



The Cross-Harbour (Holdings) Limited

(Stock Code : 32)



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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

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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 2016 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2016	2015
	Note	\$'000	\$'000
Revenue	2	205,871	202,150
Other revenue		13	12
Other net (losses)/gains	3	(184,062)	3,778
Direct costs and operating expenses		(81,116)	(68,987)
Selling and marketing expenses		(13,217)	(12,123)
Administrative and corporate expenses		(41,440)	(39,394)
(Loss)/profit from operations		(113,951)	85,436
Finance costs	4(a)	(14)	(13)
Share of profits less losses of associates	8	262,596	242,290
Share of profits of a joint venture		12,166	14,672
Profit before taxation	4	160,797	342,385
Income tax	5	(13,460)	(4,575)
Profit for the period		147,337	337,810
Attributable to:			
Equity shareholders of the Company		123,133	315,242
Non-controlling interests		24,204	22,568
Profit for the period		147,337	337,810
Earnings per share	6		
Basic and diluted		33 cents	85 cents

The notes on pages 9 to 29 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 2016 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2016	2015
	Note	\$'000	\$'000
Profit for the period		147,337	337,810
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	(178,041)	153,770
– Share of other comprehensive income of a joint venture:			
– Exchange differences on translation of financial statements of overseas subsidiary and joint venture		(215)	—
		<u>(178,256)</u>	<u>153,770</u>
Total comprehensive income for the period		<u>(30,919)</u>	<u>491,580</u>
Attributable to:			
Equity shareholders of the Company		(55,058)	469,012
Non-controlling interests		<u>24,139</u>	<u>22,568</u>
Total comprehensive income for the period		<u>(30,919)</u>	<u>491,580</u>

The notes on pages 9 to 29 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2016 - unaudited
(Expressed in Hong Kong dollars)

		30 June 2016		31 December 2015	
	Note	\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment			159,822		153,517
Interest in leasehold land held for own use			22,609		22,974
			182,431		176,491
Interest in associates	8		1,627,452		1,785,632
Interest in a joint venture			89,328		77,377
Available-for-sale securities	9		725,365		917,193
Deferred tax assets			2,050		2,170
			2,626,626		2,958,863
Current assets					
Trading securities			368,716		334,144
Inventories			851		984
Trade and other receivables	10		19,843		16,618
Taxation recoverable			—		2,308
Dividend receivable			86,073		73,000
Bank deposits and cash	11		2,288,968		2,086,593
			2,764,451		2,513,647
Current liabilities					
Trade and other payables	12		32,644		70,472
Course fees received in advance			247,610		215,289
Taxation payable			13,519		3,781
Dividends payable			26,111		1,071
			319,884		290,613
Net current assets			2,444,567		2,223,034

Consolidated Statement of Financial Position

As at 30 June 2016 - unaudited

(Expressed in Hong Kong dollars)

		30 June 2016		31 December 2015	
	Note	\$'000	\$'000	\$'000	\$'000
Total assets less current liabilities			5,071,193		5,181,897
Non-current liabilities					
Loan from an associate	8		278,080		252,879
Deferred tax liabilities			4,951		4,167
			283,031		257,046
NET ASSETS			4,788,162		4,924,851
CAPITAL AND RESERVES					
Share capital	13(b)		1,629,461		1,629,461
Reserves			3,033,619		3,174,395
Total equity attributable to equity shareholders of the Company			4,663,080		4,803,856
Non-controlling interests			125,082		120,995
TOTAL EQUITY			4,788,162		4,924,851

The notes on pages 9 to 29 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 - unaudited

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
		Share capital	Capital reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total		
		\$'000	\$'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		1,629,461	1,984	229,211	254	2,655,622	4,516,532	120,212	4,636,744
Changes in equity for the six months ended 31 December 2015:									
Profit for the period		—	—	—	—	304,566	304,566	21,062	325,628
Other comprehensive income		—	—	27,547	(66)	—	27,481	(29)	27,452
Total comprehensive income for the period		—	—	27,547	(66)	304,566	332,047	21,033	353,080
Non-controlling interest's share of dividends		—	—	—	—	—	—	(20,250)	(20,250)
Dividend declared in respect of the current financial year		—	—	—	—	(44,723)	(44,723)	—	(44,723)
Balance at 31 December 2015		1,629,461	1,984	256,758	188	2,915,465	4,803,856	120,995	4,924,851

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 - unaudited

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							
				Investment				Non-	Total
		Share	Capital	revaluation	Exchange	Retained		controlling	equity
		capital	reserve	reserve	reserve	profits	Total	interests	
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016		1,629,461	1,984	256,758	188	2,915,465	4,803,856	120,995	4,924,851
Changes in equity for the six months ended 30 June 2016:									
Profit for the period		—	—	—	—	123,133	123,133	24,204	147,337
Other comprehensive income		—	—	(178,041)	(150)	—	(178,191)	(65)	(178,256)
Total comprehensive income for the period		—	—	(178,041)	(150)	123,133	(55,058)	24,139	(30,919)
Dividends approved in respect of the previous financial year	13 (a)	—	—	—	—	(63,357)	(63,357)	—	(63,357)
Non-controlling interest's share of dividends		—	—	—	—	—	—	(20,052)	(20,052)
Dividend declared in respect of the current financial year	13 (a)	—	—	—	—	(22,361)	(22,361)	—	(22,361)
Balance at 30 June 2016		1,629,461	1,984	78,717	38	2,952,880	4,663,080	125,082	4,788,162

The notes on pages 9 to 29 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016	2015
Note	\$'000	\$'000
Operating activities		
Cash generated from operations	51,691	34,718
Tax paid	(510)	(510)
Net cash generated from operating activities	<u>51,181</u>	<u>34,208</u>
Investing activities		
Increase in deposits with banks with original maturity over three months	(96,761)	(72,554)
Payments for purchase of available-for-sale securities	(42,858)	(127,791)
Payments for purchase of trading securities	(172,805)	(160,292)
Payment for purchase of property, plant and equipment	(23,122)	(9,626)
Dividends received from associates	427,289	368,968
Proceeds from sale of property, plant and equipment	10,831	1,323
Proceeds from sale of available-for-sale securities	—	110,925
Dividends received from listed investments	1,508	914
Interest received	5,895	13,699
Loan from associate	25,201	19,553
Net cash generated from investing activities	<u>135,178</u>	<u>145,119</u>
Financing activities		
Dividends paid to equity shareholders of the Company	(60,678)	(54,846)
Other cash flows arising from financing activities	(20,067)	(10,258)
Net cash used in financing activities	<u>(80,745)</u>	<u>(65,104)</u>
Net increase in cash and cash equivalents	105,614	114,223
Cash and cash equivalents at 1 January	<u>1,873,553</u>	<u>1,660,945</u>
Cash and cash equivalents at 30 June	<u>1,979,167</u>	<u>1,775,168</u>

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The notes on pages 9 to 29 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 25 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

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 2015 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 30.

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 2015 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 2015 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.

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	
	2016	2015
	\$'000	\$'000
Principal activities		
Motoring school operations	174,494	150,310
Net gain from disposal of available-for-sale securities	—	16,212
Investment and other activities	31,377	35,628
	<u>205,871</u>	<u>202,150</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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	174,494	150,310	1,250	1,250	2,400	2,400	21,145	19,250	199,289	173,210
Net gain from disposal of available-for-sale securities	—	—	—	—	—	—	—	16,212	—	16,212
Interest revenue	1,606	2,148	—	—	—	—	3,976	9,580	5,582	11,728
Reportable segment revenue	176,100	152,458	1,250	1,250	2,400	2,400	25,121	45,042	204,871	201,150
Reportable segment profit/(loss) before tax	80,283	63,439	263,846	243,540	14,457	16,964	(169,844)	46,864	188,742	370,807
Depreciation	8,188	3,546	—	—	—	—	—	—	8,188	3,546
Share of profits less losses of associates	—	—	262,596	242,290	—	—	—	—	262,596	242,290
Share of profits of a joint venture	—	—	—	—	12,166	14,672	—	—	12,166	14,672
Income tax	13,181	4,296	—	—	279	279	—	—	13,460	4,575
Reportable segment assets at 30 June 2016/31 December 2015	619,433	568,924	1,627,452	1,785,632	90,561	92,734	2,978,364	2,941,303	5,315,810	5,388,593

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	
	2016	2015
	\$'000	\$'000
Revenue		
Reportable segment revenue	204,871	201,150
Unallocated head office and corporate revenue	<u>1,000</u>	<u>1,000</u>
Consolidated revenue	<u>205,871</u>	<u>202,150</u>
	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Profit		
Reportable segment profit derived from Group's external customers	188,742	370,807
Other revenue	13	12
Unallocated head office and corporate income and expenses	<u>(27,958)</u>	<u>(28,434)</u>
Consolidated profit before taxation	<u>160,797</u>	<u>342,385</u>
	At	At
	30 June	31 December
	2016	2015
	\$'000	\$'000
Assets		
Reportable segment assets	5,315,810	5,388,593
Unallocated head office and corporate assets	<u>75,267</u>	<u>83,917</u>
Consolidated total assets	<u>5,391,077</u>	<u>5,472,510</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Other net (losses)/gains

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Net unrealised (loss)/gains on trading securities	(138,233)	12,964
Available-for-sale securities reclassified from equity on impairment	(56,645)	(10,508)
Net gains on sale of property, plant and equipment	10,816	1,322
	<u>(184,062)</u>	<u>3,778</u>

4 Profit before taxation

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Profit before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Other borrowing costs	<u>14</u>	<u>13</u>
(b) Other items		
Depreciation	17,167	12,518
Cost of inventories consumed	5,366	5,612
Contributions to defined contribution retirement scheme	3,106	2,750
Dividend income from listed investments	(21,081)	(19,205)
Interest income	<u>(5,582)</u>	<u>(11,728)</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Income tax

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Current tax – Hong Kong Profits Tax	12,556	4,116
Deferred tax	<u>904</u>	<u>459</u>
	<u>13,460</u>	<u>4,575</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 June 2016.

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 \$123,133,000 (2015: \$315,242,000) and the weighted average of 372,688,206 ordinary shares (2015: 372,688,206 ordinary shares) in issue during the period.

7 Other comprehensive income

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	(234,686)	159,474
Reclassification adjustment for amounts transferred to profit or loss:		
– gains on disposal	—	(16,212)
– impairment losses	<u>56,645</u>	<u>10,508</u>
Net movement in the investment revaluation reserve recognised during the period	<u>(178,041)</u>	<u>153,770</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates

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

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

- (b) All of the above associates are accounted for using the equity method in the consolidated financial statements based on the financial statements of WHTCL and TCTCL for the six months ended 30 June 2016 respectively.
- (c) WHTCL was granted a thirty-year franchise to construct and operate the Western Harbour Tunnel in accordance with the Western Harbour Crossing Ordinance enacted on 22 July 1993.
- (d) TCTCL was granted a thirty-year franchise to construct and operate the Tate's Cairn Tunnel in accordance with the Tate's Cairn Tunnel Ordinance enacted on 1 July 1988.
- (e) The loan from an associate is unsecured and interest free. The loan is classified as non-current as it is not repayable within the next twelve months.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

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

		Six months ended 30 June	
		2016	2015
	Note	\$'000	\$'000
Gross amounts of the associate's			
Revenue			
Toll revenue		778,477	735,394
Other revenue	(i)	20,372	18,049
		<u>798,849</u>	<u>753,443</u>
Other income		334	586
Expenditure			
Operating and administrative expenses		(47,391)	(46,710)
Rates and government rent		(29,217)	(29,572)
Amortisation and depreciation	(ii)	(177,311)	(158,896)
Operating profit before finance charges		545,264	518,851
Interest on shareholders' loans		(25)	(25)
Profit before taxation		545,239	518,826
Income tax	(iii)	(91,107)	(86,582)
Profit and total comprehensive income		<u>454,132</u>	<u>432,244</u>
Group's effective interest		50%	50%
Group's share of profit and total comprehensive income		227,066	216,122
Fair value adjustments		(4,677)	(4,677)
		<u>222,389</u>	<u>211,445</u>
Dividend received from the associate		<u>363,000</u>	<u>340,500</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

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

		At 30 June 2016 \$'000	At 31 December 2015 \$'000
	Note		
Gross amounts of the associate's			
Current assets		333,789	356,324
Non-current assets		2,916,520	3,091,091
Current liabilities	(iv)	(383,542)	(291,816)
Non-current liabilities			
Deferred revenue		(21,221)	(22,966)
Deferred tax liabilities		(443,159)	(458,403)
Shareholders' loans		(5,067)	(5,042)
Equity		<u>2,397,320</u>	<u>2,669,188</u>
Reconciled to the Group's interest in associates			
Gross amount of net assets of the associate		2,397,320	2,669,188
Group's effective interest		50%	50%
Group's share of net assets of the associate		1,198,660	1,334,594
Fair value adjustments		66,130	70,807
Amount due from the associate	(v)	417	417
Loan to and interest receivable from the associate	(vi)	<u>2,534</u>	<u>2,521</u>
Carrying amount in the consolidated financial statements		<u>1,267,741</u>	<u>1,408,339</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

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

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% (2015: 16.5%) of the estimated assessable profits for the period ended 30 June 2016.
- (iv) Current liabilities include current tax liabilities of \$204.3 million (2015: \$98.0 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 2016 amounted to \$12,000 (2015: \$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)

8 Interest in associates (continued)

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

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Gross amounts of the associate's		
Revenue	268,753	238,969
Profit and total comprehensive income	149,756	126,056
Group's effective interest	39.5%	39.5%
Group's share of profit and total comprehensive income	59,154	49,792
Fair value adjustments	(14,946)	(14,946)
	<u>44,208</u>	<u>34,846</u>
Dividend received from the associate	<u>57,789</u>	<u>49,968</u>
	At	At
	30 June	31 December
	2016	2015
	\$'000	\$'000
Gross amounts of the associate's		
Current assets	30,772	31,657
Non-current assets	829,488	796,441
Current liabilities	(122,545)	(88,765)
Non-current liabilities	(20,331)	(25,404)
Equity	<u>717,384</u>	<u>713,929</u>
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	717,384	713,929
Group's effective interest	39.5%	39.5%
Group's share of net assets of the associate	283,367	282,002
Fair value adjustments	59,696	74,642
Goodwill	<u>16,400</u>	<u>20,400</u>
Carrying amount in the consolidated financial statements	<u>359,463</u>	<u>377,044</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Interest in associates (continued)

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

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Amount of the Group's share of the associate		
– Loss from continuing operations	(1)	(1)
– Post-tax profit or loss from discontinued operations	—	—
– Other comprehensive income	—	—
– Total comprehensive income	<u>(1)</u>	<u>(1)</u>
	At	At
	30 June	31 December
	2016	2015
	\$'000	\$'000
Carrying amount of an individually immaterial associate in the consolidated financial statements	<u>248</u>	<u>249</u>

9 Available-for-sale securities

	At	At
	30 June	31 December
	2016	2015
	\$'000	\$'000
Listed in Hong Kong	447,299	673,670
Unlisted securities	<u>278,066</u>	<u>243,523</u>
	<u>725,365</u>	<u>917,193</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 2016 \$'000	At 31 December 2015 \$'000
Within 1 month	2,885	3,065
1 to 2 months	704	951
2 to 3 months	96	134
Over 3 months	<u>1,152</u>	<u>968</u>
Trade receivables, net of allowance for doubtful debts	4,837	5,118
Other receivables	<u>615</u>	<u>958</u>
Trade and other receivables	5,452	6,076
Deposits and prepayments	<u>14,391</u>	<u>10,542</u>
	<u>19,843</u>	<u>16,618</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Bank deposits and cash

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Deposits with banks and other financial institutions	2,000,101	1,895,616
Cash at bank and in hand	<u>288,867</u>	<u>190,977</u>
Bank deposits and cash in the consolidated statement of financial position	2,288,968	<u>2,086,593</u>
Less: Deposits with original maturity over three months	<u>(309,801)</u>	
Cash and cash equivalents in the condensed consolidated cash flow statement	<u>1,979,167</u>	

At 30 June 2016, a bank account in a financial institution with the amount of \$9,105,000 (31 December 2015: \$8,972,000) served as a security against treasury facilities granted to the Group. During the period, the Group did not utilise any of such facilities.

12 Trade and other payables

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

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Within 1 month	649	592
1 month to 3 months	925	818
Over 3 months but within 6 months	<u>2,419</u>	<u>2,112</u>
Trade payables	3,993	3,522
Other payables and accruals	<u>28,651</u>	<u>66,950</u>
	<u>32,644</u>	<u>70,472</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
First interim dividend declared during the interim period of 6 cents per share (2015: 6 cents per share)	22,361	22,361
Second interim dividend declared after the interim period of 6 cents per share (2015: 6 cents per share)	<u>22,361</u>	<u>22,361</u>
	<u>44,722</u>	<u>44,722</u>

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

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

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 17 cents per share (2015: 15 cents per share)	<u>63,357</u>	<u>55,903</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Capital, reserves and dividends (continued)

(b) Share capital

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

	2016		2015	
	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	1,629,461
At 30 June/31 December	372,688	1,629,461	372,688	1,629,461

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Fair value measurement of financial instruments (continued)

Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 30 June 2016 \$'000	Fair value measurements as at 30 June 2016 categorised into			Fair value at 31 December 2015 \$'000	Fair value measurements as at 31 December 2015 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	447,299	447,299	—	—	673,670	673,670	—	—
– Unlisted	278,066	—	117,470	160,596	243,523	38,151	82,180	123,192
Trading securities:								
– Listed	272,641	272,641	—	—	221,450	221,450	—	—
– Unlisted	96,075	—	66,075	30,000	112,694	—	85,324	27,370
	<u>1,094,081</u>	<u>719,940</u>	<u>183,545</u>	<u>190,596</u>	<u>1,251,337</u>	<u>933,271</u>	<u>167,504</u>	<u>150,562</u>

Transfers from level 1 to level 2 during the six months ended 30 June 2016 reflect the reclassification of unlisted available-for-sale securities following reassessment of the application of levelling criteria to the balance. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Fair value measurement of financial instruments (continued)

Information about Level 3 fair value measurements

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

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

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

	2016 \$'000	2015 \$'000
<i>Unlisted available-for-sale securities:</i>		
At 1 January	123,192	21,902
Payment for purchase	42,858	47,512
Net unrealised losses recognised in other comprehensive income during the period	<u>(5,454)</u>	<u>(1,410)</u>
At 30 June	<u>160,596</u>	<u>68,004</u>
Total gains or losses for the period reclassified from other comprehensive income on disposal	<u>—</u>	<u>—</u>
Total losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(7,438)</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)

	2016 \$'000	2015 \$'000
<i>Unlisted trading securities:</i>		
At 1 January	27,370	35,092
Transfer in	11,706	—
Changes in fair value recognised in profit or loss during the period	(9,076)	(1,102)
At 30 June	<u>30,000</u>	<u>33,990</u>
Total losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(9,076)</u>	<u>(1,102)</u>

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

15 Material related party transactions

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

- (a) The Group extended a loan to and received interest from an associate, WHTCL. The balance of the loan and interest receivable at 30 June 2016 was \$2.5 million (31 December 2015: \$2.5 million).

The Group received interest income and management fee income from WHTCL of \$12,000 (2015: \$12,000) and \$1.3 million (2015: \$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 2016 was \$278.1 million (31 December 2015: \$252.9 million).

- (c) The Group received consultancy fees and management fee income from a joint venture of \$1.8 million (2015: \$1.8 million) and \$0.6 million (2015: \$0.6 million) respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Non-adjusting event after the reporting period

On 25 August 2016, the Directors proposed a second interim dividend. Further details are set out in note 13(a) “Dividends”.

17 Comparative figures

The comparative figures of revenue and other net (losses)/gains have been reclassified to conform to current period’s presentation.

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 29 which comprises the consolidated statement of financial position of The Cross-Harbour (Holdings) Limited as of 30 June 2016 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 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

Hong Kong, 25 August 2016

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 2016. The interim results have been reviewed by the audit committee and KPMG. KPMG’s review report is set out on page 30.

The Group’s unaudited profit attributable to shareholders for the first half of 2016 amounted to HK\$123.1 million, a 60.9% decrease as compared with HK\$315.2 million for the first half of 2015. Earnings per share were HK\$0.33 against HK\$0.85 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 5 July 2016. Your directors have today declared a second quarterly interim dividend of HK\$0.06 per share payable on 22 September 2016 to shareholders registered on 14 September 2016.

Closure of Books

The register of members and transfer books of the Company will be closed from Monday, 12 September 2016 to Wednesday, 14 September 2016, both days inclusive, during which period no transfer of shares in the Company shall 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, 9 September 2016.

Business Review and Prospects

The Hong Kong economy grew tepidly by 1.2% in the first half of 2016, in the face of the intensified drag from an austere external environment and a loss of momentum in the domestic sector. Exports keep contracting due to slow recovery in the advanced economies. Private consumption expenditure slowed visibly amid sluggish merchandise trade and tourism performance as well as the correction of property prices. Investment sentiments in the Mainland remain fragile given the bleak economic outlook and volatile renminbi exchange rate. The negative factors weighing on growth, including elevated geopolitical risks, strong US dollars and the heightened volatility in the global financial markets after the UK voted to leave the European Union, are anticipated to persist and increase the downside risks to the global economy in the near term. However, as the markets remain skeptical about rate hikes in the near term, the environment of low interest rate and liquidity glut is likely to be sustained globally. As the low growth environment will persist globally, the Hong Kong economic performance in the second half of the year is likely to be restrained and the full year’s growth is expected to conclude at around 1% to 2%, which is far lower than the 2.4% growth last year. Further, inflationary pressure is likely to remain moderate given the muted global inflation, low global commodity prices and limited domestic price pressure.

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 2016 was about 314,000. The overall usage of auto-toll facilities in all eleven toll roads and tunnels maintained at around 50%. The number of daily transactions handled by Autotoll was about 394,000 with toll amount of approximately HK\$9.4 million. The number of subscribers for the Global Positioning System at the end of June was about 12,900.

Motoring School Operation

Alpha Hero Group (70% owned) which operates driving training schools, recorded a notable increase of 25% in the number of driving lessons demanded for the period under review as compared with the previous corresponding period. The higher throughput was primarily the aggregate result of better sales intake under continuing efforts by the management in promoting the brand attributes of professionalism and excellence and higher productivity through various quality enhancement programs.

Tunnel Operations

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

Despite the adverse economic sentiment, the average daily throughput of the Western Harbour Tunnel (“WHT”) for the first half year under review increased by almost 3% to 65,760 vehicle journeys as compared with the last corresponding period. WHT’s market share was maintained at 26% for the period under review. However, in view of a further contraction in local economic growth, we remain prudent on the revenue growth of WHTCL for the remaining period of the year, in particular after the expiry of franchise of the Eastern Harbour Tunnel in August.

(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 decreased slightly by 1% to approximately 58,500 vehicle journeys as compared with the last corresponding period after TCTCL implemented its last toll increase effective from 1 January 2016. The increments are HK\$1 for buses, HK\$2 for motorcycles and HK\$3 for private cars, taxis and every additional axle in excess of two, while the tolls for light buses and goods vehicles remain unchanged. The average toll per vehicle increased from HK\$21.5 in the last corresponding period to HK\$24.3 in the first half year under review.

Management Discussion and Analysis

Treasury Management Business

The weakened global outlook and unsteady monetary environment heightened investors' risk aversion and triggered massive sell-offs in global and local stock markets early this year. Uncertainties about the timing of US interest rate hikes, lingering concerns about rising credit risks and increasing bad debts in the Mainland, as well as persistent weakness of renminbi, weighed heavily on investors' sentiment in the Hong Kong stock market. Moreover, the market became more volatile after the Brexit referendum, and another global sell-down in financial risk assets was triggered. Due to the sluggish and turbulent equity market performance during the first half year as well as the weak financial market conditions prevailing at the end of the interim period, the overall performance of the Group's treasury segment during the period under review was disappointing as compared with the last corresponding period and a significant fair value loss on its portfolio of securities investment was recorded. In view of the increasing volatility of the stock market, 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.

Commentary on Interim Results

(I) Review of 2016 Interim Results

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2016 amounted to HK\$123.1 million, representing a decrease of 60.9% as compared to HK\$315.2 million for the last corresponding period. Earnings per share were HK\$0.33. The significant decrease in 2016 interim result was primarily attributable to the negative performance of the treasury segment resulting from negative fair value changes in securities investment during the period under review.

The Group's revenue for the period under review was HK\$205.9 million, an increase of HK\$3.7 million or 1.8% as compared to the HK\$202.2 million recorded in the same period last year. The motoring school operations recorded an increase in revenue of 16.1% to HK\$174.5 million as a result of improvement in tuition fees income due to an increase in demand for driving lessons as compared with the last corresponding period. Turning to the Group's treasury investment, there was no disposal of securities investments during the first half year under review, as compared to a realised net gain of HK\$16.2 million recorded in the last corresponding period. Dividend income from listed investments in the first six months amounted to HK\$21.1 million as compared to HK\$19.2 million for the last corresponding period.

In addition, the Group's treasury segment recorded a significant unrealised fair value loss on trading securities of HK\$138.2 million for first half year under review against a gain of HK\$13.0 million recorded in the last corresponding period. Revaluation deficit arising on certain available-for-sale securities of HK\$56.6 million, as compared to HK\$10.5 million recorded in the last corresponding period, was transferred from the investment revaluation reserve to the consolidated statement of profit or loss as a result of impairment losses on those securities at 30 June 2016.

Management Discussion and Analysis

The Group's share of profits less losses of associates has increased by 8.4% to HK\$262.6 million as compared to HK\$242.3 million in the last corresponding period due to improved performance of both WHTCL and TCTCL. WHTCL recorded a 5.9% increase in toll revenue as a result of an increase in throughput, whereas TCTCL also registered a 12.5% increase in toll income after the implementation of toll increase in January 2016. 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\$222.4 million and HK\$40.2 million respectively as compared to HK\$211.4 million and HK\$30.9 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\$12.2 million for the first half year under review against HK\$14.7 million recorded in the last corresponding period, representing a decrease of HK\$2.5 million or 17% as a result of a decrease in project income.

(II) Treasury Investments

As at 30 June 2016, the Group maintained a portfolio of investments with an aggregate fair value of HK\$1,094.1 million (31 December 2015: HK\$1,251.3 million). The portfolio composed of HK\$719.9 million equity investments listed in Hong Kong and HK\$374.2 million unlisted investment funds managed by financial institutions. During the period under review, HK\$172.8 million listed shares and HK\$42.9 million unlisted investment fund were purchased. There was a substantial reduction in portfolio balance as a result of negative fair value changes of certain available-for-sale securities and trading securities. The Group also recorded a significant decrease in the investment revaluation reserve in the amount of HK\$178.0 million in addition to impairment losses recognised on certain available-for-sale securities. Further details of the Group's investment portfolio in respect of its classification and fair value measurement are provided in note 14 of the interim financial report.

Certain securities were pledged to the financial institution to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. As at 30 June 2016, these facilities were not utilised by the Group.

(III) Liquidity and Financial Resources

As at 30 June 2016, the Group had bank balances and deposits in the amount of HK\$2,289.0 million. The Group did not have any debts outstanding as at 30 June 2016 and 31 December 2015. 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 536 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\$82.8 million.

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 interest of a director in the shares of the Company as at 30 June 2016:

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 2016, no director or chief executive had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Code for Securities Transactions by Directors of the Company.

Share Options

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

No option lapsed and no option was granted, exercised or cancelled under the Scheme during the six months ended 30 June 2016. 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 2016, so far as is known to the directors of the Company, the following persons, other than the directors, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	Capacity	No. of shares	% of shares in issue
Palin Holdings	Interest of controlled corporation	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 2016, 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 36.

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 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, risk management and financial reporting matters with management.

Other Information

Directors' Information

Mr. Yeung Hin Chung, John was appointed as an independent non-executive director, a member and the chairman of the remuneration committee, and a member of the nomination committee of Armada Holdings Limited, a public company listed on The Stock Exchange of Hong Kong Limited (stock code: 583), on 6 June 2016. His other information is set out in the 2015 annual report of the Company.

Apart from the foregoing, the Company has not been advised by its directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders.

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

Hong Kong, 25 August 2016