available-for-sale securities	—	252
Investment and other activities	42,789	19,841
	<u>253,292</u>	<u>207,108</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)

3 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue from external customers	210,503	187,015	1,250	1,250	2,400	2,400	5,540	4,850	219,693	195,515
Net gain from disposal of available-for-sale securities	—	—	—	—	—	—	—	252	—	252
Interest revenue	3,246	2,355	—	—	—	—	29,453	8,086	32,699	10,441
Reportable segment revenue	213,749	189,370	1,250	1,250	2,400	2,400	34,993	13,188	252,392	206,208
Reportable segment profit/(loss) before tax	82,281	73,587	308,846	292,592	12,156	11,402	(521,801)	241,035	(118,518)	618,616
Depreciation	12,201	10,695	—	—	—	—	—	—	12,201	10,695
Share of profits of associates	—	—	307,596	291,342	—	—	—	—	307,596	291,342
Share of profits of a joint venture	—	—	—	—	9,870	9,122	—	—	9,870	9,122
Income tax	14,125	11,934	—	—	278	277	(60,944)	—	(46,541)	12,211
Reportable segment assets at 30 June 2018/ 31 December 2017	747,102	712,418	1,205,162	1,355,539	109,337	113,142	4,907,998	4,987,448	6,969,599	7,168,547

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 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	
	2018	2017
	\$'000	\$'000
Revenue		
Reportable segment revenue	252,392	206,208
Unallocated head office and corporate revenue	900	900
	<u>253,292</u>	<u>207,108</u>
Consolidated revenue	253,292	207,108
	<u>253,292</u>	<u>207,108</u>
	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
(Loss)/profit		
Reportable segment (loss)/profit derived from Group's external customers	(118,518)	618,616
Other revenue	13	12
Unallocated head office and corporate income and expenses	(32,183)	(27,229)
	<u>(150,688)</u>	<u>(27,229)</u>
Consolidated (loss)/profit before taxation	(150,688)	591,399
	<u>(150,688)</u>	<u>591,399</u>
	At	At
	30 June	31 December
	2018	2017
	\$'000	\$'000
Assets		
Reportable segment assets	6,969,599	7,168,547
Unallocated head office and corporate assets	47,328	50,416
	<u>7,016,927</u>	<u>7,218,963</u>
Consolidated total assets	7,016,927	7,218,963
	<u>7,016,927</u>	<u>7,218,963</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Other net (losses)/gains

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
Change in fair value of financial assets measured at FVPL	(555,918)	—
Net unrealised gains on trading securities	—	244,321
Available-for-sale securities: losses reclassified from equity on impairment	—	(16,869)
Net gains on sale of property, plant and equipment	597	202
	<u>(555,321)</u>	<u>227,654</u>

5 (Loss)/profit before taxation

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
(Loss)/profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Other borrowing costs	<u>29</u>	<u>23</u>
(b) Other items		
Depreciation	20,674	19,271
Cost of inventories consumed	4,961	3,775
Contributions to defined contribution retirement scheme	3,473	3,047
Dividend income from listed investments	(5,495)	(4,749)
Interest income from listed investments	(17,102)	(141)
Other interest income	<u>(15,597)</u>	<u>(10,300)</u>

6 Income tax

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
Current tax — Hong Kong Profits Tax	14,275	12,550
Deferred tax	<u>(60,816)</u>	<u>(339)</u>
	<u>(46,541)</u>	<u>12,211</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 June 2018.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

7 (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the loss for the period attributable to ordinary equity shareholders of the Company of \$127,977,000 (2017: profit for the period of \$557,535,000) and the weighted average of 372,688,206 ordinary shares (2017: 372,688,206 ordinary shares) in issue during the period. Diluted (loss)/earnings per share are the same as basic (loss)/earnings per share as the Company had no dilutive potential ordinary shares.

8 Other comprehensive income

	Six months ended 30 June	
	2018	2017
	\$'000	\$'000
Available-for-sales securities:		
Changes in fair value recognised during the period	—	(4,669)
Reclassification adjustment for amounts transferred to profit or loss:		
— gains on disposal	—	(252)
— impairment losses	—	16,869
Financial assets designated at FVOCI		
— net movement in fair value reserve (non-recycling)	149,796	—
Financial assets designated at FVOCI		
— net movement in fair value reserve (recycling)	(56,923)	—
Net movement in the fair value reserve recognised during the period	92,873	11,948

9 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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Interest in associates (continued)

- (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 2018 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. The franchise expired on 11 July 2018.
- (e) The loan from an associate is unsecured and interest free. The loan is classified as current as it is expected to be repaid in the next twelve months.
- (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:

		Six months ended 30 June	
	<i>Note</i>	2018	2017
		\$'000	\$'000
Gross amounts of the associate's			
Revenue			
Toll revenue		889,600	845,627
Other revenue	(i)	23,463	23,848
		913,063	869,475
Other income		1,387	646
Expenditure			
Operating and administrative expenses		(53,267)	(49,314)
Rates and government rent		(34,784)	(32,098)
Amortisation and depreciation	(ii)	(185,262)	(177,752)
Operating profit before finance charges		641,137	610,957
Interest on shareholders' loans		(25)	(25)
Profit before taxation		641,112	610,932
Income tax	(iii)	(106,655)	(101,897)
Profit and total comprehensive income		534,457	509,035
Group's effective interest		50%	50%
Group's share of profit and total comprehensive income		267,228	254,517
Fair value adjustments		(4,677)	(4,677)
		262,551	249,840
Dividend received from the associate		414,500	394,000

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 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 2018 \$'000	At 31 December 2017 \$'000
	<i>Note</i>	
Gross amounts of the associate's		
Current assets	373,606	389,000
Non-current assets	2,181,705	2,366,714
Current liabilities	(iv) (500,613)	(376,235)
Non-current liabilities	(350,966)	(381,204)
Equity	<u>1,703,732</u>	<u>1,998,275</u>
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	1,703,732	1,998,275
Group's effective interest	50%	50%
Group's share of net assets of the associate	851,866	999,138
Fair value adjustments	47,412	52,089
Amount due from the associate	(v) 417	417
Loan to and interest receivable from the associate	(vi) <u>2,585</u>	<u>2,572</u>
Carrying amount in the consolidated financial statements	<u>902,280</u>	<u>1,054,216</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% (2017: 16.5%) of the estimated assessable profits for the period ended 30 June 2018.
- (iv) Current liabilities include current tax liabilities of \$292.0 million (2017: \$156.8 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 2018 amounted to \$13,000 (2017: \$12,000). 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)

9 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	
	2018	2017
	\$'000	\$'000
Gross amounts of the associate's		
Revenue	282,126	274,990
Profit and total comprehensive income	151,668	153,034
Group's effective interest	39.5%	39.5%
Group's share of profit and total comprehensive income	59,909	60,448
Fair value adjustments	(14,864)	(18,946)
	45,045	41,502
Dividend received from the associate	43,486	61,699
	At	At
	30 June	31 December
	2018	2017
	\$'000	\$'000
Gross amounts of the associate's		
Current assets	902,902	110,146
Non-current assets	—	722,698
Current liabilities	(136,113)	(102,684)
Non-current liabilities	—	(4,947)
Equity	766,789	725,213
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	766,789	725,213
Group's effective interest	39.5%	39.5%
Group's share of net assets of the associate	302,882	286,459
Goodwill and fair value adjustments	—	14,864
Carrying amount in the consolidated financial statements	302,882	301,323

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2018 \$'000	At 31 December 2017 \$'000
Within 1 month	2,644	3,059
1 to 2 months	49	304
2 to 3 months	213	294
Over 3 months	415	1,208
Trade receivables, net of allowance for doubtful debts	3,321	4,865
Other receivables	14,046	4,705
Trade and other receivables	17,367	9,570
Deposits and prepayments	44,720	45,625
	<u>62,087</u>	<u>55,195</u>

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

11 Loan receivables

Loans were granted to third parties, and these loans are unsecured, interest-bearing at 12% per annum, expected to be recovered within one month and subject to lender's overriding right to demand immediate full repayment. Subsequent to the reporting period, \$50,000,000 was repaid.

12 Bank deposits and cash

	At 30 June 2018 \$'000	At 31 December 2017 \$'000
Deposits with banks and other financial institutions	1,898,478	2,591,370
Cash at bank and in hand	497,109	693,562
Bank deposits and cash in the consolidated statement of financial position	2,395,587	3,284,932
Less: Deposits with original maturity over three months	(90,759)	(266,890)
Cash and cash equivalents in the condensed consolidated cash flow statement	<u>2,304,828</u>	<u>3,018,042</u>

At 30 June 2018, a bank account in a financial institution with the amount of \$9,483,000 (31 December 2017: \$9,818,000) served as a security against treasury facilities granted to the Group. During the period, the Group did not utilise any of such facilities.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 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 2018 \$'000	At 31 December 2017 \$'000
Within 1 month	1,241	946
1 month to 3 months	192	208
Over 3 months but within 6 months	<u>2,220</u>	<u>2,246</u>
Trade payables	3,653	3,400
Other payables and accruals	<u>36,645</u>	<u>96,982</u>
	<u>40,298</u>	<u>100,382</u>

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

14 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
First interim dividend declared during the interim period of 6 cents per share (2017: 6 cents per share)	22,361	22,361
Second interim dividend declared after the interim period of 6 cents per share (2017: 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Capital, reserves and dividends (continued)

(a) Dividends (continued)

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

	Six months ended 30 June	
	2018 \$'000	2017 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 20 cents per share (2017: 17 cents per share)	<u>74,538</u>	<u>63,357</u>

(b) Share capital

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

	2018		2017	
	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>

15 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Fair value measurement of financial instruments (continued)

Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at	Fair value measurements as at		
	30 June	30 June 2018 categorised into		
	2018	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Assets				
Financial assets designated at FVOCI (non-recycling):				
– Equity securities listed in Hong Kong	477,107	477,107	–	–
Financial assets designated at FVOCI (recycling):				
– Bond investments listed outside Hong Kong	597,882	597,882	–	–
Financial assets measured at FVPL:				
– Unlisted fund investments	748,846	–	36,623	712,223
– Equity securities listed in Hong Kong	1,058,971	1,058,971	–	–
	<u>2,882,806</u>	<u>2,133,960</u>	<u>36,623</u>	<u>712,223</u>

	Fair value at	Fair value measurements as at		
	31 December	31 December 2017 categorised into		
	2017	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000

Recurring fair value measurements

Assets

Available-for-sale securities:				
– Listed	861,779	861,779	–	–
– Unlisted	315,487	–	–	315,487
Trading securities:				
– Listed	895,429	895,429	–	–
– Unlisted	92,758	–	39,993	52,765
	<u>2,165,453</u>	<u>1,757,208</u>	<u>39,993</u>	<u>368,252</u>

During the six months ended 30 June 2018, 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Fair value measurement of financial instruments (continued)

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.

Information about Level 3 fair value measurements

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

The Group's unlisted fund investments, 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:

	2018 \$'000	2017 \$'000
<i>Financial assets measured at FVPL:</i>		
<i>– Unlisted fund investments:</i>		
At 1 January	–	–
Impact on initial application of HKFRS 9	368,252	–
Payment for purchase	381,083	–
Profit distribution	(10,713)	–
Changes in fair value recognised in profit or loss during the period	<u>(26,399)</u>	–
At 30 June	<u>712,223</u>	–
Total gains for the period included in profit or loss for assets held at the end of the reporting period	<u>–</u>	–

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Fair value measurement of financial instruments (continued)

Information about Level 3 fair value measurements (continued)

	2018 \$'000	2017 \$'000
<i>Available-for-sale securities:</i>		
<i>— Unlisted:</i>		
At 1 January	315,487	250,749
Impact on initial application of HKFRS 9	(315,487)	—
Payment for purchase	—	49,823
Profit distribution	—	(28,532)
Net unrealised gains recognised in other comprehensive income during the period	—	43,447
At 30 June	—	315,487
Total gains or losses for the period reclassified from other comprehensive income on disposal	—	8,858
Total losses for the period included in profit or loss for assets held at the end of the reporting period	—	8,858
	2018 \$'000	2017 \$'000
<i>Trading securities:</i>		
<i>— Unlisted:</i>		
At 1 January	52,765	29,646
Impact on initial application of HKFRS 9	(52,765)	—
Transfer in	—	23,174
Changes in fair value recognised in profit or loss during the period	—	(55)
At 30 June	—	52,765
Total losses for the period included in profit or loss for assets held at the end of the reporting period	—	(55)

During the six months ended 30 June 2018, there were no transfer into or out of Level 3.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

16 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 2018 was \$2.6 million (31 December 2017: \$2.6 million).

The Group received interest income and management fee income from WHTCL of \$13,000 (2017: \$12,000) and \$1.3 million (2017: \$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 2018 was \$299.8 million (31 December 2017: \$272.9 million).

- (c) The Group received consultancy fees and management fee income from a joint venture of \$1.8 million (2017: \$1.8 million) and \$0.6 million (2017: \$0.6 million) respectively.

17 Non-adjusting event after the reporting period

On 24 August 2018, the Directors proposed a second interim dividend. Further details are set out in note 14(a) “Dividends”.

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9 (see note 2(b)), the Group has not early adopted any new or amended standards in preparing this interim financial report.

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 28 which comprises the consolidated statement of financial position of The Cross-Harbour (Holdings) Limited as of 30 June 2018 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 2018 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, 24 August 2018

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 2018. The interim results have been reviewed by the audit committee and KPMG. KPMG’s review report is set out on page 29.

The Group’s unaudited loss attributable to shareholders for the first half of 2018 amounted to HK\$128.0 million, a decrease of 123.0% as compared with a profit of HK\$557.5 million for the first half of 2017. Loss per share was HK\$0.34 against earnings per share of HK\$1.50 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 29 June 2018. Your directors have today declared a second quarterly interim dividend of HK\$0.06 per share payable on 17 September 2018 to shareholders registered at the close of business on 11 September 2018.

Closure of Books

The register of members and transfer books of the Company will be closed on Monday, 10 September 2018 and Tuesday, 11 September 2018, during which days 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, 7 September 2018.

Business Review and Prospects

Following robust growth in 2017, the Hong Kong economy continued to grow solidly in the first half of 2018 and expanded by 4.7% in the first quarter, the fastest pace since 2011, amid the relatively fast global recovery and strong private consumption growth. However, the world economy is facing considerable downside risks ahead as investment confidence is dampened due to intensified Sino-US trade war and anticipated US interest rate hikes. The external outlook of Hong Kong remains cautiously optimistic and the business sentiment is still plagued by the weak local currency. As a result, even though the Hong Kong economy is expected to grow above trend for the full year of 2018, we anticipate potential risks ahead and the performance of the Group in the near term may be adversely affected.

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-four auto-toll lanes in operation at present. The total number of tags in circulation as at 30 June 2018 was about 336,400. The overall usage of auto-toll facilities in all eleven toll roads and tunnels is maintained at around 50%. The number of daily transactions handled by Autotoll was about 409,500 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 13,400.

Motoring School Operation

Alpha Hero Group (70% owned), which operates driving training schools, recorded a 11% increase in the number of driving lessons delivered for the period under review as compared to the previous corresponding period. Tuition fee income increased by 12.6% as an aggregate result of increase in demand for driving training lessons and higher lesson income unit rate. In view of the buoyant property market and rising rentals, two properties were acquired during the period under review as a measure to improve the cost structure in the long run.

Management Discussion and Analysis

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 increased by 4% to about 69,000 vehicle journeys as compared with the last corresponding period. With effect from 27 May 2018, WHTCL has implemented its 9th toll increase as a measure to increase revenue. 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\$70.55 in the last corresponding period to HK\$71.23 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 2% to approximately 61,670 vehicle journeys as compared with the last corresponding period. On 11 July 2018, the Company ceased to hold 39.5% interest in the Tate’s Cairn Tunnel upon the expiry of the 30 years’ franchise.

Treasury Management Business

The Hang Seng Index hit the historical high of 33,484 in January but finished the first half of 2018 at 28,955, dropped by 3.2% as compared with that of the last trading day in the year ended 2017. The Hong Kong stock market though fared better as compared with China, its volatility surged to a two-year high. In addition to tight liquidity in the Mainland, the Hong Kong equity market also suffered from the weak local currency. Due to equity market corrections in the period under review and the Hang Seng Index closing lower on the last trading day in the first half year, there was a substantial decrease in fair value of certain securities investments as at the end of the period. As a result, a significant unrealised fair value loss on the Group’s portfolio of securities investment was recorded at the end of the interim period as compared to a significant fair value gain of over HK\$600 million recorded for the year 2017. Against the backdrop of escalating global trade tensions, rising interest rates, tightening liquidity and increasing market volatility, the near term outlook for the global and the Greater China financial markets remains uncertain and challenging. We remain conservative about the performance of the Group’s portfolio of listed securities and unlisted investment funds in the remaining months of the year.

Management Discussion and Analysis

Commentary on Interim Results

(I) Review of 2018 Interim Results

The Group's unaudited loss attributable to shareholders for the six months ended 30 June 2018 amounted to HK\$128.0 million, representing a decrease of 123.0% as compared to a profit of HK\$557.5 million recorded in the last corresponding period. Loss per share was HK\$0.34. The significant decrease in 2018 interim result was attributable to an unrealised fair value loss of HK\$555.9 million resulting from the revaluation of the Group's listed securities and unlisted investment funds designated as financial assets measured at fair value through profit or loss ("FVPL") for the period under review as compared with a fair value gain of HK\$244.3 million on trading securities investments recorded for the last corresponding period.

In respect of the Group's treasury investment, dividend income from listed securities and interest income from listed bonds in the first six months amounted to HK\$5.5 million and HK\$17.1 million respectively as compared to HK\$4.8 million and HK\$0.1 million for the last corresponding period. In addition, there was a disposal of a listed security designated as financial assets measured at fair value through other comprehensive income ("FVOCI") and a realised gain of HK\$74.2 million was recognised in other comprehensive income and transferred to retained earnings without recycling through profit or loss, whereas a gain of HK\$0.3 million on disposal of available-for-sale securities was recognised in profit or loss in the last corresponding period.

The Group's revenue was HK\$253.3 million for the period under review against HK\$207.1 million recorded in the same period last year. In addition to an increase in interest income from the bonds investments, the improvement was also attributable to the encouraging performance of motoring school operation. Compared with the last corresponding period, the motoring school operation recorded an increase in revenue of 12.6% to HK\$210.5 million as a result of improvement in tuition fees income. Profit before tax increased by 11.8% to HK\$82.3 million as compared to HK\$73.6 million recorded in the last corresponding period.

The Group's share of profits of associates has increased by 5.6% to HK\$307.6 million as compared to HK\$291.3 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 5.2% increase in toll revenue as an aggregate result of an increase in throughput and the implementation of toll increase effective from 27 May 2018, whereas TCTCL also registered a 2.5% increase in toll income due to 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\$262.6 million and HK\$45.0 million respectively as compared to HK\$249.8 million and HK\$41.5 million recorded in the last corresponding period.

The Group's share of profits of a joint venture, Autotoll (BVI) Limited, which operates an electronic toll collection system and provision of telematics services, was HK\$9.9 million for the first half year under review against HK\$9.1 million recorded in the last corresponding period, representing an increase of HK\$0.8 million or 8.8% as a result of an increase in administration fee income.

Management Discussion and Analysis

(II) Treasury Investments and Significant Investments Held

As at 30 June 2018, the Group maintained a portfolio of investments in different categories of companies with an aggregate fair value of HK\$2,882.8 million (31 December 2017: HK\$2,165.5 million). The portfolio composed of HK\$1,536.1 million listed securities, HK\$597.9 million listed bonds and HK\$748.8 million unlisted investment funds managed by financial institutions.

During the period under review, the Group purchased HK\$522.3 million listed securities, HK\$451.3 million listed bonds and HK\$381.1 million unlisted investment funds. Excluding those acquisitions during the period under review, the Group recorded a substantial decrease in portfolio balance. The reduction comprised primarily the negative fair value changes of HK\$555.9 million on listed securities and unlisted funds designated as financial assets measured at FVPL and the disposal of a listed security designated as financial assets measured at FVOCI with carrying amount of HK\$163.6 million at disposal date, partially offset by the net positive fair value changes of HK\$92.9 million on listed securities and bonds designated as financial assets measured at FVOCI. Further details of the Group's investment portfolio in respect of its classification and fair value measurement are provided in note 15 of the interim financial report.

Of the portfolio of investments held by the Group as at 30 June 2018, a significant portion comprises a portfolio of investments in the property category of listed companies with an aggregate fair value of HK\$1,258.1 million accounting for about 45% of the aggregate fair value of the Group's portfolio of investments. In terms of performance, dividend and interest income derived from such portion of investments for the period under review amounted to HK\$0.5 million and HK\$17.1 million respectively. Further, an unrealised fair value loss of HK\$222.3 million and a decrease in the fair value reserve in the amount of HK\$55.2 million on such portion of investments were recorded as at period end date. As to the future prospects of such portion of investments, their performance will be subject to various factors including the development trend of the property market as well as the investor sentiments in Hong Kong and the Mainland.

In addition to the transfer-out from the fair value reserve of HK\$74.2 million on disposal of securities investment and the net positive fair value changes of HK\$92.9 million mentioned above, an accumulated fair value surplus of HK\$131.5 million on certain listed securities and unlisted funds re-designated as financial assets measured at FVPL was transferred from the fair value reserve to retained profits at 1 January 2018 upon the initial adoption of HKFRS 9. As a result, the Group recorded a decrease in the fair value reserve in the amount of HK\$112.8 million.

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 2018, these facilities were not utilised by the Group.

(III) Liquidity and Financial Resources

As at 30 June 2018, the Group had bank balances and deposits in the amount of HK\$2,395.6 million. The Group did not have any debts outstanding as at 30 June 2018 and 31 December 2017. 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.

Management Discussion and Analysis

(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 552 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\$102.8 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 2018:

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 Interest of spouse	9,708 <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, while the remaining 50% of Prize Winner and the entire interests in Peking Palace and Miraculous Services were 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 2018 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 (the "Exchange") 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 half-year period ended 30 June 2018. 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.

Disclosure of Interests

Other Persons' Interests and Short Positions

As at 30 June 2018, so far as is known to the directors of the Company, the following persons, other than the directors and chief executives, 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 2018, 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 35.

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) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules (the “Model Code”).

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

Mr. Yuen Wing Shing was elected as a non-executive director of Shengjing Bank Co., Ltd., a public company listed on the Exchange (stock code: 2066) on 28 February 2018, subject to the ratification of his eligibility to serve as director by the Liaoning Bureau of the China Banking and Insurance Regulatory Commission (the “Bureau”). Such ratification was subsequently obtained from the Bureau, and the term of his office commenced from 7 August 2018. Mr. Yuen’s other information is set out in the 2017 annual report of the Company.

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

On behalf of the board

Yeung Hin Chung, John

Managing Director

Hong Kong, 24 August 2018