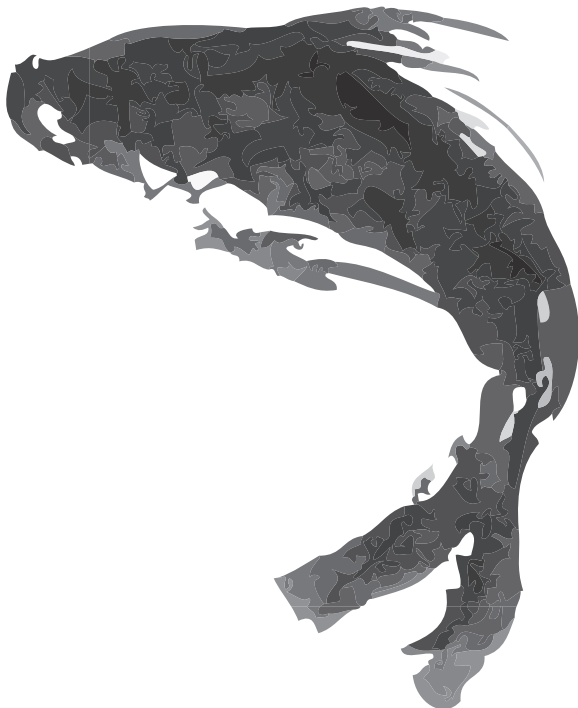




The Cross-Harbour (Holdings) Limited

(Stock Code : 32)



INTERIM REPORT **2015**



Contents

Corporate Information	1
Consolidated Statement of Profit or Loss	2
Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	8
Notes to the Unaudited Interim Financial Report	9
Review Report to the Board of Directors	28
Management Discussion and Analysis	29
Disclosure of Interests	33
Other Information	35

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

3301-3307, China Resources Building

26 Harbour Road

Wanchai

Hong Kong

Tel: (852) 2161 1888

Fax: (852) 2802 2080

Website: www.crossharbour.com.hk

Email: investors@crossharbour.com.hk

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

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2015 \$'000	2014 \$'000
Revenue	2	185,938	167,106
Other revenue		12	12
Other net gains/(losses)	3	19,990	(21,514)
Direct costs and operating expenses		(68,987)	(62,491)
Selling and marketing expenses		(12,123)	(8,848)
Administrative and corporate expenses		<u>(39,394)</u>	<u>(37,910)</u>
Profit from operations		85,436	36,355
Finance costs	4(a)	(13)	(8)
Share of profits less losses of associates	8	242,290	222,840
Share of profits of a joint venture		<u>14,672</u>	<u>12,560</u>
Profit before taxation	4	342,385	271,747
Income tax	5	<u>(4,575)</u>	<u>(11,153)</u>
Profit for the period		<u><u>337,810</u></u>	<u><u>260,594</u></u>
Attributable to:			
Equity shareholders of the Company		315,242	239,749
Non-controlling interests		<u>22,568</u>	<u>20,845</u>
Profit for the period		<u><u>337,810</u></u>	<u><u>260,594</u></u>
Earnings per share	6		
Basic and diluted		<u><u>85 cents</u></u>	<u><u>64 cents</u></u>

The notes on pages 9 to 27 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 2015 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2015 \$'000	2014 \$'000
Profit for the period		337,810	260,594
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	153,770	(8,663)
Share of other comprehensive income of a joint venture:			
Exchange differences on translation of financial statements of overseas subsidiary and joint venture		—	(6)
		153,770	(8,669)
Total comprehensive income for the period		491,580	251,925
Attributable to:			
Equity shareholders of the Company		469,012	231,082
Non-controlling interests		22,568	20,843
Total comprehensive income for the period		491,580	251,925

The notes on pages 9 to 27 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2015 - unaudited

(Expressed in Hong Kong dollars)

		30 June 2015		31 December 2014	
	Note	\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment			124,620		127,148
Interest in leasehold land held for own use			<u>23,338</u>		<u>23,703</u>
			147,958		150,851
Interest in associates	8		1,837,780		1,985,945
Interest in a joint venture			80,808		66,137
Available-for-sale securities	9		709,543		533,203
Deferred tax assets			<u>2,370</u>		<u>2,490</u>
			2,778,459		2,738,626
Current assets					
Trading securities			289,551		116,295
Inventories			1,028		1,093
Trade and other receivables	10		22,837		19,321
Taxation recoverable			2		204
Dividend receivable			88,907		49,000
Bank deposits and cash	11		<u>1,981,099</u>		<u>1,794,322</u>
			<u>2,383,424</u>		<u>1,980,235</u>
Current liabilities					
Trade and other payables	12		29,365		59,408
Course fees received in advance			207,850		184,570
Taxation payable			11,796		8,392
Dividends payable			<u>25,653</u>		<u>2,235</u>
			<u>274,664</u>		<u>254,605</u>
Net current assets			<u>2,108,760</u>		<u>1,725,630</u>

Consolidated Statement of Financial Position

As at 30 June 2015 - unaudited

(Expressed in Hong Kong dollars)

	Note	30 June 2015		31 December 2014	
		\$'000	\$'000	\$'000	\$'000
Total assets less current liabilities			4,887,219		4,464,256
Non-current liabilities					
Loan from an associate	8		248,534		228,981
Deferred tax liabilities			1,941		1,602
			<u>250,475</u>		<u>230,583</u>
NET ASSETS			<u>4,636,744</u>		<u>4,233,673</u>
CAPITAL AND RESERVES					
Share capital	13(b)		1,629,461		1,629,461
Other reserves			<u>2,887,071</u>		<u>2,496,323</u>
Total equity attributable to equity shareholders of the Company			4,516,532		4,125,784
Non-controlling interests			<u>120,212</u>		<u>107,889</u>
TOTAL EQUITY			<u>4,636,744</u>		<u>4,233,673</u>

The notes on pages 9 to 27 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 - unaudited

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Investment			Retained profits \$'000	Non-controlling interests \$'000	Total equity \$'000
					revaluation reserve \$'000	Exchange reserve \$'000	Total \$'000			
Balance at 1 January 2014		372,688	1,256,773	1,984	53,280	254	2,058,236	3,743,215	103,318	3,846,533
Changes in equity for the six months ended 30 June 2014:										
Profit for the period		—	—	—	—	—	239,749	239,749	20,845	260,594
Other comprehensive income		—	—	—	(8,663)	(4)	—	(8,667)	(2)	(8,669)
Total comprehensive income for the period		—	—	—	(8,663)	(4)	239,749	231,082	20,843	251,925
Dividends approved in respect of the previous financial year										
	13 (a)	—	—	—	—	—	(44,722)	(44,722)	—	(44,722)
Non-controlling interest's share of dividends										
		—	—	—	—	—	—	—	(14,925)	(14,925)
Dividend declared in respect of the current financial year										
	13 (a)	—	—	—	—	—	(22,361)	(22,361)	—	(22,361)
Transition to no-par value regime on 3 March 2014										
	13 (b)	1,256,773	(1,256,773)	—	—	—	—	—	—	—
Balance at 30 June 2014		1,629,461	—	1,984	44,617	250	2,230,902	3,907,214	109,236	4,016,450
Changes in equity for the six months ended 31 December 2014:										
Profit for the period		—	—	—	—	—	232,465	232,465	17,641	250,106
Other comprehensive income		—	—	—	30,824	4	—	30,828	2	30,830
Total comprehensive income for the period		—	—	—	30,824	4	232,465	263,293	17,643	280,936
Non-controlling interest's share of dividends										
		—	—	—	—	—	—	—	(18,990)	(18,990)
Dividend declared in respect of the current financial year										
		—	—	—	—	—	(44,723)	(44,723)	—	(44,723)
Balance at 31 December 2014		1,629,461	—	1,984	75,441	254	2,418,644	4,125,784	107,889	4,233,673

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 - 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	
Balance at 1 January 2015	1,629,461	1,984	75,441	254	2,418,644	4,125,784	107,889	4,233,673
Changes in equity for the six months ended 30 June 2015:								
Profit for the period	—	—	—	—	315,242	315,242	22,568	337,810
Other comprehensive income	—	—	153,770	—	—	153,770	—	153,770
Total comprehensive income for the period	—	—	153,770	—	315,242	469,012	22,568	491,580
Dividends approved in respect of the previous financial year	13 (a)	—	—	—	(55,903)	(55,903)	—	(55,903)
Non-controlling interest's share of dividends		—	—	—	—	—	(10,245)	(10,245)
Dividend declared in respect of the current financial year	13 (a)	—	—	—	(22,361)	(22,361)	—	(22,361)
Balance at 30 June 2015	<u>1,629,461</u>	<u>1,984</u>	<u>229,211</u>	<u>254</u>	<u>2,655,622</u>	<u>4,516,532</u>	<u>120,212</u>	<u>4,636,744</u>

The notes on pages 9 to 27 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2015	2014
Note	\$'000	\$'000
Operating activities		
Cash generated from operations	34,718	36,593
Tax paid	(510)	(804)
Net cash generated from operating activities	<u>34,208</u>	<u>35,789</u>
Investing activities		
Increase in deposits with banks with maturity over three months	(72,554)	(11,532)
Payments for purchase of available-for-sale securities	(127,791)	(44,656)
Payments for purchase of trading securities	(160,292)	—
Payment for purchase of fixed assets	(9,626)	(2,024)
Dividends received from associates	368,968	366,295
Proceeds from sale of fixed assets	1,323	33
Proceeds from sale of available-for-sale securities	110,925	—
Dividends received from listed investments	914	1,232
Interest received	13,699	13,359
Loan from associate	19,553	17,815
Net cash generated from investing activities	<u>145,119</u>	<u>340,522</u>
Financing activities		
Dividends paid to equity shareholders of the Company	(54,846)	(44,296)
Other cash flows arising from financing activities	(10,258)	(14,933)
Net cash used in financing activities	<u>(65,104)</u>	<u>(59,229)</u>
Net increase in cash and cash equivalents	114,223	317,082
Cash and cash equivalents at 1 January	<u>1,660,945</u>	<u>1,063,037</u>
Cash and cash equivalents at 30 June	11 <u>1,775,168</u>	<u>1,380,119</u>

The notes on pages 9 to 27 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 27 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements.

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. 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 2014 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 28.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2014 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 2014 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 (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

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	
	2015	2014
	\$'000	\$'000
Principal activities		
Motoring school operations	150,310	144,776
Investment and other activities	<u>35,628</u>	<u>22,330</u>
	<u>185,938</u>	<u>167,106</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Revenue and segment reporting (continued)

(b) Segment reporting

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

- Motoring school 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	150,310	144,776	1,250	1,250	2,400	2,400	19,250	2,516	173,210	150,942
Interest revenue	2,148	2,249	—	—	—	—	9,580	12,915	11,728	15,164
Reportable segment revenue	152,458	147,025	1,250	1,250	2,400	2,400	28,830	15,431	184,938	166,106
Reportable segment profit/(loss) before tax	63,439	66,384	243,540	224,090	16,964	14,852	46,864	(8,301)	370,807	297,025
Depreciation	3,546	1,867	—	—	—	—	—	—	3,546	1,867
Share of profits less losses of associates	—	—	242,290	222,840	—	—	—	—	242,290	222,840
Share of profits of a joint venture	—	—	—	—	14,672	12,560	—	—	14,672	12,560
Income tax	4,296	10,874	—	—	279	279	—	—	4,575	11,153
Reportable segment assets at 30 June 2015/ 31 December 2014	564,390	501,250	1,837,780	1,985,945	82,020	81,484	2,584,591	2,048,103	5,068,781	4,616,782

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	
	2015	2014
	\$'000	\$'000
Revenue		
Reportable segment revenue	184,938	166,106
Unallocated head office and corporate revenue	<u>1,000</u>	<u>1,000</u>
Consolidated revenue	<u>185,938</u>	<u>167,106</u>
	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
Profit		
Reportable segment profit derived from Group's external customers	370,807	297,025
Other revenue	12	12
Unallocated head office and corporate income and expenses	<u>(28,434)</u>	<u>(25,290)</u>
Consolidated profit before taxation	<u>342,385</u>	<u>271,747</u>

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 (continued)

	At 30 June 2015 \$'000	At 31 December 2014 \$'000
Assets		
Reportable segment assets	5,068,781	4,616,782
Unallocated head office and corporate assets	<u>93,102</u>	<u>102,079</u>
Consolidated total assets	<u><u>5,161,883</u></u>	<u><u>4,718,861</u></u>

The Group previously reported a separate “Others” segment in the 2014 interim report. In accordance with the way in which the information is now reported internally to the Group’s most senior executive management for the purpose of resource allocation and performance assessment, such financial results and assets previously reported under that segment, have been reported, for 2014 annual financial statements and onwards, under “Unallocated head office and corporate revenue”, “Unallocated head office and corporate income and expenses”, and “Unallocated head office and corporate assets”. Comparative figures have been reclassified in conformity with current period’s presentation.

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	
	2015	2014
	\$'000	\$'000
Net realised and unrealised gains on trading securities	12,964	8,403
Available-for-sale securities: reclassified from equity		
– on disposal	16,212	—
– on impairment	(10,508)	(29,942)
Net gain on sale of fixed assets	<u>1,322</u>	<u>25</u>
	<u>19,990</u>	<u>(21,514)</u>

4 Profit before taxation

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
Profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Other borrowing costs	<u>13</u>	<u>8</u>
(b) Other items		
Depreciation	12,518	10,231
Cost of inventories consumed	5,612	3,798
Contributions to defined contribution retirement schemes	2,750	2,431
Dividend income from listed investments	(19,205)	(2,468)
Interest income	<u>(11,728)</u>	<u>(15,164)</u>

5 Income tax

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
Current tax – Hong Kong Profits Tax	4,116	11,153
Deferred taxation	<u>459</u>	<u>—</u>
	<u>4,575</u>	<u>11,153</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 June 2015.

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 \$315,242,000 (2014: \$239,749,000) and the weighted average of 372,688,206 ordinary shares (2014: 372,688,206 ordinary shares) in issue during the period.

7 Other comprehensive income

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	159,474	(38,605)
Reclassification adjustment for amounts transferred to profit or loss		
– on disposal	(16,212)	—
– on impairment	10,508	29,942
	<u>153,770</u>	<u>(8,663)</u>
Net movement in the investment revaluation reserve recognised during the period	<u>153,770</u>	<u>(8,663)</u>

8 Interest in associates

	At	At
	30 June	31 December
	2015	2014
	\$'000	\$'000
Share of net assets	1,810,454	1,954,632
Goodwill	24,400	28,400
Amount due from an associate	417	417
Loan to and interest receivable from an associate	2,509	2,496
	<u>1,837,780</u>	<u>1,985,945</u>
Loan from an associate	<u>248,534</u>	<u>228,981</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

- (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 2015 respectively.
- (c) WHTCL was granted a thirty-year franchise to construct and operate the Western Harbour Crossing 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 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.
- (f) 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 2015 amounted to \$12,000 (2014: \$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.
- (g) 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)

- (h) 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	
		2015 \$'000	2014 \$'000
Gross amounts of the associate's			
Revenue			
Toll revenue		735,394	689,253
Other revenue	(i)	<u>18,049</u>	<u>17,396</u>
		753,443	706,649
Other income		586	1,173
Expenditure			
Operating and administrative expenses		(46,710)	(48,574)
Rates and government rent		(29,572)	(27,111)
Amortisation and depreciation	(ii)	<u>(158,896)</u>	<u>(152,940)</u>
Operating profit before finance charges		518,851	479,197
Interest on shareholders' loans		<u>(25)</u>	<u>(24)</u>
Profit before taxation		518,826	479,173
Income tax	(iii)	<u>(86,582)</u>	<u>(79,905)</u>
Profit and total comprehensive income		<u>432,244</u>	<u>399,268</u>
Group's effective interest		50%	50%
Group's share of profit and total comprehensive income		216,122	199,634
Fair value adjustments		<u>(4,677)</u>	<u>(4,677)</u>
		<u>211,445</u>	<u>194,957</u>
Dividend received from the associate		<u>340,500</u>	<u>318,500</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

- (h) 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 2015 \$'000	At 31 December 2014 \$'000
	<i>Note</i>	
Gross amounts of the associate's		
Current assets	344,763	290,599
Non-current assets	3,266,662	3,424,895
Current liabilities	(iv) (378,936)	(246,628)
Non-current liabilities		
Deferred revenue	(24,710)	—
Deferred tax liabilities	(473,664)	(486,020)
Shareholders' loans	(5,017)	(4,992)
Equity	<u>2,729,098</u>	<u>2,977,854</u>
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	2,729,098	2,977,854
Group's effective interest	50%	50%
Group's share of net assets of the associate	1,364,549	1,488,927
Fair value adjustments	75,489	80,166
Amount due from the associate	417	417
Loan to and interest receivable from the associate	<u>2,509</u>	<u>2,496</u>
Carrying amount in the consolidated financial statements	<u>1,442,964</u>	<u>1,572,006</u>

Note:

- (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 year. The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the period ended 30 June 2015.
- (iv) Current liabilities include current tax liabilities of \$196.1 million (2014: \$189.5 million).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

- (i) 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	
	2015	2014
	\$'000	\$'000
Gross amounts of the associate's		
Revenue	238,969	226,730
Profit and total comprehensive income	126,056	118,403
Group's effective interest	39.5%	39.5%
Group's share of profit and total comprehensive income	49,792	46,769
Fair value adjustments	(14,946)	(14,946)
	<u>34,846</u>	<u>31,823</u>
Dividend received from the associate	<u>49,968</u>	<u>47,795</u>
	At	At
	30 June	31 December
	2015	2014
	\$'000	\$'000
Gross amounts of the associate's		
Current assets	39,038	33,751
Non-current assets	816,955	798,847
Current liabilities	(115,118)	(86,150)
Non-current liabilities	(30,561)	(35,689)
Equity	<u>710,314</u>	<u>710,759</u>
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	710,314	710,759
Group's effective interest	39.5%	39.5%
Group's share of net assets of the associate	280,574	280,750
Fair value adjustments	89,585	104,531
Goodwill	<u>24,400</u>	<u>28,400</u>
Carrying amount in the consolidated financial statements	<u>394,559</u>	<u>413,681</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

(j) Information of an associate that is not individually material:

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
Amount of the Group's share of the associate		
– (Loss)/profit from continuing operations	(1)	60
– Post-tax profit or loss from discontinued operations	—	—
– Other comprehensive income	—	—
– Total comprehensive income	<u>(1)</u>	<u>60</u>
	At	At
	30 June	31 December
	2015	2014
	\$'000	\$'000
Carrying amount of an individually immaterial associate in the consolidated financial statements	<u>257</u>	<u>258</u>

9 Available-for-sale securities

	At	At
	30 June	31 December
	2015	2014
	\$'000	\$'000
Listed in Hong Kong	506,354	284,825
Listed outside Hong Kong	—	111,895
Unlisted securities	<u>203,189</u>	<u>136,483</u>
	<u>709,543</u>	<u>533,203</u>

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 2015 \$'000	At 31 December 2014 \$'000
Within 1 month	3,411	3,929
1 to 2 months	2,005	736
2 to 3 months	466	40
Over 3 months	<u>129</u>	<u>364</u>
Trade receivables, net of allowance for doubtful debts	6,011	5,069
Other receivables	<u>1,106</u>	<u>3,064</u>
Trade and other receivables	7,117	8,133
Deposits and prepayments	<u>15,720</u>	<u>11,188</u>
	<u><u>22,837</u></u>	<u><u>19,321</u></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 Bank deposits and cash

	At 30 June 2015 \$'000	At 31 December 2014 \$'000
Deposits with banks and other financial institutions	1,728,358	1,706,237
Cash at bank and in hand	<u>252,741</u>	<u>88,085</u>
Bank deposits and cash in the consolidated statement of financial position	1,981,099	1,794,322
Less: Deposits with maturity over three months	<u>(205,931)</u>	<u>(133,377)</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u><u>1,775,168</u></u>	<u><u>1,660,945</u></u>

At 30 June 2015, \$18,586,000 (31 December 2014: \$18,927,000) were pledged to a financial institution as security against treasury facilities granted to the Group.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2015 \$'000	At 31 December 2014 \$'000
Within 1 month	625	555
1 to 3 months	764	446
Over 3 months but within 6 months	<u>1,755</u>	<u>1,828</u>
Trade payables	3,144	2,829
Other payables and accruals	<u>26,221</u>	<u>56,579</u>
	<u>29,365</u>	<u>59,408</u>

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

13 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2015 \$'000	2014 \$'000
First interim dividend declared during the interim period of 6 cents per share (2014: 6 cents per share)	22,361	22,361
Second interim dividend declared after the interim period of 6 cents per share (2014: 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)

13 Capital, reserves and dividends (continued)

(a) Dividends (continued)

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

	Six months ended 30 June	
	2015	2014
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 15 cents per share (2014: 12 cents per share)	<u>55,903</u>	<u>44,722</u>

(b) Share capital

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

	2015		2014	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
Ordinary shares, issued and fully paid:				
At 1 January	372,688	1,629,461	372,688	372,688
Transition to no-par value regime on 3 March 2014 (note)	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,256,773</u>
At 30 June/31 December	<u>372,688</u>	<u>1,629,461</u>	<u>372,688</u>	<u>1,629,461</u>

Note: The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been in accordance with the requirements of Parts 4 and 5 of the Ordinance.

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 30 June 2015 \$'000	Fair value measurements as at 30 June 2015 categorised into			Fair value at 31 December 2014 \$'000	Fair value measurements as at 31 December 2014 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements								
Assets								
Available-for-sale securities:								
– Listed	506,354	506,354	—	—	396,720	396,720	—	—
– Unlisted	203,189	52,555	82,630	68,004	136,483	36,102	78,479	21,902
Trading securities:								
– Listed	173,789	173,789	—	—	21,896	21,896	—	—
– Unlisted	115,762	—	81,772	33,990	94,399	—	59,307	35,092
	<u>999,094</u>	<u>732,698</u>	<u>164,402</u>	<u>101,994</u>	<u>649,498</u>	<u>454,718</u>	<u>137,786</u>	<u>56,994</u>

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2 or transfer into or out of Level 3 (2014: nil). 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)

14 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 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 value. 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:

	2015	2014
	\$'000	\$'000
<i>Unlisted available-for-sale securities:</i>		
At 1 January	21,902	—
Payment for purchase	47,512	—
Net unrealised gains or losses recognised in other comprehensive income during the period	<u>(1,410)</u>	<u>—</u>
At 30 June	<u>68,004</u>	<u>—</u>
Total gains or losses for the period reclassified from other comprehensive income on disposal	<u>—</u>	<u>—</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>—</u>	<u>—</u>

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 (continued)

	2015 \$'000	2014 \$'000
<i>Unlisted trading securities:</i>		
At 1 January	35,092	34,979
Changes in fair value recognised in profit or loss during the period	<u>(1,102)</u>	<u>91</u>
At 30 June	<u>33,990</u>	<u>35,070</u>
Total (losses)/gains for the period included in profit or loss for assets held at the end of the reporting period	<u>(1,102)</u>	<u>91</u>

15 Commitments outstanding not provided for in the interim financial report

	At 30 June 2015 \$'000	At 31 December 2014 \$'000
Contracted for	<u>106,550</u>	<u>—</u>

16 Material related party transactions

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

- (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 2015 was \$2.5 million (31 December 2014: \$2.5 million).

The Group received interest income and management fee income from WHTCL of \$12,000 (2014: \$12,000) and \$1.3 million (2014: \$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 2015 was \$248.5 million (31 December 2014: \$229.0 million).

- (c) The Group received consultancy fees and management fee income from a joint venture of \$1.8 million (2014: \$1.8 million) and \$0.6 million (2014: \$0.6 million) respectively.

17 Non-adjusting event after the reporting period

On 27 August 2015, 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 27 which comprises the consolidated statement of financial position of The Cross-Harbour (Holdings) Limited as of 30 June 2015 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 statement of cash flows 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 2015 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, 27 August 2015

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 2015. The interim results have been reviewed by the audit committee and KPMG. KPMG’s review report is set out on page 28.

The Group’s unaudited profit attributable to shareholders for the first half of 2015 amounted to HK\$315.2 million, a 31.5% increase as compared with HK\$239.7 million for the first half of 2014. Earnings per share were HK\$0.85 against HK\$0.64 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 10 July 2015. Your directors have today declared a second quarterly interim dividend of HK\$0.06 per share payable on 23 September 2015 to shareholders registered on 16 September 2015.

Closure of Books

The register of members and transfer books of the Company will be closed from Monday, 14 September 2015 to Wednesday, 16 September 2015, both days inclusive, during which period no transfer of shares in the Company shall be effected. In order to qualify for the second quarterly interim dividend, all transfer documents and accompanying share certificates must be lodged with Tricor Tengis Limited for registration by 4:30 p.m., Friday, 11 September 2015.

Business Review and Prospects

The Hong Kong economy recorded a lacklustre performance of 2.6% GDP growth in the first half year of 2015. The external demand remained sluggish due to subdued global economic recovery and strong US dollar. Retail sales contracted by 2.3% as a result of a notable decline in tourist number and changes in their spending pattern. The new visa arrangement applied to multiple-entry permit holders from the Mainland has further soured sentiment. Fortunately, the domestic demand remained resilient, supported by the stable employment market and buoyant asset markets, offsetting the negative shock from the external environment. Hong Kong economic performance in the second half year depends on the global economic and financial market conditions. The global economy is likely to improve gradually given the low oil prices, accommodative monetary policy and the relatively less stringent fiscal austerity measures. The timing and pace of US interest rate hikes remain uncertain due to limited inflationary pressures. The China economy, though faced with downward pressure, maintains its full year growth target of 7% under the monetary easing policies. Moreover, the positive wealth effect of the robust local asset markets will continue to sustain private consumption and the full year GDP growth of the economy is anticipated to conclude at around 2% to 3%.

Management Discussion and Analysis

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 2015 was about 301,000. The overall usage of auto-toll facilities in all eleven toll roads and tunnels maintained at around 50%. The daily transactions handled by Autotoll were about 392,000 with toll amount of approximately HK\$9.5 million. The number of subscribers for the Global Positioning System at the end of June was about 12,300.

Motoring School Operation

Alpha Hero Group (70% owned) which operates driving training schools, recorded a 7% increase in the number of driving lessons demanded for the period under review as compared with the previous corresponding period as a result of proactive sales and marketing efforts, as well as higher productivity through various quality enhancement programs.

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 64,000 vehicle journeys as compared with the last corresponding period, despite a further contraction in economic growth and the implementation of its seventh toll increase effective from 22 February 2015. The average toll per vehicle increased from HK\$59.9 in the last corresponding period to HK\$63.5 in the first half year under review. WHT’s market share, however, was maintained at 25% 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 to approximately 59,100 vehicle journeys, representing an increase of almost 6% as compared with the last corresponding period.

Management Discussion and Analysis

Commentary on Interim Results

(I) Review of 2015 Interim Results

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2015 amounted to HK\$315.2 million, an increase of 31.5% as compared to HK\$239.7 million for the last corresponding period. Earnings per share were HK\$0.85. The increase in 2015 interim result was mainly attributable to an increase in profit contributions from tunnel operations and treasury segment resulting from fair value changes in securities investment during the period under review.

The Group's revenue for the period under review was HK\$185.9 million, an increase of HK\$18.8 million or 11.3% as compared to the HK\$167.1 million recorded in the same period last year. The improvement was attributable to an increase in both turnover of the motoring school operations and dividend income from listed investments.

The motoring school operations recorded a moderate increase in turnover of 3.8% to HK\$150.3 million as a result of improvement in tuition fees income mainly due to an increase in demand for driving lessons as compared with the last corresponding period.

The Group's share of profits less losses of associates has increased by 8.8% to HK\$242.3 million as compared to HK\$222.8 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 6.7% increase in toll revenue after the implementation of toll increase in February 2015. TCTCL also registered a 5.8% increase in toll income as a result of an increase in throughput. After accounting for the amortization 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\$211.4 million and HK\$30.9 million respectively as compared to HK\$195.0 million and HK\$27.8 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\$14.7 million for the first half year under review against HK\$12.6 million recorded in the last corresponding period, representing an increase of HK\$2.1 million or 16.7% as a result of an increase in both administration fee income and project income.

The Group's treasury investment recorded a net realised and unrealised gain of HK\$29.2 million on securities investment for first half year under review as compared to HK\$8.4 million recorded in the last corresponding period. Revaluation deficit arising on an available-for-sale security of HK\$10.5 million, as compared to HK\$29.9 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 loss on that security at 30 June 2015.

Management Discussion and Analysis

(II) Investments

As at 30 June 2015, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate fair value of HK\$999.1 million (31 December 2014: HK\$649.5 million). The increase in portfolio balance before adjustments for fair value changes and movements in the investment revaluation reserve was primarily attributable to the additional HK\$240.6 million listed shares and HK\$47.5 million unlisted investment purchased during the period under review. 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 2015, these facilities were not utilized by the Group. Dividend income received therefrom in the first six months amounted to HK\$19.2 million.

(III) Liquidity and Financial Resources

As at 30 June 2015, the Group had bank balances and deposits in the amount of HK\$1,981.1 million. The Group did not have any debts outstanding as at 30 June 2015 and 31 December 2014. 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 the operation of motoring schools, tunnels and an electronic toll collection system, and investment. Further information on the segmental details is provided in note 2(b) of the interim financial report.

(V) Employees

The Group has 508 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\$72.9 million.

Disclosure of Interests

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

The register kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows the following interest of a director in the shares of the Company as at 30 June 2015:

Name	Capacity	No. of shares	% of shares in issue
Cheung Chung Kiu	Interest of controlled corporation	155,254,432	41.66%

Note: The above interest of Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") represents a long position. Mr. C.K. Cheung was deemed to be interested in the shares by virtue of his indirect interest in Honway Holdings Limited ("Honway") which owned those shares. Honway was a wholly owned subsidiary of Y. T. Investment Holdings Limited ("Y. T. Investment") which in turn was a wholly owned subsidiary of Y. T. Realty Group Limited ("Y. T. Realty"). Yugang International (B.V.I.) Limited ("Yugang BVI"), through its wholly owned subsidiary, Funrise Limited ("Funrise"), owned 34.14% of the number of shares of Y. T. Realty in issue. Yugang BVI was a wholly owned subsidiary of Yugang International Limited ("Yugang International"). Mr. C.K. Cheung, Timmex Investment Limited (a company wholly owned by Mr. C.K. Cheung) and Chongqing Industrial Limited ("Chongqing Industrial") owned 0.57%, 9.16% and 34.33% of the number of shares of Yugang International in issue respectively. Chongqing Industrial was owned as to 35% by Mr. C.K. Cheung, as to 30% by Prize Winner Limited (a company owned by Mr. C.K. Cheung and his associates), as to 30% by Peking Palace Limited ("Peking Palace") and as to 5% by Miraculous Services Limited ("Miraculous Services"). Peking Palace and Miraculous Services were companies controlled by Palin Discretionary Trust, the trustee of which was Palin Holdings Limited ("Palin Holdings") and the objects of which included Mr. C.K. Cheung and his family.

Save as disclosed herein, as at 30 June 2015, there was no interest recorded in the register kept 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 of the Company.

Share Options

As at 1 January 2015, the Company had no share option scheme except the share option scheme adopted by the Company on 29 April 2005 (the "2005 Share Option Scheme"). The 2005 Share Option Scheme expired on 29 April 2015 and a new share option scheme (the "2015 Share Option Scheme") was adopted by the Company on 21 May 2015. The 2015 Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Main Board Listing Rules and is valid for a period of 10 years commencing from its adoption date. A summary of the principal terms of the 2015 Share Option Scheme is given in the circular to shareholders dated 17 April 2015.

During the period, no option lapsed and no option was granted, exercised or cancelled under the 2005 Share Option Scheme and the 2015 Share Option Scheme. Nor were there any outstanding options with regard to the 2005 Share Option Scheme and the 2015 Share Option Scheme at the beginning and/or at the end of the period.

Disclosure of Interests

Interests and Short Positions of Shareholders

As at 30 June 2015, 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 under section 336 of the SFO:

Name	Capacity	No. of shares	% of shares in issue
Palin Holdings	Interest of controlled corporation	155,254,432	41.66%
Chongqing Industrial	Interest of controlled corporation	155,254,432	41.66%
Yugang International	Interest of controlled corporation	155,254,432	41.66%
Yugang BVI	Interest of controlled corporation	155,254,432	41.66%
Funrise	Interest of controlled corporation	155,254,432	41.66%
Y. T. Realty	Interest of controlled corporation	155,254,432	41.66%
Y. T. Investment	Interest of controlled corporation	155,254,432	41.66%
Honway	Beneficial owner	155,254,432	41.66%

Note: Each parcel of 155,254,432 shares represents a long position and Honway's interest in the Company (which is also duplicated in Mr. C.K. Cheung's interest in the Company's shares). Palin Holdings, Chongqing Industrial, Yugang International, Yugang BVI, Funrise, Y. T. Realty and Y. T. Investment were deemed to be interested in those shares by virtue of their direct or indirect interest in Honway.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 30 June 2015, 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 under section 336 of the SFO, other than as disclosed on page 33.

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 that the Company has no formal letters of appointment for directors except the managing director setting out the key terms and conditions of their appointment, and has therefore deviated from 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 at least once every three years. 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 and financial reporting matters with the management.

Directors’ Information

The Company has not been advised by its directors of any change in the information required to be disclosed pursuant to 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, 27 August 2015