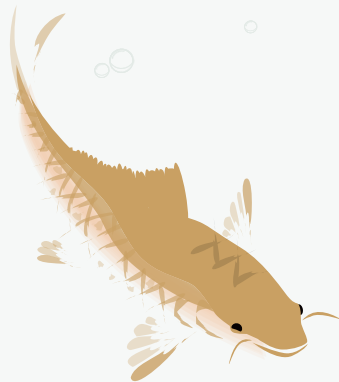
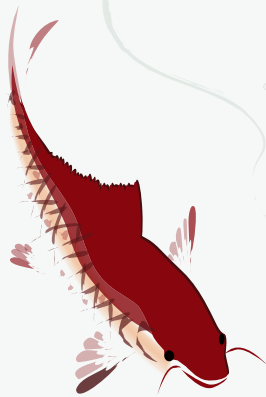
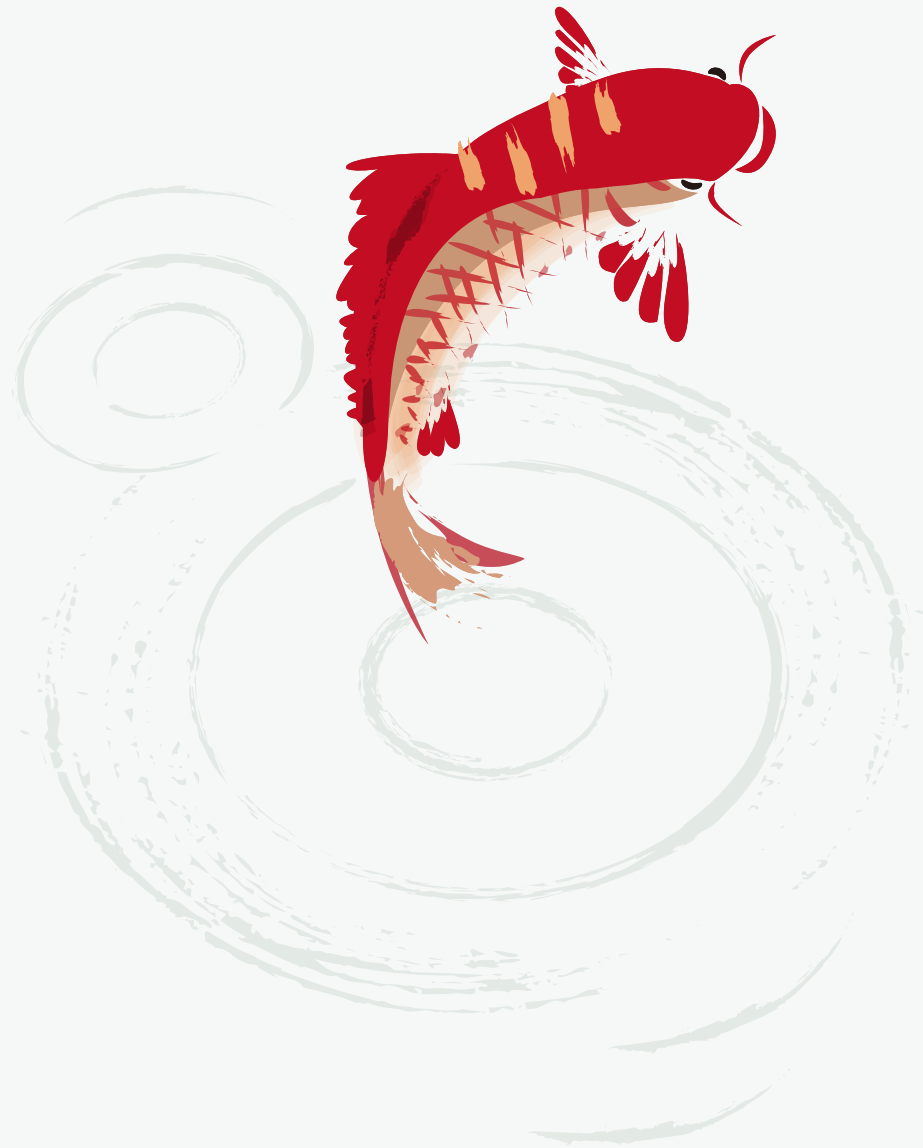




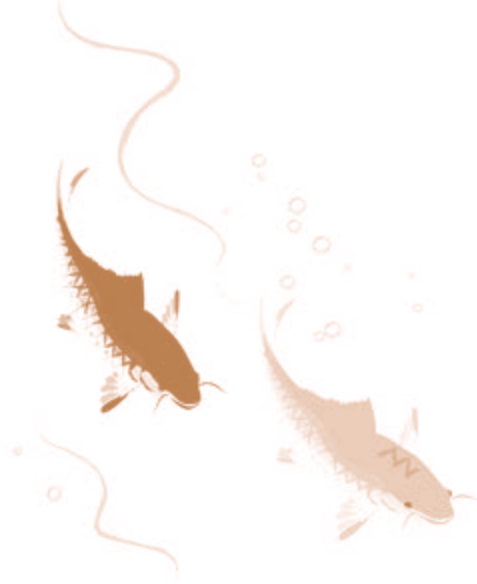
The Cross-Harbour (Holdings) Limited

(Stock Code : 32)

2020 INTERIM REPORT

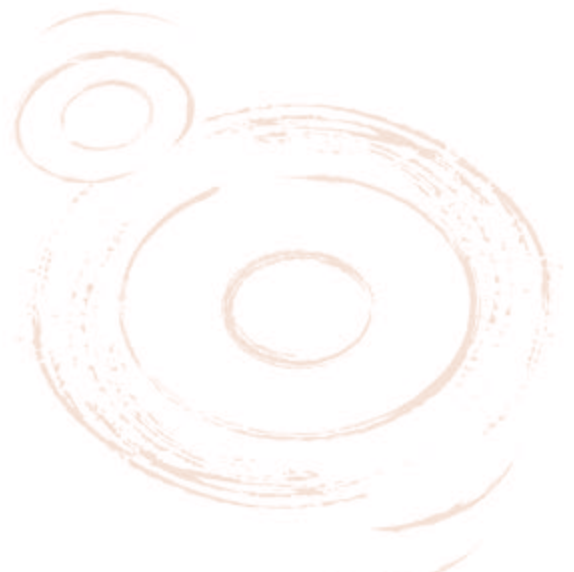






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Corporate Information

Board of Directors

Executive Director

Cheung Chung Kiu (*Chairman*)
Yeung Hin Chung, John, SBS, OBE, JP (*Managing Director*)
Yuen Wing Shing
Wong Chi Keung
Leung Wai Fai
Tung Wai Lan, Iris

Independent Non-executive Director

Ng Kwok Fu
Luk Yu King, James
Leung Yu Ming, Steven

Audit Committee

Luk Yu King, James (*Chairman*)
Ng Kwok Fu
Leung Yu Ming, Steven

Remuneration Committee

Leung Yu Ming, Steven (*Chairman*)
Cheung Chung Kiu
Ng Kwok Fu

Nomination Committee

Cheung Chung Kiu (*Chairman*)
Ng Kwok Fu
Leung Yu Ming, Steven

Authorised Representative

Yeung Hin Chung, John
Leung Wai Fai (*Alternate to Yeung Hin Chung, John*)
Yuen Wing Shing
Wong Chi Keung (*Alternate to Yuen Wing Shing*)

Company Secretary

Leung Shuk Mun, Phyllis Sylvia

Legal Adviser

Woo, Kwan, Lee & Lo

Registered Office

25th Floor, China Resources Building
26 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2161 1888
Fax: (852) 2802 2080
Website: www.crossharbour.com.hk
Email: investors@crossharbour.com.hk

External Auditor

KPMG
*Public Interest Entity Auditor registered
in accordance with the Financial
Reporting Council Ordinance*

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

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 - unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020 \$'000	2019 \$'000
Revenue from contracts with customers within the scope of HKFRS 15	3(a)	220,130	217,504
Revenue from other sources	3(a)	43,419	39,735
Interest revenue from debt securities at FVPL	3(a)	19,732	28,227
Other interest revenue	3(a)	91,459	48,305
Total revenue		374,740	333,771
Other revenue		13	13
Other net (losses)/gains	4	(155,836)	43,332
Direct costs and operating expenses		(127,146)	(124,726)
Selling and marketing expenses		(16,597)	(14,183)
Administrative and corporate expenses		(52,162)	(58,181)
(Provision)/reversal of impairment losses on financial assets		(22,753)	352
Profit from operations		259	180,378
Finance costs	5(a)	(1,747)	(2,273)
Share of profits of associates	10	201,929	297,546
Share of profits of a joint venture		19,788	10,587
Profit before taxation	5	220,229	486,238
Income tax	6	(12,173)	(11,268)
Profit for the period		208,056	474,970
Attributable to:			
Equity shareholders of the Company		184,347	455,361
Non-controlling interests		23,709	19,609
Profit for the period		208,056	474,970
Earnings per share	7		
Basic and diluted		\$0.49	\$1.22

The notes on pages 9 to 25 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020- unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2020	2019
Note	\$'000	\$'000
Profit for the period	208,056	474,970
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 (non-recycling)		
– Changes in fair value of equity securities recognised during the period	126,475	(97,574)
Items that may be reclassified subsequently to profit or loss:		
– Financial assets measured at fair value through other comprehensive income (recycling)		
– Net changes in fair value of debt securities recognised during the period	(16,907)	20,259
– Share of other comprehensive income of a joint venture:		
– Exchange differences on translation of financial statements of overseas subsidiary of joint venture	32	(12)
Other comprehensive income for the period	109,600	(77,327)
Total comprehensive income for the period	317,656	397,643
Attributable to:		
Equity shareholders of the Company	293,938	378,038
Non-controlling interests	23,718	19,605
Total comprehensive income for the period	317,656	397,643

The notes on pages 9 to 25 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2020- unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2020		31 December 2019	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	8		381,009		414,193
Interest in associates	10		573,777		714,835
Interest in a joint venture			128,768		108,949
Other financial assets	9		2,742,236		2,312,796
Deposits for acquisition of tangible assets			138		6,240
Deferred tax assets			5,504		4,964
			3,831,432		3,561,977
Current assets					
Inventories			720		712
Other financial assets	9		2,229,542		2,479,236
Trade and other receivables	11		107,856		101,341
Amount due from a joint venture			—		9,000
Taxation recoverable			—		5,597
Dividend receivable			57,350		105,356
Bank deposits and cash	12		2,135,725		1,926,867
			4,531,193		4,628,109
Current liabilities					
Trade and other payables	13		60,621		108,581
Contract liabilities			426,528		363,011
Lease liabilities			54,060		55,192
Taxation payable			12,511		39,430
Dividends payable			25,571		646
			579,291		566,860
Net current assets			3,951,902		4,061,249



Consolidated Statement of Financial Position

As at 30 June 2020- unaudited
(Expressed in Hong Kong dollars)

		30 June 2020	31 December 2019
	Note	\$'000	\$'000
Total assets less current liabilities		7,783,334	7,623,226
Non-current liabilities			
Lease liabilities		89,004	116,481
Deferred tax liabilities		3,029	3,924
		92,033	120,405
NET ASSETS		7,691,301	7,502,821
CAPITAL AND RESERVES			
Share capital	14(b)	1,629,461	1,629,461
Reserves		5,896,611	5,714,479
Total equity attributable to equity shareholders of the Company		7,526,072	7,343,940
Non-controlling interests		165,229	158,881
TOTAL EQUITY		7,691,301	7,502,821

The notes on pages 9 to 25 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 unaudited

(Expressed in Hong Kong dollars)

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 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	—	—	20,259	(97,574)	(8)	455,361	378,038	19,605	397,643
Dividend approved in respect of the previous financial year	14(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	14(a)	—	—	—	—	(22,361)	(22,361)	—	(22,361)
Balance at 30 June 2019	<u>1,629,461</u>	<u>1,984</u>	<u>(10,765)</u>	<u>441,687</u>	<u>(36)</u>	<u>5,107,493</u>	<u>7,169,824</u>	<u>155,874</u>	<u>7,325,698</u>
Changes in equity for the six months ended 31 December 2019:									
Profit for the period	—	—	—	—	—	271,945	271,945	24,012	295,957
Other comprehensive income	—	—	(9,545)	(43,478)	(83)	—	(53,106)	(35)	(53,141)
Total comprehensive income	—	—	(9,545)	(43,478)	(83)	271,945	218,839	23,977	242,816
Non-controlling interest's share of dividends	—	—	—	—	—	—	—	(20,970)	(20,970)
Dividends declared in respect of the current financial year	—	—	—	—	—	(44,723)	(44,723)	—	(44,723)
Balance at 31 December 2019	<u>1,629,461</u>	<u>1,984</u>	<u>(20,310)</u>	<u>398,209</u>	<u>(119)</u>	<u>5,334,715</u>	<u>7,343,940</u>	<u>158,881</u>	<u>7,502,821</u>



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 unaudited
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
Note	Share capital	Capital reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Exchange reserve	Retained profits	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Balance at 1 January 2020	1,629,461	1,984	(20,310)	398,209	(119)	5,334,715	7,343,940	158,881	7,502,821
	Changes in equity for the six months ended 30 June 2020									
	Profit for the period	-	-	-	-	-	184,347	184,347	23,709	208,056
	Other comprehensive income	-	-	(16,907)	126,475	23	-	109,591	9	109,600
	Total comprehensive income	-	-	(16,907)	126,475	23	184,347	293,938	23,718	317,656
	Dividend approved in respect of the previous financial year	14(a)	-	-	-	-	(89,445)	(89,445)	-	(89,445)
	Non-controlling interest's share of dividends		-	-	-	-	-	-	(17,370)	(17,370)
	Dividends declared in respect of the current financial year	14(a)	-	-	-	-	(22,361)	(22,361)	-	(22,361)
	Balance at 30 June 2020	1,629,461	1,984	(37,217)	524,684	(96)	5,407,256	7,526,072	165,229	7,691,301

The notes on pages 9 to 25 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020 \$'000	2019 \$'000
Operating activities			
Cash generated from operations		97,791	37,743
Tax paid		(34,930)	(4,881)
Net cash generated from operating activities		62,861	32,862
Investing activities			
Decrease in deposits with banks with original maturity over three months		164,566	178,535
Decrease in amount due from a joint venture		9,000	—
Payments for purchase of debt securities at FVOCI (recycling)		(173,237)	(141,236)
Payments for purchase of debt security at amortised cost		(85,800)	—
Payments for purchase of other financial assets at FVPL		(235,470)	(38,731)
Payments for investments in interest-bearing instruments		(200,000)	(345,000)
Payment for purchase of property, plant and equipment		(18,599)	(57,003)
Dividends received from equity securities at FVPL		38,287	34,694
Dividends received from equity securities at FVOCI (non-recycling)		676	899
Dividends received from associates		391,000	472,904
Proceeds from distribution of unlisted funds at FVPL		1,773	19,966
Proceeds from sale of equity securities at FVPL		—	168,131
Proceeds from repayment of debt security at amortised cost		20,800	—
Interest received		103,881	57,725
Proceeds from repayment of interest-bearing instruments		423,001	110,000
Other cash flows arising from investing activities		6,492	(2,842)
Net cash generated from investing activities		446,370	458,042
Financing activities			
Dividends paid to equity shareholders of the Company		(86,881)	(82,317)
Capital element of lease rentals paid		(28,609)	(27,823)
Interest element of lease rentals paid		(2,927)	(2,253)
Other cash flows arising from financing activities		(17,390)	(16,580)
Net cash used in financing activities		(135,807)	(128,973)
Net increase in cash and cash equivalents		373,424	361,931
Cash and cash equivalents at 1 January		1,694,688	1,289,988
Cash and cash equivalents at 30 June	12	2,068,112	1,651,919

The notes on pages 9 to 25 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 21 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 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 26.

The financial information relating to the financial year ended 31 December 2019 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 2019 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 Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 8(a)). There is no impact on the opening balance of equity at 1 January 2020.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



3 Revenue and segment reporting

(a) Revenue

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

(i) Disaggregation of revenue

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines:		
– Course fee from motoring school operations	217,080	213,280
– Management fee from tunnel operations	1,250	1,250
– Consultancy fee and management fee from electronic toll operations	1,800	2,100
– Others	—	874
	220,130	217,504
Revenue from other sources		
– Dividend income from equity instruments at FVPL	38,281	37,897
– Dividend income from equity instruments at FVOCI	676	900
– Others	4,462	938
	43,419	39,735
Interest revenue from debt securities at FVPL	19,732	28,227
Other interest revenue		
– Interest income from financial assets at FVOCI	32,092	19,590
– Interest income from financial assets measured at amortised cost	43,285	15,430
– Interest income from bank	16,082	13,285
	91,459	48,305
Total revenue	374,740	333,771



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

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 four driver training centres.
- Tunnel operations: this segment invests in associates which operate the Western Harbour Tunnel.
- Electronic toll operations: this segment invests in a joint venture which operates an electronic toll collection system and provision of telematics service.
- Treasury management: this segment operates investing and financing activities to receive dividend income and interest income. It manages investments in financial assets including bank deposits and cash.

(i) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current and non-current assets with the exception of other corporate assets. Segment liabilities include trade creditors attributable to the sales activities and the accruals of the individual segments and dividend payable and taxation payable managed directly by the segments with the exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results and assets (continued)

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

	Motoring		School Operations		Tunnel Operations		Electronic Toll Operations		Treasury Management		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June		30 June	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Revenue from contracts with customers within the scope of HKFRS 15	217,080	214,129	1,250	1,250	1,800	2,100	–	–	–	–	220,130	217,479
Dividend income from equity instruments	–	–	–	–	–	–	38,957	38,797	38,957	38,797	38,957	38,797
Interest revenue	5,502	5,025	–	–	34	45	105,655	71,462	105,655	71,462	111,191	76,532
Reportable segment revenue	222,582	219,154	1,250	1,250	1,834	2,145	144,612	110,259	144,612	110,259	370,278	332,808
Reportable segment profit/(loss) before tax	68,908	64,318	203,179	298,794	21,508	12,732	(35,003)	151,951	(35,003)	151,951	258,592	527,795
Finance costs	1,592	2,062	–	–	–	–	155	211	155	211	1,747	2,273
Depreciation	40,482	38,431	–	–	–	–	–	–	–	–	40,482	38,431
Share of profits of associates	–	–	201,929	297,546	–	–	–	–	–	–	201,929	297,546
Share of profits of a joint venture	–	–	–	–	19,788	10,587	–	–	–	–	19,788	10,587
Income tax	11,645	10,990	–	–	362	277	166	–	166	–	12,173	11,267
Reportable segment assets at 30 June 2020/ 31 December 2019	1,047,761	1,014,021	573,777	714,835	129,926	125,783	6,574,830	6,290,874	6,574,830	6,290,874	8,326,294	8,145,513



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Revenue		
Reportable segment revenue	370,278	332,808
Unallocated head office and corporate revenue	4,462	963
Consolidated revenue	<u>374,740</u>	<u>333,771</u>
Profit		
Reportable segment profit derived from the Group's external customers	258,592	527,795
Other revenue	13	13
Unallocated head office and corporate income and expenses	<u>(38,376)</u>	<u>(41,570)</u>
Consolidated profit before taxation	<u>220,229</u>	<u>486,238</u>
Assets		
Reportable segment assets	8,326,294	8,145,513
Unallocated head office and corporate assets	<u>36,331</u>	<u>44,573</u>
Consolidated total assets	<u>8,362,625</u>	<u>8,190,086</u>

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
At 30 June		
At 31 December		
	2020	2019
	\$'000	\$'000

4 Other net (losses)/gains

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Change in fair value of financial assets measured at FVPL		
– Equity securities	(159,743)	9,418
– Debt securities	(7,407)	33,491
– Unlisted fund investments	11,148	267
Net gains on sale of property, plant and equipment	166	156
	<u>(155,836)</u>	<u>43,332</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



5 Profit before taxation

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Profit before taxation is arrived at after charging/(crediting)		
(a) Finance costs		
Interest on lease liabilities	1,727	2,253
Other borrowing costs	20	20
	1,747	2,273
(b) Other items		
Depreciation		
– Owned property, plant and equipment	22,478	22,527
– Right-of-use assets	29,081	28,604
Short-term lease payments not included in the measurement of lease liabilities	–	484
Rent concession (note 8(a))	(9,642)	–
Cost of inventories consumed	3,773	2,879
Contributions to defined contribution retirement scheme	3,954	3,655
Salaries, wages and other benefits (including directors' emoluments)	112,087	103,210
	112,087	103,210

6 Income tax

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Current tax – Hong Kong Profits Tax	13,607	13,555
Deferred tax	(1,434)	(2,287)
	12,173	11,268

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020, 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 \$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 2019.

7 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to ordinary equity shareholders of the Company of \$184,347,000 (2019: profit for the period of \$455,361,000) and the weighted average of 372,688,206 ordinary shares (2019: 372,688,206 ordinary shares) in issue during the period. Diluted earnings per share are the same as basic earnings per share as the Company had no dilutive potential ordinary shares.



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Property, plant and equipment

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2020		
	Fixed	COVID-19	Total
	payments	rent	payments
	\$'000	concessions	\$'000
Properties leased for own use as driving schools	25,712	(9,642)	16,070
	Six months ended 30 June 2019		
	Fixed	rent	Total
	payments	concessions	payments
	\$'000	\$'000	\$'000
Properties leased for own use as driving schools	16,440	—	16,440

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, Leases, Covid-19-Related Rent Concessions, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

(b) Acquisitions of owned assets

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of \$18,599,000 (six months ended 30 June 2019: \$57,003,000).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



9 Other financial assets

	Notes	30 June 2020 \$'000	31 December 2019 \$'000
Non-current			
Financial assets measured at amortised cost			
– Unlisted debt security		65,000	—
Financial assets designated at FVOCI (non-recycling)			
– Equity securities listed in Hong Kong			
• Evergrande Health*	(i)	563,167	421,561
• Others*	(ii)	56,040	71,171
		619,207	492,732
Financial assets measured at FVOCI (recycling)			
– Debt securities listed outside Hong Kong*		558,848	462,493
– Debt securities listed in Hong Kong*	(iii)	138,471	138,940
		697,319	601,433
Financial assets measured at FVPL			
– Unlisted fund investments	(iv), (v)	1,149,499	1,057,440
– Unlisted equity security	(v)	132,921	—
– Debt securities listed outside Hong Kong*		18,142	99,596
– Equity securities listed outside Hong Kong*		60,148	61,595
		1,360,710	1,218,631
		2,742,236	2,312,796
Current			
Financial assets measured at amortised cost			
– Secured, interest-bearing instruments		—	200,000
– Unsecured, interest-bearing instruments	(vi)	641,999	665,000
Less: loss allowance		(40,152)	(22,711)
		601,847	842,289
Financial assets measured at FVOCI (recycling)			
– Debt securities listed outside Hong Kong*		55,132	—
Financial assets measured at FVPL			
– Debt securities listed outside Hong Kong*		374,336	281,042
– Equity securities listed in Hong Kong*	(vii)	1,198,227	1,355,905
		1,572,563	1,636,947
		2,229,542	2,479,236
Total		4,971,778	4,792,032

* Fair value measured using unadjusted quoted price in active markets. Details of fair value measurement of financial assets are set out in note 15.



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 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 2019: Nil). No shares from such investments were disposed of during the period (30 June 2019: 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 amounting to \$676,000 (30 June 2019: \$900,000) were received during the period. None of these investments were sold during the period (30 June 2019: Nil).
- (iii) The balance represented a listed debt securities issued by an indirectly wholly-owned subsidiary of C C Land Holdings Limited, a connected party of the Group.
- (iv) As at 30 June 2020 and 31 December 2019, 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.
- (v) During the period, unlisted fund investments of \$134,832,000 were converted into cash of \$1,174,000 and an unlisted equity security of \$133,158,000. Fair value loss of HK\$500,000 was recognised in the profit or loss upon derecognition of the unlisted fund investments and recognition of the unlisted equity security.
- (vi) The balance represents seven (31 December 2019: seven) interest-bearing instruments which are unsecured, interest-bearing from 10% to 12% per annum (31 December 2019: 7% to 12% per annum) and will mature in 2020 and 2021.
- (vii) 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 2020, the fair value of such investments amounted to \$458,040,000 (31 December 2019: \$494,683,000), and a decrease in fair value of \$36,643,000 (30 June 2019: \$45,276,000) was recognised in profit or loss for the period.
- (viii) As at 30 June 2020, the Group held investments in ordinary shares and debt securities issued by China Evergrande Group and its subsidiaries, and their carrying value represented approximately 19% (31 December 2019: 18%) of the Group's total assets. These investments include investment in ordinary shares of China Evergrande Group (FVPL) of \$458,040,000 (31 December 2019: \$494,683,000), ordinary shares of Evergrande Health (FVOCI, non-recycling) of \$563,167,000 (31 December 2019: \$421,561,000), and investments in four (31 December 2019: two) tranches of debt securities issued by China Evergrande Group and its subsidiary of \$322,540,000 (31 December 2019: \$167,981,000) (FVOCI, recycling) and \$214,229,000 (31 December 2019: \$199,563,000) (FVPL) respectively. Evergrande Health is a subsidiary of China Evergrande Group, and both companies are listed in Hong Kong.

As at 30 June 2020, the Group's investments in listed debt securities amounted to \$1,144,930,000 (31 December 2019: \$982,071,000) are issued by Hong Kong listed companies or their subsidiaries operating in the real estate sector in the PRC. As at 30 June 2020, the Group also held listed equity securities in the real estate sector amounted to \$581,981,000 (31 December 2019: \$623,143,000). 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



10 Interest in associates

- (a) The following list contains only the particulars of a material associate, which is an unlisted corporate entity whose quoted market price is not available:

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

- (b) The above associate is accounted for using the equity method in the consolidated financial statements based on the financial statements of WHTCL for the six months ended 30 June 2020.
- (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.



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Interest in associates (continued)

- (d) 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	
		2020	2019
	Note	\$'000	\$'000
Gross amounts of the associate's			
Revenue			
Toll revenue		724,142	963,411
Other revenue	(i)	26,508	50,602
		<u>750,650</u>	<u>1,014,013</u>
Other income		3,065	2,424
Expenditure			
Operating and administrative expenses		(62,796)	(59,150)
Rates and government rent		(39,854)	(36,716)
Amortisation and depreciation	(ii)	(155,620)	(197,097)
		<u>495,445</u>	<u>723,474</u>
Operating profit before finance charges		495,445	723,474
Interest on shareholders' loans		(27)	(26)
		<u>495,418</u>	<u>723,448</u>
Profit before taxation		495,418	723,448
Income tax	(iii)	(82,206)	(120,220)
		<u>413,212</u>	<u>603,228</u>
Profit and total comprehensive income		<u>413,212</u>	<u>603,228</u>
Group's effective interest		50%	50%
Group's share of profit and total comprehensive income		206,606	301,614
Fair value adjustments		(4,677)	(4,677)
		<u>201,929</u>	<u>296,937</u>
Dividend received from the associate		<u>343,000</u>	<u>454,000</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



10 Interest in associates (continued)

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

		At 30 June 2020 \$'000	At 31 December 2019 \$'000
Gross amounts of the associate's			
Current assets		336,476	761,366
Non-current assets		1,426,352	1,581,855
Current liabilities	(iv)	(451,740)	(733,651)
Non-current liabilities		(227,031)	(252,725)
Equity		<u>1,084,057</u>	<u>1,356,845</u>
Reconciled to the Group's interest in associates			
Gross amount of net assets of the associate		1,084,057	1,356,845
Group's effective interest		50%	50%
Group's share of net assets of the associate		542,029	678,423
Fair value adjustments		28,694	33,371
Amount due from the associate	(v)	417	417
Loan to and interest receivable from the associate	(vi)	<u>2,637</u>	<u>2,624</u>
Carrying amount in the consolidated financial statements		<u>573,777</u>	<u>714,835</u>

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 2020. The provision for Hong Kong Profits Tax was calculated at the same basis in 2019.
- (iv) Current liabilities include current tax liabilities of \$268.9 million (2019: \$292.1 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 (2019: 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 2020 amounted to \$13,000 (2019: \$13,000). The loan is repayable on demand as may from time to time be agreed among the associate shareholders. The loan is classified as non-current as the directors do not intend to demand repayment within the next twelve months.



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

11 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 2020 \$'000	At 31 December 2019 \$'000
Within 1 month	4,979	5,933
1 to 2 months	—	231
2 to 3 months	227	231
Over 3 months	399	271
Trade receivables, net of loss allowance	5,605	6,666
Other receivables	63,226	45,764
Trade and other receivables	68,831	52,430
Deposits and prepayments	39,025	48,911
	<u>107,856</u>	<u>101,341</u>

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

12 Bank deposits and cash

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Deposits with banks and other financial institutions	1,705,259	1,550,173
Cash at bank and in hand	430,466	376,694
Bank deposits and cash in the consolidated statement of financial position	2,135,725	1,926,867
Less: Deposits with original maturity over three months	(67,613)	(232,179)
Cash and cash equivalents in the condensed consolidated cash flow statement	<u>2,068,112</u>	<u>1,694,688</u>

At 30 June 2020, a bank account in a financial institution with the amount of \$9,169,000 (31 December 2019: \$9,350,000) served as a security against treasury facilities granted to the Group. During the period, the Group did not utilise any of such facilities.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



13 Trade and other payables

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

	At 30 June	At 31 December
	2020	2019
	\$'000	\$'000
Within 1 month	2,571	2,024
1 month to 3 months	1,823	661
Over 3 months but within 6 months	6,290	3,011
	<hr/>	<hr/>
Trade payables	10,684	5,696
Other payables and accruals	49,937	102,885
	<hr/>	<hr/>
	60,621	108,581
	<hr/> <hr/>	<hr/> <hr/>

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

14 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
First interim dividend declared during the interim period of 6 cents per share (2019: 6 cents per share)	22,361	22,361
Second interim dividend declared after the interim period of 6 cents per share (2019: 6 cents per share)	22,361	22,361
	<hr/>	<hr/>
	44,722	44,722
	<hr/> <hr/>	<hr/> <hr/>

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

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

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 24 cents per share (2019: 22 cents per share)	89,445	81,991
	<hr/> <hr/>	<hr/> <hr/>



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Capital, reserves and dividends (continued)

(b) Share capital

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

	2020		2019	
	No. of shares '000	Amount \$'000	No. of Shares '000	Amount \$'000
Ordinary shares, issued and fully paid:				
At 1 January	<u>372,688</u>	<u>1,629,461</u>	<u>372,688</u>	<u>1,629,461</u>
At 30 June/31 December	<u>372,688</u>	<u>1,629,461</u>	<u>372,688</u>	<u>1,629,461</u>

15 Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2020 \$'000	Fair value measurements as at 30 June 2020 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	619,207	619,207	–	–
Financial assets designated at FVOCI (recycling):				
– Debt securities listed in Hong Kong	138,471	138,471	–	–
– Debt securities listed outside Hong Kong	613,980	613,980	–	–
Financial assets measured at FVPL:				
– Unlisted fund investments	1,149,499	–	23,511	1,125,988
– Unlisted equity security	132,921	–	–	132,921
– Equity securities listed in Hong Kong	1,198,227	1,198,227	–	–
– Equity securities listed outside Hong Kong	60,148	60,148	–	–
– Debt securities listed outside Hong Kong	392,478	392,478	–	–
	<u>4,304,931</u>	<u>3,022,511</u>	<u>23,511</u>	<u>1,258,909</u>

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)



15 Fair value measurement of financial instruments (continued)

Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2019 \$'000	Fair value measurements as at 31 December 2019 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	492,732	492,732	–	–
Financial assets measured at FVOCI (recycling):				
– Debt securities listed in Hong Kong	138,940	138,940	–	–
– Debt securities listed outside Hong Kong	462,493	462,493	–	–
Financial assets measured at FVPL:				
– Unlisted fund investments	1,057,440	–	28,505	1,028,935
– Equity securities listed in Hong Kong	1,355,905	1,355,905	–	–
– Equity securities listed outside Hong Kong	61,595	61,595	–	–
– Debt securities listed outside Hong Kong	380,638	380,638	–	–
	<u>3,949,743</u>	<u>2,892,303</u>	<u>28,505</u>	<u>1,028,935</u>

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 fair value and categorised in Level 3 comprise private equity funds and an unlisted equity security. The 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 input. The fund managers estimated the fair value of underlying listed investments based on direct market quote for Level 1 financial instruments. For other underlying 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. For the unlisted equity security, the fair value has been determined with reference to the pricing of the recent transaction.



Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Fair value measurement of financial instruments (continued)

Information about Level 3 fair value measurements (continued)

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

	2020 \$'000	2019 \$'000
<i>Financial assets measured at FVPL:</i>		
<i>– Unlisted fund investments:</i>		
At 1 January	1,028,935	1,023,058
Payment for capital contribution	215,841	38,731
Distribution	(134,930)	(19,966)
Changes in fair value recognised in profit or loss during the period	<u>16,142</u>	<u>(11,142)</u>
At 30 June	<u><u>1,125,988</u></u>	<u><u>1,030,681</u></u>
<i>– Unlisted equity security:</i>		
At 1 January	–	–
Purchase	133,538	–
Changes in fair value recognised in profit or loss during the period	<u>(617)</u>	<u>–</u>
At 30 June	<u><u>132,921</u></u>	<u><u>–</u></u>

16 Commitments

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 2020 \$'000	At 31 December 2019 \$'000
Unlisted fund investments	<u><u>31,924</u></u>	<u><u>82,925</u></u>

17 Material related party transactions

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

- The Group extended a loan to and received interest from an associate, WHTCL. The balance of the loan and interest receivable at 30 June 2020 was \$2.6 million (31 December 2019: \$2.6 million).
- The Group received interest income and management fee income from WHTCL of \$13,000 (2019: \$13,000) and \$1.25 million (2019: \$1.25 million) respectively.
- The Group received consultancy fees and management fee income from a joint venture of \$1.8 million (2019: \$2.1 million).

18 Non-adjusting event after the reporting period

On 21 August 2020, the Directors proposed a second interim dividend. Further details are set out in note 14(a) "Dividends".



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 25 which comprises the consolidated statement of financial position of The Cross-Harbour (Holdings) Limited as of 30 June 2020 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 2020 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, 21 August 2020



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 2020. The interim results have been reviewed by the audit committee and KPMG. KDMG’s review report is set out on page 26.

GROUP RESULTS

The Group’s unaudited profit attributable to shareholders for the first half of 2020 was HK\$184.3 million, representing a decrease of 59.5% as compared with a profit of HK\$455.4 million for the first half of 2019. Earnings per share was HK\$0.49 against HK\$1.22 for the last corresponding period.

DIVIDENDS

A first quarterly interim dividend of HK\$0.06 per share, absorbing a total amount of approximately HK\$22.4 million, was paid on 10 July 2020. Your directors have today declared a second quarterly interim dividend of HK\$0.06 per share payable on 16 September 2020 to shareholders registered at the close of business on 9 September 2020.

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Monday, 7 September 2020 to Wednesday, 9 September 2020, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for the second quarterly interim dividend, all transfer documents and accompanying share certificates must be lodged for registration with Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 4 September 2020.

BUSINESS REVIEW AND PROSPECTS

The sudden outbreak of coronavirus disease 2019 (the “COVID-19”) evolved into a pandemic in the first half of 2020. Wide range of economic activities were disrupted. The first-quarter GDP of Hong Kong dropped by 9.1% compared with the same period of a year earlier, it was the third consecutive quarterly contraction in the last decade. Amid the pandemic and year long social turmoil, local demand continues to be weak, business sentiment deteriorated markedly, Hong Kong’s retail sales in June slumped by 24.8% from the year before, and Hong Kong’s unemployment rate climbed to 6.2% in April to June. To prevent the swift spread of COVID-19, many countries implemented travel restrictions and city lockdowns, which led to moderation and shuttering of economic activities globally. The global economy experienced an unprecedented shock, international trade and investment activities have been hampered in the first half of 2020.

Looking ahead, the year of 2020 remains extremely challenging and has many uncertainties. As the COVID-19 pandemic continues to unfold, its impact will not only be short-term but also likely to have long-lasting repercussions. We expect that Hong Kong and the global economy may experience sharp recession in the near term despite the massive monetary and fiscal support measures from central banks and governments worldwide. In addition, persistently tense political relations between China and the US and global financial market volatility continue to bring negative pressures to Hong Kong. In view of this, we anticipate rapid changes in domestic and external environment that could bring unexpected risks ahead. The overall performance of the Group in the near term may be adversely affected. We will monitor closely the developments of the pandemic, and political relations between China and the US.



Motoring School Operation

Alpha Hero Group (70% owned) operates driving training schools in Hong Kong. The number of vehicle driving lessons delivered for the current period increased slightly by 1.9% as compared to the previous corresponding period. Operating income increased by 1.4% as a result of increase in demand for motorcycle training courses. The satisfactory performance in the first half of 2020 was also due to the contribution from the New Kwun Tong Driving School, which commenced operation in the second half of 2019.

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 2020 was about 357,400. 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 during the period was about 359,600 with toll amount of approximately HK\$8.9 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”), a 50% owned associate, operates the Western Harbour Tunnel (“WHT”) under a 30 years’ franchise. The average daily throughput of the WHT for the first half of 2020 decreased by 30.3% to 48,421 vehicle journeys as compared to 69,476 vehicle journeys recorded in the last corresponding period. The average toll per vehicle increased from HK\$76.61 in the last corresponding period to HK\$82.17 in the first half of 2020. WHT’s market share decreased to about 22% for the current period. In view of the third wave of COVID-19 in Hong Kong and further tightening social distancing measures, the traffic and toll revenue of WHT for the remaining period of the year would continue to be affected.

Treasury Management Business

The investment sentiment of the financial market was hard hit by the outbreak of COVID-19 in the first quarter, Hang Seng Index (“HSI”) plunged to 21,696 in March to the lowest level in the first half of 2020. Supported by unprecedented policies and measures rolled out by the governments and central banks across the world, the market risk appetite and sentiment improved in the second quarter. The HSI closed at 24,427 at the end of June 2020, dropped by 13.3% from end of December 2019. Due to this high level of volatility and corrections in the market, an unrealized net fair value loss on certain Group’s investments was recorded in the statement of profit and loss in the current period. One of the focuses of the recent financial market is new energy vehicle industry and a listed company of the Group’s investment portfolio announced its further developments in such industry. As a result of positive market response, the market value of this investment increased significantly in June 2020 and thus the Group recorded an unrealized fair value gain in reserve in the current period.

Looking forward to the second half of 2020, there are numerous factors including new waves of outbreak, rising international trade tensions, US Election and unprecedented high market liquidity. It is expected that the financial market will continue to remain volatile. In view of such uncertainties, we remain conservative and the performance of the Group in investment may be severely affected.



Management Discussion and Analysis

COMMENTARY ON INTERIM RESULTS

(I) Review of 2020 Interim Results

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2020 was HK\$184.3 million, representing a decrease of 59.5% as compared to a profit of HK\$455.4 million recorded in the last corresponding period. The decrease in profit was primarily attributable to (i) the net fair value loss on financial assets measured at fair value through profit or loss (FVPL) of HK\$156.0 million, as compared with the net fair value gain on financial assets measured at FVPL of HK\$43.2 million recorded for the last corresponding period, and (ii) a decrease in profit contribution from tunnel operation.

In addition to the net fair value loss on financial assets measured at FVPL, taking into account the net fair value gain on financial assets measured at fair value through other comprehensive income ("FVOCI") recognized in the fair value reserve, dividend income from listed equity securities, interest income from debt securities and interest-bearing instruments measured at amortised cost, and impairment losses on financial assets, the performance of treasury management segment was satisfactory.

The Group's revenue was HK\$374.7 million for the current period, out of which HK\$144.6 million was revenue from treasury management segment, and HK\$230.1 million was revenue from all other segments. In the corresponding period of 2019, revenue from treasury management segments and other segments amounted to HK\$110.3 million and HK\$223.5 million respectively. The increase in revenue from treasury management segments was mainly contributed by interest income from interest-bearing instruments and interest income from debt securities. The increment of all other segments' revenue is mild and primarily contributed by motoring school operations.

Performance of the treasury management segment for the first half of 2020

The net fair value loss of financial assets measured at FVPL was HK\$156.0 million for the current period. It was mainly attributable to a fair value loss on China Dili Group (Stock Code: 1387) of HK\$110.0 million and a fair value loss on China Evergrande Group (Stock Code: 3333) of HK\$36.6 million. The financial assets measured at FVOCI recorded a net fair value gain of HK\$109.6 million in the fair value reserve for the current period, as compared to net fair value loss of HK\$77.3 million in the last corresponding period. The net gain mainly comprised of a fair value gain on Evergrande Health Industry Group Limited (Stock Code: 708) of HK\$141.6 million, and fair value losses on other financial assets measured at FVOCI.

Dividend income from listed equity securities amounted to HK\$39.0 million for the current period (30 June 2019: HK\$38.8 million) and it was mainly received from China Evergrande Group (Stock Code: 3333) amounting to HK\$36.1 million. Interest income from debt securities amounted to HK\$51.8 million for the current period (30 June 2019: HK\$47.8 million). Interest income derived from interest-bearing instruments measured at amortised cost amounted to HK\$43.3 million for the current period (30 June 2019: HK\$15.4 million). Interest income from bank deposits amounted to HK\$16.0 million for the current period (30 June 2019: HK\$13.3 million).

Performance of other reportable segments for the first half of 2020

The motoring school operations recorded an increase in operating income of HK\$3.0 million mainly due to increase in demand for motorcycle training courses. Profit before tax from the motoring school operations in the current period amounted to HK\$68.9 million, an increase of 7.2% as compared to HK\$64.3 million recorded in the last corresponding period.

The Group's share of profits of associates decreased to HK\$201.9 million as compared to HK\$297.5 million in the last corresponding period due to underperformance of the Western Harbour Tunnel Company Limited ("WHTCL"). Toll revenue of WHT was dropped by 24.8% to HK\$724.1 million in the first half of 2020 as compared to the HK\$963.4 million in the last corresponding period. Despite the implementation of toll increase effective from 1 June 2019, the revenue dropped during the period because the traffic of WHT dropped significantly by 30.3% as a result of the negative impact of COVID-19. 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 of 2020 was HK\$201.9 million as compared to HK\$296.9 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 and intelligent transport system solutions, was HK\$19.8 million for the first half of 2020 against HK\$10.6 million recorded in the last corresponding period, representing an increase of 86.9% as a result of an increase in administration fee income and project income.

(II) Treasury Investments and Significant Investments Held

As at 30 June 2020, the Group maintained an investment portfolio with a carrying amount of HK\$4,971.8 million (31 December 2019: HK\$4,792.0 million). The portfolio composed of HK\$2,010.5 million listed and unlisted equity securities, HK\$1,209.9 million listed and unlisted debt securities, HK\$1,149.6 million unlisted fund investments, and HK\$601.8 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 2020, these facilities were not utilised by the Group.

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

	1 January 2020 HK\$ million	Addition during the period HK\$ million	Disposal/ Settlement during the period HK\$ million	Fair value change recorded in OCI (FVOCI) HK\$ million	Fair value change in profit and loss (FVPL)/ ECL movement HK\$ million	30 June 2020 HK\$ million
Financial assets measured at FVOCI						
– Listed equity securities	492.7	–	–	126.5	–	619.2
– Listed debt securities	601.5	173.2	–	(16.9)	(5.3)	752.5
Financial assets measured at FVPL						
– Listed equity securities	1,417.5	–	–	–	(159.1)	1,258.4
– Listed debt securities	380.6	19.2	–	–	(7.4)	392.4
– Unlisted fund investments	1,057.4	216.0	(134.9)	–	11.1	1,149.6
– Unlisted equity security	–	133.5	–	–	(0.6)	132.9
Financial assets measured at amortised cost						
– Unlisted debt security	–	85.8	(20.8)	–	–	65.0
– Interest-bearing instruments	842.3	200.0	(423.0)	–	(17.5)	601.8
	<u>4,792.0</u>	<u>827.7</u>	<u>(578.7)</u>	<u>109.6</u>	<u>(178.8)</u>	<u>4,971.8</u>

The aggregate value of the investment portfolio increased by HK\$179.8 million during the period. Financial assets purchased during the period totalled HK\$827.7 million, including HK\$278.2 million listed and unlisted debt securities, HK\$216.0 million unlisted fund investments, HK\$200.0 million interest-bearing instruments, and HK\$133.5 million an unlisted equity security. Financial assets disposed of during the period totalled HK\$578.7 million, including HK\$423.0 million interest-bearing instruments, HK\$134.9 million unlisted fund investments, and HK\$20.8 million unlisted debt security.

Other movements in the investment portfolio during the period included net fair value gain on financial assets measured at FVOCI of HK\$109.6 million, net fair value loss on financial assets measured at FVPL of HK\$156.0 million, and impairment loss on financial assets of HK\$22.8 million.



Management Discussion and Analysis

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 2020, the Group held 22,902,000 shares in China Evergrande and recorded a fair value of HK\$458.0 million in respect of its holding in 0.18% of the shares of such investment, which exceeded the purchase cost of HK\$125.7 million for such investment and represented 5.5% of the Group's total assets and 9.2% of the aggregate carrying amount of the Group's investment portfolio. In terms of performance, a fair value loss of HK\$36.6 million on such investment was recognised in profit or loss for the current period, as compared to HK\$45.3 million fair value loss recorded in the last corresponding period. Dividend income from such investment for the current period amounted to HK\$36.1 million (2019: nil).

(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 investment in high technology new energy vehicle manufacture. As at 30 June 2020, the Group held 54,255,000 shares in Evergrande Health and recorded a fair value of HK\$563.2 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 6.7% of the Group's total assets and 11.3% of the aggregate carrying amount of the Group's investment portfolio. In terms of performance, fair value gain of HK\$141.6 million on such investment was recorded in the fair value reserve, as compared to fair value loss of HK\$99.8 million recorded in the last corresponding period. The future prospects of such investment will be subject to its development of the new energy vehicle industry. Subsequent to the period end, Evergrande Health proposed to change the name to "China Evergrande New Energy Vehicle Group Limited" and revealed six first-phase vehicle models. The market value of Evergrande Health increased significantly after June. The closing share price as at 30 June 2020 was HK\$10.38, representing an increase of 33.6% as compared to with HK\$7.77 as at 31 December 2019.

(iii) *Diversified Absolute Return Fund*

Diversified Absolute Return Fund ("DARF") is an unlisted fund managed by asset managers who applied various investment strategies to accomplish their respective investment objectives. As at 30 June 2020, the Group held about 41,805 class A shares of DARF and recorded a fair value of HK\$465.5 million (31 December 2019: HK\$249.6 million) in respect of its holding in about 25.0% of the shares of such investment, which exceeded the purchase cost of HK\$402.7 million for such investment and represented 5.6% of the Group's total assets and 9.4% of the aggregate fair value of the Group's investment portfolio. In terms of performance, a fair value gain of HK\$48.7 million on such investment was recognised in profit or loss for the period, as compared to a fair value loss of HK\$5.2 million recorded in last corresponding period. No distribution was received from such investment for the period (2019: nil).

Other than the significant investments mentioned above, the carrying amount of each of the financial assets of the Group's investment portfolio represented less than 5% of the Group's total assets as at 30 June 2020. Other financial assets composed of other listed and unlisted equity securities, listed and unlisted debt securities, unlisted fund investments and interest-bearing instruments (accounting for 19.9%, 24.3%, 13.8% and 12.1% of the carrying amount of the Group's investment portfolio respectively).

Apart from the significant listed equity securities mentioned above, the other equity securities held by the Group at 30 June 2020 comprised a total of 20 listed and unlisted equity securities with an aggregate fair value of HK\$989.3 million (accounting for 11.8% of the Group's total assets) covering various industry sectors including finance, property, natural resources, industrial and infrastructure, and retail.

Listed and unlisted debt securities held by the Group at 30 June 2020 comprised a total of 9 listed bonds and a unlisted bond with an aggregate fair value of HK\$1,209.9 million (accounting for 14.5% 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. Apart from the significant unlisted fund investment mentioned above, the Group at 30 June 2020 held a total of 8 unlisted fund investments with an aggregate fair value of HK\$684.0 million (accounting for 8.2% 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 7 interest-bearing instruments at 30 June 2020 with an aggregate amount of HK\$601.8 million (accounting for 7.2% of the Group's total assets) and bearing interests ranging from 10% to 12% per annum, maturing in 2020 and 2021 generating an aggregate interest income of HK\$39.8 million for the current period.

The Group's investment objective is to increase the value of its treasury management 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, 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 equity securities 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 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 investment portfolio held by the Group as at 30 June 2020, a significant portion comprises investments in listed companies under the property category with an aggregate fair value of HK\$1,726.9 million (composed of HK\$582.0 million listed equity securities and HK\$1,144.9 million listed debt securities) accounting for about 34.7% of the aggregate fair value of the Group's investment portfolio.

In terms of performance, interest and dividend incomes derived from such portion of investments for the period amounted to HK\$51.8 million and HK\$39.0 million respectively. Further, a net fair value loss of HK\$40.6 million and HK\$24.9 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 2020, the Group had bank balances and deposits in the amount of HK\$2,135.7 million (31 December 2019: HK\$1,926.9 million). The Group did not have any debts outstanding as at 30 June 2020 and 31 December 2019. Except for the Group's bank deposits denominated in foreign currencies other than United States dollars, the Group's major sources of income and major assets are denominated in Hong Kong dollars.



Management Discussion and Analysis

(IV) Comments on Segmental Information

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries, associates and a joint venture are motoring school operations, treasury management and securities investment, tunnel operations and electronic toll collection. Further information on the segment details is provided in note 3 (b) of the interim financial report.

(V) Employees

The Group has 681 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 current period amounted to HK\$116.0 million.



Directors' and Chief Executive's Interests and Short Positions

The register kept by the Company under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows the following interests of directors in the shares of the Company as at 30 June 2020:

Name	Capacity	No. of shares	Total no. of shares	% of shares in issue
Cheung Chung Kiu	Interest of controlled corporation	84,572,621	84,572,621	22.69%
Wong Chi Keung	Beneficial owner	306,019	306,019	0.08%
Ng Kwok Fu	Beneficial owner	9,708	17,474	0.01%
	Interest of spouse	<u>7,766</u>		

Notes:

- The above interests represent long positions.
- Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 84,572,621 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 ("Windsor Dynasty"), a company wholly owned by Mr. C.K. Cheung.

Save as disclosed herein, as at 30 June 2020 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 2020. Nor were there any outstanding options with regard to the Scheme and any other schemes of the Company at the beginning and/or at the end of the period.

Other Persons' Interests and Short Positions

As at 30 June 2020, so far as is known to the directors of the Company, the following persons, other than the directors and chief executives, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	Capacity	No. of shares	% of shares in issue
Windsor Dynasty	Interest of controlled corporation	84,572,621	22.69%
Rose Dynamics	Beneficial owner	84,572,621	22.69%

Note: Each parcel of 84,572,621 shares represents a long position and Rose Dynamics' direct interest in the Company. Windsor Dynasty was deemed to be interested in those shares by virtue of its direct control of Rose Dynamics.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 30 June 2020, 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 above.



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, 21 August 2020