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## **THE CROSS-HARBOUR (HOLDINGS) LIMITED**

### **港通控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 32)**

### **2020 Interim Results Announcement**

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.

#### **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, 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 at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 4 September 2020.

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 - unaudited

(Expressed in Hong Kong dollars)

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

Details of dividends payable to equity shareholders of the Company are set out in note 8.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020- unaudited

(Expressed in Hong Kong dollars)

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Profit for the period</b>	<b>208,056</b>	474,970
<b>Other comprehensive income for the period</b> <b>(after tax and reclassification adjustments)</b>		
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	<b>126,475</b>	(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	<b>(16,907)</b>	20,259
– Share of other comprehensive income of a joint venture:		
– Exchange differences on translation of financial statements of overseas subsidiary of joint venture	<b>32</b>	(12)
<b>Other comprehensive income for the period</b>	<b>109,600</b>	(77,327)
<b>Total comprehensive income for the period</b>	<b>317,656</b>	397,643
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>293,938</b>	378,038
Non-controlling interests	<b>23,718</b>	19,605
<b>Total comprehensive income for the period</b>	<b>317,656</b>	397,643

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

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

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 Basis of preparation

The interim results set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 June 2020 but are extracted from the interim financial report.

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.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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.

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. There is no impact on the opening balance of equity at 1 January 2020.

### 3 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 and 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.



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 30 June 2020 \$'000	2019 \$'000	Six months ended 30 June 2020 \$'000	2019 \$'000	Six months ended 30 June 2020 \$'000	2019 \$'000	Six months ended 30 June 2020 \$'000	2019 \$'000	Six months ended 30 June 2020 \$'000	2019 \$'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
Dividend income from equity instruments	—	—	—	—	—	—	38,957	38,797	38,957	38,797
Interest revenue	5,502	5,025	—	—	34	45	105,655	71,462	111,191	76,532
<b>Reportable segment revenue</b>	<b>222,582</b>	<b>219,154</b>	<b>1,250</b>	<b>1,250</b>	<b>1,834</b>	<b>2,145</b>	<b>144,612</b>	<b>110,259</b>	<b>370,278</b>	<b>332,808</b>
<b>Reportable segment profit/(loss) before tax</b>	<b>68,908</b>	<b>64,318</b>	<b>203,179</b>	<b>298,794</b>	<b>21,508</b>	<b>12,732</b>	<b>(35,003)</b>	<b>151,951</b>	<b>258,592</b>	<b>527,795</b>
Finance costs	1,592	2,062	—	—	—	—	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	—	12,173	11,267
<b>Reportable segment assets at 30 June 2020 / 31 December 2019</b>	<b>1,047,761</b>	<b>1,014,021</b>	<b>573,777</b>	<b>714,835</b>	<b>129,926</b>	<b>125,783</b>	<b>6,574,830</b>	<b>6,290,874</b>	<b>8,326,294</b>	<b>8,145,513</b>

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Revenue</b>		
Reportable segment revenue	<b>370,278</b>	332,808
Unallocated head office and corporate revenue	<b>4,462</b>	963
Consolidated revenue	<b>374,740</b>	333,771
	<b>=====</b>	<b>=====</b>
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Profit</b>		
Reportable segment profit derived from Group's external customers	<b>258,592</b>	527,795
Other revenue	<b>13</b>	13
Unallocated head office and corporate income and expenses	<b>(38,376)</b>	(41,570)
Consolidated profit before taxation	<b>220,229</b>	486,238
	<b>=====</b>	<b>=====</b>
	<b>At</b>	<b>At</b>
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Assets</b>		
Reportable segment assets	<b>8,326,294</b>	8,145,513
Unallocated head office and corporate assets	<b>36,331</b>	44,573
Consolidated total assets	<b>8,362,625</b>	8,190,086
	<b>=====</b>	<b>=====</b>

#### 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>

#### 5 Profit before taxation

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
<b>Profit before taxation is arrived at after charging / (crediting):</b>		
<b>(a) Finance costs</b>		
Interest on lease liabilities	1,727	2,253
Other borrowing costs	20	20
	<u>1,747</u>	<u>2,273</u>
<b>(b) Other items</b>		
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	(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
	<u>112,087</u>	<u>103,210</u>

## 6 Income tax

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

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.

## 8 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
	<u>44,722</u>	<u>44,722</u>

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

- (ii) 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

## 9 Other financial assets

	<i>Notes</i>	<b>30 June 2020</b> \$'000	31 December 2019 \$'000
<i>Non-current</i>			
<b>Financial assets measured at amortised cost</b>			
– Unlisted debt security		<b>65,000</b>	-
<b>Financial assets designated at FVOCI (non-recycling)</b>			
– Equity securities listed in Hong Kong			
• Evergrande Health*	(i)	<b>563,167</b>	421,561
• Others*	(ii)	<b>56,040</b>	71,171
		<b>619,207</b>	492,732
<b>Financial assets measured at FVOCI (recycling)</b>			
– Debt securities listed outside Hong Kong*		<b>558,848</b>	462,493
– Debt securities listed in Hong Kong*	(iii)	<b>138,471</b>	138,940
		<b>697,319</b>	601,433
<b>Financial assets measured at FVPL</b>			
– Unlisted fund investments	(iv), (v)	<b>1,149,499</b>	1,057,440
– Unlisted equity security	(v)	<b>132,921</b>	-
– Debt securities listed outside Hong Kong*		<b>18,142</b>	99,596
– Equity securities listed outside Hong Kong*		<b>60,148</b>	61,595
		<b>1,360,710</b>	1,218,631
		<b>2,742,236</b>	2,312,796

	<i>Notes</i>	<b>30 June 2020</b> \$'000	31 December 2019 \$'000
<b>Current</b>			
<b>Financial assets measured at amortised cost</b>			
- Secured, interest-bearing instrument		-	200,000
- Unsecured, interest-bearing instruments	(vi)	<b>641,999</b>	665,000
Less: loss allowance		<b>(40,152)</b>	(22,711)
		<u><b>601,847</b></u>	<u>842,289</u>
<b>Financial assets measured at FVOCI (recycling)</b>			
- Debt securities listed outside Hong Kong*		<u><b>55,132</b></u>	-
<b>Financial assets measured at FVPL</b>			
- Debt securities listed outside Hong Kong*		<b>374,336</b>	281,042
- Equity securities listed in Hong Kong*	(vii)	<b>1,198,227</b>	1,355,905
		<u><b>1,572,563</b></u>	<u>1,636,947</u>
		<u><b>2,229,542</b></u>	<u>2,479,236</u>
<b>Total</b>		<u><b>4,971,778</b></u>	<u>4,792,032</u>

\* Fair value measured using unadjusted quoted price in active markets.

**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 amounted 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 realized 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.

## 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 <b>30 June</b> <b>2020</b> <b>\$'000</b>	At 31 December 2019 \$'000
Within 1 month	<b>4,979</b>	5,933
1 to 2 months	-	231
2 to 3 months	<b>227</b>	231
Over 3 months	<b>399</b>	271
Trade receivables, net of loss allowance	<b>5,605</b>	6,666
Other receivables	<b>63,226</b>	45,764
Trade and other receivables	<b>68,831</b>	52,430
Deposits and prepayments	<b>39,025</b>	48,911
	<b>107,856</b>	101,341

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

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

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

## **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.

## **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	Addition during the period	Disposal / Settlement during the period	Fair value change recorded in OCI (FVOCI)	Fair value change in profit and loss (FVPL)/ ECL movement	30 June 2020
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>Financial assets measured at FVOCI</b>						
– Listed equity securities	492.7	—	—	126.5	—	619.2
– Listed debt securities	601.5	173.2	—	(16.9)	(5.3)	752.5
<b>Financial assets measured at FVPL</b>						
– 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
<b>Financial assets measured at amortised cost</b>						
– Unlisted debt security	—	85.8	(20.8)	—	—	65.0
– Interest-bearing instruments	842.3	200.0	(423.0)	—	(17.5)	601.8
	4,792.0	827.7	(578.7)	109.6	(178.8)	4,971.8

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.

*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\$1,962.9 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.

#### **(IV) 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.

### **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.

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

Hong Kong, 21 August 2020

As at the date hereof, the board of directors of the Company comprises Cheung Chung Kiu, Yeung Hin Chung, John, Yuen Wing Shing, Wong Chi Keung, Leung Wai Fai and Tung Wai Lan, Iris who are executive directors; and Ng Kwok Fu, Luk Yu King, James and Leung Yu Ming, Steven who are independent non-executive directors.