The Cross-Harbour (Holdings) Limited

(Stock Code : 32)

2019 INTERIM REPORT

Contents

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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Website: www.crossharbour.com.hk
Email: investors@crossharbour.com.hk

External Auditor

KPMG

Registrar & Transfer Office

Tricor Tengis Limited
* Level 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 32

* The Company's registrar and transfer office has relocated from Level 22 to Level 54 of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong with effect from 11 July 2019.

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2019	2018*
	Note	**$'000**	$'000
Revenue from contracts with customers within the scope of HKFRS 15	3(a)	**217,504**	214,178
Revenue from other sources	3(a)	**39,735**	6,414
Interest revenue from debt securities at fair value through profit or loss (FVPL)	3(a)	**28,227**	—
Other interest revenue	3(a)	**48,305**	32,700
Total revenue		**333,771**	253,292
Other revenue		**13**	13
Other net gains/(losses)	4	**43,332**	(555,321)
Direct costs and operating expenses		**(124,726)**	(95,266)
Selling and marketing expenses		**(14,183)**	(16,507)
Administrative and corporate expenses		**(58,181)**	(54,336)
Reversal of impairment losses on financial assets		**352**	—
Profit/(loss) from operations		**180,378**	(468,125)
Finance costs	5(a)	**(2,273)**	(29)
Share of profits of associates	9	**297,546**	307,596
Share of profits of a joint venture		**10,587**	9,870
Profit/(loss) before taxation	5	**486,238**	(150,688)
Income tax	6	**(11,268)**	46,541
Profit/(loss) for the period		**474,970**	(104,147)
Attributable to:			
Equity shareholders of the Company		**455,361**	(127,977)
Non-controlling interests		**19,609**	23,830
Profit/(loss) for the period		**474,970**	(104,147)
Earnings/(loss) per share	7		
Basic and diluted		**$1.22**	$(0.34)

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 9 to 33 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 2019 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	2018*
	$'000	$'000
Profit/(loss) for the period	**474,970**	(104,147)
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
– Financial assets measured at fair value through other comprehensive income (FVOCI) (non-recycling)		
– Net changes in fair value of equity securities recognised during the period	**(97,574)**	149,796
Items that may be reclassified subsequently to profit or loss:		
– Financial assets measured at fair value through other comprehensive income (FVOCI) (recycling)		
– Net changes in fair value of debt securities recognised during the period	**20,259**	(56,923)
– Share of other comprehensive income of a joint venture		
– Exchange differences on translation of financial statements of overseas subsidiary of joint venture	**(12)**	(40)
Other comprehensive income for the period	**(77,327)**	92,833
Total comprehensive income for the period	**397,643**	(11,314)
Attributable to:		
Equity shareholders of the Company	**378,038**	(35,132)
Non-controlling interests	**19,605**	23,818
Total comprehensive income for the period	**397,643**	(11,314)

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 9 to 33 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2019 – unaudited

(Expressed in Hong Kong dollars)

		30 June 2019		31 December 2018*	
	Note	**$'000**	**$'000**	$'000	$'000
Non-current assets					
Property, plant and equipment			**408,711**		176,802
Interest in leasehold land held for own use			**20,422**		20,787
			429,133		197,589
Interest in associates	9		**1,041,262**		1,211,607
Interest in a joint venture			**108,500**		97,925
Other financial assets	8		**2,665,248**		2,543,087
Deposits for acquisition of tangible assets			**4,139**		932
Deferred tax assets			**3,885**		2,285
			4,252,167		4,053,425
Current assets					
Other financial assets	8	**2,129,264**		2,050,590	
Inventories		**711**		950	
Trade and other receivables	10	**94,155**		80,894	
Amount due from a joint venture		**—**		9,000	
Taxation recoverable		**7,213**		9,560	
Dividend receivable		**84,704**		86,500	
Bank deposits and cash	11	**1,682,402**		1,499,006	
		3,998,449		3,736,500	
Current liabilities					
Trade and other payables	12	**44,478**		103,137	
Contract liabilities		**329,053**		312,426	
Lease liabilities	2(c)	**56,477**		—	
Taxation payable		**24,897**		18,570	
Dividends payable		**23,248**		1,212	
Loan from an associate	9(e)	**300,674**		300,674	
		778,827		736,019	
Net current assets			**3,219,622**		3,000,481

Consolidated Statement of Financial Position

As at 30 June 2019 – unaudited

(Expressed in Hong Kong dollars)

	Note	30 June 2019 $'000	31 December 2018* $'000
Total assets less current liabilities		**7,471,789**	7,053,906
Non-current liabilities			
Lease liabilities	2(c)	**141,839**	—
Deferred tax liabilities		**4,252**	4,939
		146,091	4,939
NET ASSETS		**7,325,698**	7,048,967
CAPITAL AND RESERVES			
Share capital	13(b)	**1,629,461**	1,629,461
Reserves		**5,540,363**	5,266,677
Total equity attributable to equity shareholders of the Company		**7,169,824**	6,896,138
Non-controlling interests		**155,874**	152,829
TOTAL EQUITY		**7,325,698**	7,048,967

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 9 to 33 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company								
		Share capital	Capital reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018		1,629,461	1,984	448,835	–	88	4,245,057	6,325,425	141,541	6,466,966
Impact on initial application of HKFRS 9		–	–	(438,446)	306,985	–	131,461	–	–	–
Adjusted balance at 1 January 2018		1,629,461	1,984	10,389	306,985	88	4,376,518	6,325,425	141,541	6,466,966
Changes in equity for the six months ended 30 June 2018:										
(Loss)/profit for the period		–	–	–	–	–	(127,977)	(127,977)	23,830	(104,147)
Other comprehensive income		–	–	(56,923)	149,796	(28)	–	92,845	(12)	92,833
Transfer of gain on disposal of equity investments at fair value through other comprehensive income		–	–	–	(74,197)	–	74,197	–	–	–
Total comprehensive income for the period		–	–	(56,923)	75,599	(28)	(53,780)	(35,132)	23,818	(11,314)
Dividend approved in respect of the previous financial year	13(a)	–	–	–	–	–	(74,538)	(74,538)	–	(74,538)
Non-controlling interest's share of dividends		–	–	–	–	–	–	–	(19,758)	(19,758)
Dividends declared in respect of the current financial year	13(a)	–	–	–	–	–	(22,361)	(22,361)	–	(22,361)
Balance at 30 June 2018		1,629,461	1,984	(46,534)	382,584	60	4,225,839	6,193,394	145,601	6,338,995
Changes in equity for the six months ended 31 December 2018:										
Profit for the period		–	–	–	–	–	575,368	575,368	24,246	599,614
Other comprehensive income		–	–	15,510	156,677	(88)	–	172,099	(38)	172,061
Total comprehensive income for the period		–	–	15,510	156,677	(88)	575,368	747,467	24,208	771,675
Non-controlling interest's share of dividends		–	–	–	–	–	–	–	(16,980)	(16,980)
Dividends declared in respect of the current financial year	13(a)	–	–	–	–	–	(44,723)	(44,723)	–	(44,723)
Balance at 31 December 2018*		1,629,461	1,984	(31,024)	539,261	(28)	4,756,484	6,896,138	152,829	7,048,967

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital $'000	Capital reserve $'000	Fair value reserve (recycling) $'000	Fair value reserve (non-recycling) $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019		**1,629,461**	**1,984**	**(31,024)**	**539,261**	**(28)**	**4,756,484**	**6,896,138**	**152,829**	**7,048,967**
Changes in equity for the six months ended 30 June 2019:										
Profit for the period		–	–	–	–	–	455,361	455,361	19,609	474,970
Other comprehensive income		–	–	20,259	(97,574)	(8)	–	(77,323)	(4)	(77,327)
Total comprehensive income for the period		–	–	20,259	(97,574)	(8)	455,361	378,038	19,605	397,643
Dividend approved in respect of the previous financial year	13(a)	–	–	–	–	–	(81,991)	(81,991)	–	(81,991)
Non-controlling interest's share of dividends		–	–	–	–	–	–	–	(16,560)	(16,560)
Dividends declared in respect of the current financial year	13(a)	–	–	–	–	–	(22,361)	(22,361)	–	(22,361)
Balance at 30 June 2019		**1,629,461**	**1,984**	**(10,765)**	**441,687**	**(36)**	**5,107,493**	**7,169,824**	**155,874**	**7,325,698**

The notes on pages 9 to 33 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2019 $'000	2018* $'000
Operating activities			
Cash generated from operations		**37,743**	9,881
Tax (paid)/refunded		**(4,881)**	575
Net cash generated from operating activities		**32,862**	10,456
Investing activities			
Decrease in deposits with banks with original maturity over three months		**178,535**	176,131
Payments for purchase of debt securities at FVOCI (recycling)		**(141,236)**	(451,327)
Payments for purchase of other financial assets at FVPL		**(38,731)**	(903,369)
Payments for investments in interest-bearing instruments		**(345,000)**	(80,000)
Payment for purchase of property, plant and equipment		**(57,003)**	(48,562)
Dividends received from equity securities at FVPL		**34,694**	—
Dividends received from equity securities at FVOCI (non-recycling)		**899**	—
Dividends received from associates		**472,904**	462,986
Proceeds from capital reduction of unlisted funds at FVPL		**19,966**	163,585
Proceeds from sale of equity securities at FVPL		**168,131**	10,713
Interest received		**57,725**	24,271
Additional loans from associate		**—**	26,939
Proceeds from repayment of interest-bearing instruments		**110,000**	—
Other cash flows arising from investing activities		**(2,842)**	13,750
Net cash generated from/(used in) investing activities		**458,042**	(604,883)
Financing activities			
Dividends paid to equity shareholders of the Company		**(82,317)**	(99,000)
Capital element of lease rentals paid		**(27,823)**	—
Interest element of lease rentals paid		**(2,253)**	—
Other cash flows arising from financing activities		**(16,580)**	(19,787)
Net cash used in financing activities		**(128,973)**	(118,787)
Net increase/(decrease) in cash and cash equivalents		**361,931**	(713,214)
Cash and cash equivalents at 1 January		**1,289,988**	3,018,042
Cash and cash equivalents at 30 June	11	**1,651,919**	2,304,828

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 9 to 33 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, 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 23 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standard ("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 34.

The financial information relating to the financial year ended 31 December 2018 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 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2 Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 Changes in accounting policies *(continued)*

HKFRS 16, *Leases* *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 15(a).

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

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

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

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a yacht as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

2 Changes in accounting policies *(continued)*

HKFRS 16, *Leases* *(continued)*

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.0%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 15(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 $'000
Operating lease commitments at 31 December 2018	123,784
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(4,267)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	116,429
	235,946
Less: total future interest expenses	(11,571)
Total lease liabilities recognised at 1 January 2019	224,375

2 Changes in accounting policies *(continued)*

HKFRS 16, *Leases* *(continued)*

(b) Transitional impact *(continued)*

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

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

At the date of the initial application of HKFRS 16 (i.e. 1 January 2019), the Group recognised $224,375,000 right-of-use assets, $55,443,000 lease liabilities (current) and $168,932,000 lease liabilities (non-current).

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	56,477	60,276	55,443	59,930
After 1 year but within 2 years	52,397	55,234	53,919	57,283
After 2 years but within 5 years	89,442	92,196	115,013	118,733
	141,839	147,430	168,932	176,016
	198,316	207,706	224,375	235,946
Less: total future interest expenses		(9,390)		(11,571)
Present value of lease liabilities		198,316		224,375

2 Changes in accounting policies *(continued)*

HKFRS 16, *Leases* (continued)

(d) Impact on the financial result, segment results and cash flows of the group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are motoring school operations and securities investment. Given below is an analysis of the revenue of the Group:

(i) Disaggregation of revenue

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines:		
– Course fee from motoring school operations	**213,280**	210,296
– Management fee from tunnel operations	**1,250**	1,250
– Consultancy fee and management fee from electronic toll operations	**2,100**	2,400
– Others	**874**	232
	217,504	214,178
Revenue from other sources		
– Dividend income from equity instruments at FVPL	**37,897**	4,379
– Dividend income from equity instruments at FVOCI	**900**	1,116
– Others	**938**	919
	39,735	6,414
Interest revenue from debt securities at FVPL	**28,227**	—
Other interest revenue		
– Interest income from debt securities at FVOCI	**19,590**	17,103
– Interest income from financial assets measured at amotrised cost	**15,430**	53
– Interest income from bank	**13,285**	15,544
	48,305	32,700
Total revenue	**333,771**	253,292

3 Revenue and segment reporting *(continued)*

(b) Segment reporting

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

— Motoring school 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.

3 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results and assets (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Motoring School Operations Six months ended 30 June		Tunnel Operations Six months ended 30 June		Electronic Toll Operations Six months ended 30 June		Treasury Six months ended 30 June		Total Six months ended 30 June	
	2019	2018*	**2019**	2018	**2019**	2018	**2019**	2018*	**2019**	2018*
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from contracts with customers within the scope of HKFRS 15	**214,129**	210,503	**1,250**	1,250	**2,100**	2,400	**–**	–	**217,479**	214,153
Dividend income from equity instruments	**–**	–	**–**	–	**–**	–	**38,797**	5,495	**38,797**	5,495
Interest revenue	**5,025**	3,246	**–**	–	**45**	–	**71,462**	29,454	**76,532**	32,700
Reportable segment revenue	**219,154**	213,749	**1,250**	1,250	**2,145**	2,400	**110,259**	34,949	**332,808**	252,348
Reportable segment profit/(loss) before tax	**64,318**	82,281	**298,794**	308,846	**12,732**	12,156	**151,951**	(521,801)	**527,795**	(118,518)
Finance costs	**2,062**	–	**–**	–	**–**	–	**211**	29	**2,273**	29
Depreciation	**38,431**	12,201	**–**	–	**–**	–	**–**	–	**38,431**	12,201
Share of profits of associates	**–**	–	**297,546**	307,596	**–**	–	**–**	–	**297,546**	307,596
Share of profits of a joint venture	**–**	–	**–**	–	**10,587**	9,870	**–**	–	**10,587**	9,870
Income tax	**10,990**	14,125	**–**	–	**277**	278	**–**	(60,944)	**11,267**	(46,541)
Reportable segment assets at 30 June 2019/ 31 December 2018	**982,674**	765,563	**1,041,262**	1,211,607	**109,685**	114,043	**6,059,430**	5,646,724	**8,193,051**	7,737,937

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

3 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	Six months ended 30 June	
	2019	2018*
	$'000	$'000
Revenue		
Reportable segment revenue	**332,808**	252,348
Unallocated head office and corporate revenue	**963**	944
Consolidated revenue	**333,771**	253,292

	Six months ended 30 June	
	2019	2018*
	$'000	$'000
Profit/(loss)		
Reportable segment profit/(loss) derived from Group's external customers	**527,795**	(118,518)
Other revenue	**13**	13
Unallocated head office and corporate expenses	**(41,570)**	(32,183)
Consolidated profit/(loss) before taxation	**486,238**	(150,688)

	At 30 June 2019	At 31 December 2018*
	$'000	$'000
Assets		
Reportable segment assets	**8,193,051**	7,737,937
Unallocated head office and corporate assets	**57,565**	51,988
Consolidated total assets	**8,250,616**	7,789,925

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4 Other net gains/(losses)

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Change in fair value of financial assets measured at FVPL		
– Unlisted fund investments	**267**	(29,768)
– Debt securities	**33,491**	—
– Equity securities	**9,418**	(526,150)
Net gains on sale of property, plant and equipment	**156**	597
	43,332	(555,321)

5 Profit/(loss) before taxation

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Profit/(loss) before taxation is arrived at after charging:		
(a) Finance costs		
Interest on lease liabilities	**2,253**	—
Other borrowing costs	**20**	29
(b) Other items		
Depreciation		
– Owned property, plant and equipment	**22,527**	20,674
– Right-of-use assets*	**28,604**	—
Operating lease charges**	**484**	10,163
Cost of inventories consumed	**2,879**	4,961
Contributions to defined contribution retirement scheme	**3,655**	3,473
Salaries, wages and other benefits (including directors' emoluments)	**103,210**	99,302

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

** Operating lease charges for the period ended 30 June 2018 represented the payment made under the leases for the use of assets in accordance with HKAS 17, *Leases*. Upon the adoption of HKFRS 16 on 1 January 2019, certain lease contracts were capitalised as ROU assets and lease liabilities, with corresponding depreciation on ROU assets being recognised in the period ended 30 June 2019.

6 Income tax

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Current tax – Hong Kong Profits Tax	**13,555**	14,275
Deferred tax	**(2,287)**	(60,816)
	11,268	(46,541)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

7 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on the profit for the period attributable to ordinary equity shareholders of the Company of $455,361,000 (2018: loss for the period of $127,977,000) and the weighted average of 372,688,206 ordinary shares (2018: 372,688,206 ordinary shares) in issue during the period. Diluted earnings/(loss) per share are the same as basic earnings/(loss) per share as the Company had no dilutive potential ordinary shares.

8 Other financial assets

	Notes	**30 June 2019 $'000**	31 December 2018 $'000
Non-current			
Financial assets designated at FVOCI (non-recycling)			
– Equity securities listed in Hong Kong			
• Evergrande Health*	(i)	**458,997**	558,827
• Others*	(ii)	**77,212**	74,957
		536,209	633,784
Financial assets measured at FVOCI (recycling)			
– Debt securities listed outside Hong Kong*		**469,558**	446,478
– Debt securities listed in Hong Kong*	(vi)	**140,566**	—
		610,124	446,478
Financial assets measured at FVPL			
– Unlisted fund investments	(viii)	**1,075,303**	1,056,270
– Debt securities listed outside Hong Kong*		**382,308**	354,381
– Equity securities listed outside Hong Kong*		**61,304**	52,174
		1,518,915	1,462,825
		2,665,248	2,543,087
Current			
Financial assets measured at amortised cost			
– Secured, interest-bearing instruments	(iv)	**200,000**	102,249
– Unsecured, interest-bearing instruments	(v)	**245,000**	100,000
Less: loss allowance		**(3,724)**	(1,926)
		441,276	200,323
Financial assets measured at FVPL			
– Debt securities listed outside Hong Kong*		**161,069**	155,505
– Equity securities listed in Hong Kong*	(iii)	**1,526,919**	1,694,762
		1,687,988	1,850,267
		2,129,264	2,050,590
Total		**4,794,512**	4,593,677

* Fair value measured using unadjusted quoted price in active markets. Details of fair value measurement of financial assets are set out in note 14.

8 Other financial assets *(continued)*

Notes:

(i) The amount represents the fair value of 54,255,000 shares (approximately 0.63% shareholdings) of Evergrande Health Industry Group Limited ("Evergrande Health"), which is listed in Hong Kong and principally engaged in healthcare business as well as investment in high technology new energy vehicle manufacture. The Group designated this investment at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the period (30 June 2018: Nil).

(ii) The amount mainly represents the Group's investment in several blue-chips stocks listed in Hong Kong. The Group designated these investments at FVOCI (non-recycling), as they are held for strategic purposes. Dividends amounted to $900,000 (30 June 2018: $1,116,000) were received during the period. None of these investments were sold during the period (31 December 2018: Nil).

(iii) Equity securities listed in Hong Kong and classified at FVPL include equity investments in China Evergrande Group, a property developer in China. As at 30 June 2019, the fair value of such investments amounted to $639,699,000 (31 December 2018: $684,975,000), and a decrease in fair value of $45,276,000 (30 June 2018: $203,010,000) was recognised in profit or loss for the period.

(iv) The balance at 30 June 2019 represents an investment in an interest-bearing instrument of $200,000,000 which is fully secured by financial instruments with sufficient fair value to cover the principal amount. The instrument is interest-bearing at 11% per annum and will mature in 2020.

(v) The balance represents four (31 December 2018: one) interest-bearing instruments which are unsecured, interest-bearing from 7% to 12% per annum (31 December 2018: 7% per annum) and all will mature in 2019.

(vi) During the period ended 30 June 2019, the Group has acquired listed debt securities issued by an indirectly wholly-owned subsidiary of C C Land Holdings Limited, a connected party of the Group. The fair value of such listed debt securities was amounted to $140,566,000 as at 30 June 2019.

(vii) As at 30 June 2019, the Group held investments in ordinary shares and debt securities issued by China Evergrande Group and its subsidiaries, and their carrying value represented approximately 18% (31 December 2018: 21%) of the Group's total assets. These investments include investment in ordinary shares of China Evergrande Group (FVPL) of $639,699,000 (31 December 2018: $684,975,000), ordinary shares of Evergrande Health (FVOCI, non-recycling) of $458,997,000 (31 December 2018: $558,827,000), and investments in two tranches of debt securities issued by China Evergrande Group and its subsidiary of $174,249,000 (31 December 2018: $166,261,000) (FVOCI, recycling) and $203,814,000 (31 December 2018: $197,192,000) (FVPL). Evergrande Health is a subsidiary of China Evergrande Group, and both companies are listed in Hong Kong.

As at 30 June 2019, the Group's investments in listed debt securities amounted to $1,153,500,000 (31 December 2018: $956,366,000) are issued by Hong Kong listed companies or their subsidiaries operating in the real estate sector in the PRC. As at 30 June 2019, the Group also held listed equity securities in the real estate sector amounted to $1,111,937,000 (31 December 2018: $1,378,131,000). The fair value of these investments may be affected by the economic condition of the PRC real estate sector, as well as equity price and interest rate movements.

(viii) As at 30 June 2019 and 31 December 2018, the Group's unlisted fund investments comprised mainly several investments in private equity funds. The Group managed the equity price risk through diversification of investment portfolio. The underlying investments held by these funds include listed and unlisted equity instruments, structured financing products and venture capital deals in various regions not limited to PRC and Hong Kong, covering various industry sectors including biopharmaceuticals, biotechnology, healthcare and related services, technology and e-Commerce. The fair value of these investments are affected by the market conditions in the abovementioned sectors, the overall capital market conditions, as well as the performance of individual investees of each of these funds. The investments held in the portfolio may be realised only after several years and their fair values may change significantly.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Interest in associates

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

Name of associate	Form of business structure	Place of incorporation and business	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity	Financial year end
Western Harbour Tunnel Company Limited ("WHTCL")	Incorporated	Hong Kong	50%	50%	Operation of the Western Harbour Crossing	31 July
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 2019 respectively.

(c) WHTCL was granted a thirty-year franchise to construct and operate the Western Harbour Tunnel in accordance with the Western Harbour Crossing Ordinance enacted on 22 July 1993.

(d) TCTCL was granted a thirty-year franchise to construct and operate the Tate's Cairn Tunnel in accordance with the Tate's Cairn Tunnel Ordinance enacted on 1 July 1988. The franchise expired on 11 July 2018.

(e) The loan from an associate is unsecured and interest free. The loan is classified as current liability as at 30 June 2019 as it is repayable within the next twelve months.

9 Interest in associates *(continued)*

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

		Six months ended 30 June	
		2019	2018
	Note	**$'000**	$'000
Gross amounts of the associate's			
Revenue			
Toll revenue		**963,411**	889,600
Other revenue	(i)	**50,602**	23,463
		1,014,013	913,063
Other income		**2,424**	1,387
Expenditure			
Operating and administrative expenses		**(59,150)**	(53,267)
Rates and government rent		**(36,716)**	(34,784)
Amortisation and depreciation	(ii)	**(197,097)**	(185,262)
Operating profit before finance charges		**723,474**	641,137
Interest on shareholders' loans		**(26)**	(25)
Profit before taxation		**723,448**	641,112
Income tax	(iii)	**(120,220)**	(106,655)
Profit and total comprehensive income		**603,228**	534,457
Group's effective interest		**50%**	50%
Group's share of profit and total comprehensive income		**301,614**	267,228
Fair value adjustments		**(4,677)**	(4,677)
		296,937	262,551
Dividend received from the associate		**454,000**	414,500

9 Interest in associates *(continued)*

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

	Note	**At 30 June 2019 $'000**	At 31 December 2018 $'000
Gross amounts of the associate's			
Current assets		**424,154**	421,786
Non-current assets		**1,785,797**	1,982,725
Current liabilities	(iv)	**(525,265)**	(382,872)
Non-current liabilities		**(286,194)**	(318,375)
Equity		**1,398,492**	1,703,264
Reconciled to the Group's interest in associates			
Gross amount of net assets of the associate		**1,398,492**	1,703,264
Group's effective interest		**50%**	50%
Group's share of net assets of the associate		**699,246**	851,632
Fair value adjustments		**38,053**	42,730
Amount due from the associate	(v)	**417**	417
Loan to and interest receivable from the associate	(vi)	**2,611**	2,598
Carrying amount in the consolidated financial statements		**740,327**	897,377

Notes:

(i) Other revenue includes income from telecommunications network providers, outdoor advertising site rental and the recovery of rate from government.

(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 8.25% on assessable profits up to $2,000,000 and 16.5% on any part of assessable profits over $2,000,000 to the six months ended 30 June 2019. The provision for Hong Kong Profits Tax was calculated at the same basis in 2018.

(iv) Current liabilities include current tax liabilities of $292.1 million (2018: $141.4 million).

(v) The amount due from an associate is unsecured, interest-free and recoverable 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 (2018: 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 2019 amounted to $13,000 (2018: $13,000). The loan is repayable on demand as may from time to time be agreed among the associate shareholders. The loan is classified as non-current as the directors do not intend to demand repayment within the next twelve months.

9 Interest in associates *(continued)*

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

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Gross amounts of the associate's		
Revenue	**2,998**	282,126
Profit and total comprehensive income	**1,542**	151,668
Group's effective interest	**39.5%**	39.5%
Group's share of profit and total comprehensive income	**609**	59,909
Fair value adjustments	**—**	(14,864)
	609	45,045
Dividend received from the associate	**13,904**	43,486

	At	At
	30 June	31 December
	2019	2018
	$'000	$'000
Gross amounts of the associate's		
Current assets	**767,527**	804,938
Current liabilities	**(5,665)**	(9,419)
Equity	**761,862**	795,519
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	**761,862**	795,519
Group's effective interest	**39.5%**	39.5%
Group's share of net assets of the associate	**300,935**	314,230
Carrying amount in the consolidated financial statements	**300,935**	314,230

10 Trade and other receivables

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

	At 30 June 2019 $'000	At 31 December 2018 $'000
Within 1 month	**2,523**	2,556
1 to 3 months	**111**	675
Over 3 months	**137**	99
Trade receivables, net of loss allowance	**2,771**	3,330
Other receivables	**41,621**	26,443
Trade and other receivables	**44,392**	29,773
Deposits and prepayments	**49,763**	51,121
	94,155	80,894

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 2019 $'000	At 31 December 2018 $'000
Deposits with banks and other financial institutions	**1,159,749**	1,194,208
Cash at bank and in hand	**522,653**	304,798
Bank deposits and cash in the consolidated statement of financial position	**1,682,402**	1,499,006
Less: Deposits with original maturity over three months	**(30,483)**	(209,018)
Cash and cash equivalents in the condensed consolidated cash flow statement	**1,651,919**	1,289,988

At 30 June 2019, a bank account in a financial institution with the amount of $9,249,000 (31 December 2018: $9,306,000) 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 2019 $'000	At 31 December 2018 $'000
Within 1 month	**1,619**	1,044
1 to 3 months	**439**	413
Over 3 months	**2,935**	2,232
Trade payables	**4,993**	3,689
Other payables and accruals	**39,485**	99,448
	44,478	103,137

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 2019 $'000	2018 $'000
First interim dividend declared during the interim period of 6 cents per share (2018: 6 cents per share)	**22,361**	22,361
Second interim dividend declared after the interim period of 6 cents per share (2018: 6 cents per share)	**22,361**	22,361
	44,722	44,722

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

13 Capital, reserves and dividends *(continued)*

(a) Dividends *(continued)*

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

	Six months ended 30 June	
	2019	2018
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 22 cents per share (2018: 20 cents per share)	**81,991**	74,538

(b) Share capital

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

	2019		2018	
	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.

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 2019 $'000	Fair value measurements as at 30 June 2019 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurements				
Assets				
Financial assets designated at FVOCI (non-recycling):				
– Equity securities listed in Hong Kong	**536,209**	**536,209**	—	—
Financial assets designated at FVOCI (recycling):				
– Debt securities listed in Hong Kong	**140,566**	**140,566**	—	—
– Debt securities listed outside Hong Kong	**469,558**	**469,558**	—	—
Financial assets measured at FVPL:				
– Unlisted fund investments	**1,075,303**	—	**44,622**	**1,030,681**
– Equity securities listed in Hong Kong	**1,526,919**	**1,526,919**	—	—
– Equity securities listed outside Hong Kong	**61,304**	**61,304**	—	—
– Debt securities listed outside Hong Kong	**543,377**	**543,377**	—	—
	4,353,236	**3,277,933**	**44,622**	**1,030,681**

	Fair value at 31 December 2018 $'000	Fair value measurements as at 31 December 2018 categorised into Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurements				
Assets				
Financial assets measured at FVOCI (non-recycling):				
– Equity securities listed in Hong Kong	633,784	633,784	—	—
Financial assets measured at FVOCI (recycling):				
– Debt securities listed outside Hong Kong	446,478	446,478	—	—
Financial assets measured at FVPL:				
– Unlisted fund investments	1,056,270	—	33,212	1,023,058
– Equity securities listed in Hong Kong	1,694,762	1,694,762	—	—
– Equity securities listed outside Hong Kong	52,174	52,174	—	—
– Debt securities listed outside Hong Kong	509,886	509,886	—	—
	4,393,354	3,337,084	33,212	1,023,058

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

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

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

	2019	2018
	$'000	$'000
Financial assets measured at FVPL:		
– Unlisted fund investments:		
At 1 January	**1,023,058**	—
Impact on initial application of HKFRS 9	—	368,252
Payment for capital contribution	**38,731**	381,083
Profit distribution	**(19,966)**	(10,713)
Changes in fair value recognised in profit or loss during the period	**(11,142)**	(26,399)
At 30 June	**1,030,681**	712,223

15 Commitments

(a) Operating lease commitment

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	$'000
Within 1 year	40,035
After 1 year but within 5 years	83,749
	123,784

The Group is the lessee in respect of a number of properties and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

(b) Investment commitment

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

	At 30 June 2019 $'000	At 31 December 2018 $'000
Unlisted fund investments	**120,853**	160,076

16 Material related party transactions

During the period, the Group entered into the following material related party transactions:

(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 2019 was $2.6 million (31 December 2018: $2.6 million).

The Group received interest income and management fee income from WHTCL of $13,000 (2018: $13,000) and $1.3 million (2018: $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 2019 was $300.7 million (31 December 2018: $300.7 million).

(c) The Group received consultancy fees and management fee income from a joint venture of $1.8 million (2018: $1.8 million) and $0.3 million (2018: $0.6 million) respectively.

The Group entered into the following material related party transaction which is regarded as a "connected transaction" as defined under the Listing Rules:

(a) The Group subscribed debt securities issued by a related company amounted to $141,236,000 at the transaction date (31 December 2018: Nil).

17 Non-adjusting event after the reporting period

On 23 August 2019, the Directors proposed a second interim dividend. Further details are set out in note 13(a) "Dividends".

18 Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

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 33 which comprises the consolidated statement of financial position of The Cross-Harbour (Holdings) Limited as of 30 June 2019 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 2019 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, 23 August 2019

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 2019. The interim results have been reviewed by the audit committee and KPMG. KPMG’s review report is set out on page 34.

The Group’s unaudited profit attributable to shareholders for the first half of 2019 amounted to HK$455.4 million as compared with a loss of HK$128.0 million for the first half of 2018. Earnings per share was HK$1.22 against loss per share of HK$0.34 for the corresponding period of 2018. The net fair value gain on financial assets measured at fair value through profit or loss (FVPL) was HK$43.2 million. In the corresponding period of 2018, the net fair value loss on financial assets measured at FVPL was HK$555.9 million and related tax credit was HK$60.9 million. Putting aside the impact of the change in fair value of financial assets measured at FVPL, related tax credit mentioned above and impairment losses on available-for-sale securities, the Group’s unaudited profit for the period would be HK$412.2 million, as compared to HK$367.0 million recorded in the same period of 2018, and HK$330.1 million in the same period of 2017. This represents a steady and moderate growth in the Group’s profit for the first half year of 12% (2019 vs 2018) and 11% (2018 vs 2017) respectively.

Dividends

A first quarterly interim dividend of HK$0.06 per share, absorbing a total amount of HK$22.4 million, was paid on 9 July 2019. Your directors have today declared a second quarterly interim dividend of HK$0.06 per share payable on 18 September 2019 to shareholders registered at the close of business on 11 September 2019.

Closure of Books

The register of members and transfer books of the Company will be closed from Monday, 9 September 2019 to Wednesday, 11 September 2019, during which days no transfer of shares in the Company will be registered. In order to qualify for the second quarterly interim dividend, all transfer documents and accompanying share certificates must be lodged for registration with Tricor Tengis Limited by 4:30 p.m., Friday, 6 September 2019.

Business Review and Prospects

The economy experienced a marked slowdown in the first half of 2019, starting the year with the worst performance since the end of the global financial crisis in 2009 as GDP growth decelerated sharply from 1.2% in the fourth quarter last year to a 10-year low of 0.6% in the first quarter this year. Pessimistic sentiments have dominated the market after the escalation in US-China trade tensions in May. Domestic demand lost momentum amidst souring investment sentiment and cautious business sentiment. On the contrary, the labour market remained stable with unemployment rate maintained at 2.8% and the property market climbed to a record high again in spite of the economic downturn. Looking ahead, markets remain anxious about global growth as uncertainties caused by trade frictions will continue to have a lasting impact. The inverted US yield curve warned that a recession is coming and interest rate cuts in the near term are expected. The performance of the Hong Kong economy in the second half year will inevitably be clouded by sluggish global demand and various external uncertainties though the low interest rate environment is conducive to the stabilization of the property market. As a result, we anticipate potential risks ahead and the performance of the Group in the near term may be adversely affected.

Motoring School Operation

Alpha Hero Group (70% owned), which operates driving training schools, recorded a minor decrease in the number of driving lessons delivered for the period under review as compared to the previous corresponding period. Tuition fee income, however, increased slightly by 1.4% as a result of higher lesson income unit rate. The operation of the New Kwun Tong Driving School is scheduled to commence in the third quarter of this year after the gearing up. As a measure to improve the cost structure in the long run, a property was acquired during the period under review for the use as a training centre and sales outlet.

Electronic Toll Operation

Autotoll (BVI) Limited ("Autotoll"), a jointly controlled entity, 50% owned by The Autopass Company Limited (a 70% owned subsidiary), provides electronic toll clearing ("ETC") facilities in Hong Kong covering twelve different toll roads and tunnels. There are sixty-one auto-toll lanes in operation at present. The total number of tags in circulation as at 30 June 2019 was about 348,600. The overall usage of auto-toll facilities in all twelve toll roads and tunnels is maintained at around 50%. The number of daily transactions handled by Autotoll was about 414,500 with toll amount of approximately HK$10.7 million. The number of subscribers for the Global Positioning System at the end of June was about 13,100.

Tunnel Operation

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 69,476 vehicle journeys as compared to 68,997 vehicle journeys recorded in the last corresponding period. With effect from 1 June 2019, WHTCL has implemented its 10th toll increase as a measure to increase revenue. Toll charges for private cars, taxis, light buses and goods vehicles have risen by HK$5 while the tolls for motorcycles and additional axles remain unchanged. Toll increases for single and double decked buses are HK$10 and HK$15 respectively. The average toll per vehicle increased from HK$71.23 in the last corresponding period to HK$76.61 in the first half year under review. WHT's market share, however, was maintained at about 27% 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.

Treasury Management Business

2018 saw a relative poor performance of the Hang Seng Index since 2011, which dropped from the peak at 33,484 early in the year by 27% to its lowest at 24,540 in the last quarter of the year. Unlike 2018, the Hang Seng Index finished the first half of 2019 at 28,542, a gain of 10.4% as compared with that of the last trading day in 2018. By the end of the second quarter, world market expected the US Federal Reserve would respond to the slowdown of US economy by cutting the interest rate and planned to end balance sheet reduction in the year.

The recent social unrest, the escalation in Sino-US trade tensions, and interest rate fluctuations pose risks to the local economy. On the other hand, the global economic growth was forecast to slow down in the remaining months of 2019. In view of such uncertainties, we remain conservative and the performance of the Group in investment may be adversely affected.

Management Discussion and Analysis

Commentary on Interim Results

(I) Review of 2019 Interim Results

The Group's unaudited profit attributable to shareholders for the first half of 2019 was HK$455.4 million. Excluding the net fair value gain of financial assets measured at FVPL of HK$43.2 million, profit of the first half 2019 would be HK$412.2 million. For the corresponding period of 2018, the Group recorded net fair value loss on financial assets measured at FVPL of HK$555.9 million and related tax credit of HK$60.9 million, resulting in a net loss attributable to shareholders for the first half of 2018 of HK$128.0 million. Excluding the impact of the change in fair value of financial assets measured at FVPL, related tax credit mentioned above and impairment losses of available-for-sale securities, the Group's profit for the first half of the year increased moderately from HK$318.0 million in 2016 to HK$330.1 million in 2017, then to HK$367.0 million in 2018 and to HK$412.2 million in the current period.

The Group's revenue was HK$333.8 million for the current period, out of which HK$110.3 million was revenue from treasury investments segment, and HK$223.5 million was revenue from all other segments. In the corresponding period of 2018, revenue from treasury investments segments and other segments amounted to HK$34.9 million and HK$218.3 million respectively. The increase in revenue from treasury investments segments is as expected in line with the growth of the Group's portfolio of financial assets from a carrying amount of HK$2.9 billion in June 2018 to HK$4.6 billion in December 2018, and then slightly to HK$4.8 billion in June 2019. The increment of all other segments' revenue is mild and primary contributed by motoring school operations.

Performance of the treasury investments segment in the period under review

In the corresponding period of 2018, the net fair value loss of financial assets measured at FVPL arises substantially from revaluation of China Evergrande Group (Stock Code: 3333) and Freeman Fintech Corporation Limited (Stock Code: 279), amounted to HK$416.2 million. The fair value loss on revaluation of the above two was HK$48.9 million in current period of 2019. The net fair value gain excluding the fair value loss of above two was HK$92.1 million, which was composed mainly of fair value gain of HK$128.7 million on Oshidori International Holdings Limited (Stock Code: 622), fair value gain of HK$36.6 million on Shengjing Bank Company Limited (Stock Code: 2066), partially offset by fair value loss of HK$44.0 million on China Dili Group (Stock Code: 1387) and fair value loss of HK$71.5 million on E-House (China) Enterprise Holdings Ltd (Stock Code: 2048).

The financial assets measured at fair value through other comprehensive income (FVOCI) recorded a net fair value loss of HK$77.3 million in the fair value reserve. The loss was mainly attributable to fair value loss of HK$99.8 million on Evergrande Health Industry Group (Stock Code: 708).

Dividend income from listed equity investments and interest income from listed debt investments amounted to HK$38.8 million and HK$47.8 million respectively. Dividend received from Tai United Holdings Limited (Stock Code: 718) amounted to HK$30.0 million.

Interest income derived from interest-bearing instruments measured at amortised cost and interest income from bank deposits amounted to HK$15.4 million and HK$13.3 million.

Performance of other reportable segments in the period under review

The motoring school operations recorded an increase in tuition fees income of HK$3.0 million due to higher lesson income unit rate in spite of a decrease in demand for driving lessons. However, the increment in revenue was offset by an increase in operating expenses resulting from additional rental payments on Siu Lek Yuen Driving School upon tenancy renewal and the newly awarded tenancy for the New Kwun Tong Driving School in 2018. Profit before tax from the motoring school operations in the period under review amounted to HK$64.3 million, a decrease of 21.9% as compared to the HK$82.3 million recorded in the last corresponding period.

The Group's share of profits of associates decreased to HK$297.5 million as compared to HK$307.6 million in the last corresponding period due to the expiry of the Tate's Cairn Tunnel franchise in July 2018, despite the improved performance of Western Harbour Tunnel Company Limited ("WHTCL"). An increase in profit contribution from WHTCL during the period under review was attributable to a 8.3% increase in toll revenue as an aggregate result of an increase in throughput and the implementation of toll increase effective from 27 May 2018. After accounting for the amortisation of fair value in excess of net book value of WHTCL as at the completion date of the acquisition in 2008, profit contribution from WHTCL for the first half year under review was HK$296.9 million as compared to HK$262.6 million recorded in the last corresponding period.

The Group's share of profits of a joint venture, Autotoll (BVI) Limited, which operates an electronic toll collection system and provision of telematics services, was HK$10.6 million for the first half year under review against HK$9.9 million recorded in the last corresponding period, representing an increase of 7.1% as a result of an increase in administration fee income and project income, partially offset by an increase in operating expenses incurred for coping with increasing competitions with other store value facilities service providers.

(II) Treasury Investments and Significant Investments Held

As at 30 June 2019, the Group maintained an investment portfolio with a carrying amount of HK$4,794.5 million (31 December 2018: HK$4,593.7 million). The portfolio composed of HK$2,124.4 million listed equity securities, HK$1,153.5 million listed debt securities, HK$1,075.3 million unlisted fund investments managed by financial institutions, and HK$441.3 million interest-bearing instruments. Certain securities were pledged to a financial institution to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. As at 30 June 2019, these facilities were not utilised by the Group.

The movements in the investment portfolio held by the Group during the period under review

	1 January 2019 HK$ million	Addition during the period HK$ million	Disposal/ capital reduction HK$ million	Fair value change recorded in OCI (FVOCI) HK$ million	Fair value change in profit or loss (FVPL)/ ECL HK$ million	30 June 2019 HK$ million
Financial assets FVOCI						
– Listed equity securities	633.8	—	—	(97.6)	—	536.2
– Listed debt securities	446.5	141.2	—	20.3	2.1	610.1
Financial assets measured at FVPL						
– Listed equity securities	1,746.9	—	(168.1)	—	9.4	1,588.2
– Listed debt securities	509.9	—	—	—	33.5	543.4
– Unlisted fund investments	1,056.3	38.7	(20.0)	—	0.3	1,075.3
Financial assets measured at amortised cost						
– Interest-bearing instruments	200.3	345.0	(102.2)	—	(1.8)	441.3
	4,593.7	524.9	(290.3)	(77.3)	43.5	4,794.5

The aggregate value of the investment portfolio at 30 June 2019 increased by HK$200.8 million. Financial assets purchased during the period under review totaled HK$524.9 million, including HK$141.2 million listed debt securities subscribed from an indirectly wholly-owned subsidiary of C C Land Holdings Limited (Stock Code: 1224) as announced by the Company in June 2019, HK$38.7 million unlisted fund investments and HK$345.0 million interest-bearing instruments.

Other movements in the investment portfolio during the period under review included (i) a capital reduction in an unlisted fund of HK$20.0 million; (ii) disposal of listed equity securities measured at FVPL of HK$168.1 million; (iii) a receipt of settlement of an interest-bearing instrument of HK$102.2 million; (iv) net fair value loss of HK$77.3 million on listed debt and equity securities measured at FVOCI; and (v) net fair value gain of HK$43.2 million on listed debt and equity securities and unlisted fund investments measured at FVPL.

Significant investments of individual fair value of 5% or above of the Group's total assets

(i) China Evergrande Group (Stock Code: 3333) ("China Evergrande")

China Evergrande is one of the largest property developers in China and a conglomerate with exposure in various sectors including financial, cultural tourism, healthcare and high-tech industries. As at 30 June 2019, the Group held 29,210,000 shares in China Evergrande and recorded a fair value of HK$639.7 million in respect of its holding in 0.22% of the shares of such investment, which exceeded the purchase cost of HK$160.3 million for such investment and represented 7.8% of the Group's total assets and 13.3% of the aggregate carrying amount of the Group's portfolio of investments. In terms of performance, fair value loss of HK$45.3 million on such investment was recognised in profit or loss for the current period as compared to HK$203.0 million fair value loss recorded in the last corresponding period.

(ii) Evergrande Health Industry Group Limited (Stock Code: 708) ("Evergrande Health")

The principal business activities of Evergrande Health are healthcare businesses in China as well as the investment in high technology new energy vehicle manufacture. As at 30 June 2019, the Group held 54,255,000 shares in Evergrande Health and recorded a fair value of HK$459.0 million in respect of its holding in 0.63% of the shares of such investment, which exceeded the purchase cost of HK$ 62.2 million for such investment and represented 5.6% of the Group's total assets and 9.6% of the aggregate carrying amount of the Group's portfolio of investments. In terms of performance, fair value loss of HK$99.8 million on such investment was recorded in the fair value reserve as compared to fair value gain of HK$228.4 million recorded in the last corresponding period.

In view of the extensiveness of business activities of both of the two significant investments above, the future prospects of such investments will be subject to the impacts of various factors, including but not limited to political, economic, technology and financial, on the performance of individual business segments.

Other than the two significant investments abovementioned, the carrying amount of each of the financial assets of the Group's portfolio of investments represented less than 5% of the Group's total assets as at 30 June 2019. Other financial assets composed of other listed equity securities, listed debt securities, unlisted fund investments and interest-bearing instruments (accounting for 21.4%, 24.1%, 22.4% and 9.2% of the carrying amount of the Group's portfolio of investments respectively).

Apart from the two significant investments mentioned above, the other listed equity securities held by the Group at 30 June 2019 comprised a total of 19 listed equity securities with an aggregate fair value of HK$1,025.7 million (accounting for 12.4% of the Group's total assets) covering various industry sectors including finance, property, natural resources, industrial and infrastructure, and retail.

For listed debt securities held by the Group at 30 June 2019 comprised a total of 8 listed bonds with an aggregate fair value of HK$1,153.5 million (accounting for 14.0% of the Group's total assets) with coupon rates ranging from 6.35% to 12% per annum, and they are issued by Hong Kong listed companies or its subsidiaries primarily operating in the PRC and UK real estate sector.

The Group also invested in various unlisted fund investments with different focuses on industry sectors, regions and asset types, in order to achieve investment objectives of reducing investment concentration risk and to enhance returns for its shareholders. At 30 June 2019, the Group held a total of 10 unlisted fund investments with an aggregate fair value of HK$1,075.3 million (accounting for 13.0% of the Group's total assets) and their underlying investments include listed and unlisted equity instruments, structured financing products and venture capital deals in various regions not limited to the PRC and Hong Kong, covering various industry sectors including biopharmaceuticals, biotechnology, healthcare and related services, technology and e-Commerce.

The Group also held a total of 5 interest-bearing instruments at 30 June 2019 with an aggregate amount of HK$441.3 million (accounting for 5.3% of the Group's total assets) and bearing interest ranging from 7% to 12% per annum, maturing in 2019 and 2020 generating an aggregate interest income of HK$15.4 million for the first half year under review.

The Group's investment objective is to increase the value of its treasury investment business so as to enhance returns for its shareholders. Through a prudent strategy of maintaining an appropriate mix of different types of investment instruments in its portfolio comprising listed equity securities providing liquidity and capital appreciation, listed debt securities and interest-bearing instruments providing stable and recurring interest income and unlisted fund investments providing higher growth with a medium to long term horizon, the Group seeks not only to enhance its source of revenue in order to mitigate the risks of losing income from any one particular source, but also to achieve consistent risk adjusted returns by maximising total yields and capital appreciation and minimising risks in its investment portfolio.

The future prospects of the Group's listed equity securities investment portfolio other than the two significant investments (which have already been discussed above) and unlisted fund investments will be subject to various factors, including but not limited to political, economic, technology, financial and risk factors that are specific to individual industry sectors of the investments and will therefore vary from one investment to another depending on the general market conditions as well as the prospects of the relevant industry. The future prospects of the Group's listed debt securities are exposed to interest rate risk through the impact of rate change on their fair values. However, the Group will benefit from a portfolio constructed of different kinds of investments aiming to, on average, yield higher long-term returns and lower the risk associated with any individual investment.

Investment category of significant aggregate fair value

Of the portfolio of investments held by the Group as at 30 June 2019, a significant portion comprises a portfolio of investments in listed companies under the property category with an aggregate fair value of HK$2,265.4 million (composed of HK$1,111.9 million listed equity securities and HK$1,153.5 million listed debt securities) accounting for about 47.3% of the aggregate fair value of the Group's portfolio of investments.

In terms of performance, interest and dividend income derived from such portion of investments for the period amounted to HK$47.8 million and HK$3.0 million respectively. Further, a net fair value loss of HK$60.8 million and a net fair value gain of HK$24.8 million on such portion of investments were recorded in profit or loss and fair value reserve respectively in the current period. As to the future prospects of such portion of investments, their performance will be subject to various factors including the development trend of the property market as well as the investor sentiments in the PRC, Hong Kong and UK.

(III) Liquidity and Financial Resources

As at 30 June 2019, the Group had bank balances and deposits in the amount of HK$1,682.4 million. The Group did not have any debts outstanding as at 30 June 2019 and 31 December 2018. Except for the Group's bank deposits denominated in foreign currencies other than the United States dollars, the Group's major sources of income and major assets are denominated in Hong Kong dollars.

(IV) Comments on Segmental Information

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries, associates and a joint venture are motoring school operations, 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 575 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 six months amounted to HK$106.9 million.

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Positions

The register kept by the Company under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows the following interests of directors in the shares of the Company as at 30 June 2019:

Name	Capacity	No. of shares [1]	Total no. of shares	% of shares in issue
Cheung Chung Kiu	Beneficial owner	293,260		
	Interest of controlled corporation	17,569,390 [2]		
	Interest of controlled corporation	4,685,752 [3]		
	Interest of controlled corporation	1,656,000 [4]	24,204,402	6.49%
Wong Chi Keung	Beneficial owner	306,019	306,019	0.08%
Ng Kwok Fu	Beneficial owner	9,708		
	Interest of spouse	7,766	17,474	0.01%

Notes:

1 All of the interests represent long positions.

2 Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 17,569,390 shares in the Company by virtue of his indirect control of Chongqing Industrial Limited ("Chongqing Industrial") which owned those shares. Chongqing Industrial was owned as to 35% by Mr. C.K. Cheung, as to 30% by each of Prize Winner Limited ("Prize Winner") and Peking Palace Limited ("Peking Palace"), and as to 5% by Miraculous Services Limited ("Miraculous Services"). Mr. C.K. Cheung owned 50% of Prize Winner. The remaining 50% of Prize Winner and both Peking Palace and Miraculous Services were held by Palin Holdings Limited (a company wholly owned by Mr. C.K. Cheung) as trustee for Palin Discretionary Trust, a family discretionary trust whose objects included Mr. C.K. Cheung and his family.

3 Mr. C.K. Cheung was deemed to be interested in 4,685,752 shares in the Company held directly by Timmex Investment Limited, a company wholly owned by Mr. C.K. Cheung.

4 Mr. C.K. Cheung was deemed to be interested in 1,656,000 shares in the Company by virtue of his indirect control of Rose Dynamics Limited ("Rose Dynamics") which owned those shares. Rose Dynamics was a wholly owned subsidiary of Windsor Dynasty Limited, a company wholly owned by Mr. C.K. Cheung.

Save as disclosed herein, as at 30 June 2019 no director or chief executive had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Code for Securities Transactions by Directors.

Share Options

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

No option lapsed and no option was granted, exercised or cancelled under the Scheme during the half-year period ended 30 June 2019. Nor were there any outstanding options with regard to the Scheme and any other schemes of the Company at the beginning and/or at the end of the period.

Other Persons' Interests and Short Positions

There was no person known to the directors of the Company, who, as at 30 June 2019, 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 43.

Other Information

Corporate Governance Code

Throughout the accounting period covered by the interim report, the Company complied with the code provisions of the Corporate Governance Code (the "CG Code") set out within Appendix 14 to the Main Board Listing Rules (the "Listing Rules") save for the deviation described below.

The Company has no formal letters of appointment for directors except the managing director setting out the key terms and conditions of their appointment, and has therefore deviated from D.1.4 of the CG Code. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified in the Company's articles of association, applicable laws and the Listing Rules. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Model Code for Securities Transactions

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

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

Purchase, Sale or Redemption of Shares

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

Review by Audit Committee

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

Directors' Information

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, 23 August 2019