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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)

2022 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 2022. The interim results have been reviewed by the audit committee and KPMG.

GROUP RESULTS

The Group reported a loss attributable to shareholders of HK\$192.2 million (30 June 2021: profit of HK\$446.3 million) for the six months ended 30 June 2022. The loss was primarily due to the net loss of treasury management business of HK\$375.6 million (30 June 2021: profit of HK\$200.4 million). Loss per share was HK\$0.52 (30 June 2021: Earnings per share: HK\$1.20).

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 8 July 2022. Your directors have today declared a second quarterly interim dividend of HK\$0.06 per share payable on 16 September 2022 to shareholders registered at the close of business on 9 September 2022.

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Wednesday, 7 September 2022 to Friday, 9 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m., Tuesday, 6 September 2022.

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022 - unaudited

(Expressed in Hong Kong dollars)

| | | Six months ended 30 June | |
|---|-------------|---------------------------------|---------------|
| | | 2022 | 2021 |
| | <i>Note</i> | \$'000 | \$'000 |
| Revenue from contracts with customers within the scope of HKFRS 15 | | 243,598 | 246,991 |
| Dividend income from equity securities and other revenue | | 27,959 | 22,164 |
| Interest revenue from debt securities measured at fair value through profit or loss | | 1,170 | 2,709 |
| Other interest revenue | | 30,781 | 67,965 |
| Total revenue | 3 | 303,508 | 339,829 |
| Other income | | 13 | 13 |
| Other net (losses)/gains | 4 | (394,841) | 123,936 |
| Direct costs and operating expenses | | (107,375) | (116,788) |
| Selling and marketing expenses | | (12,753) | (15,365) |
| Administrative and corporate expenses | | (59,277) | (54,884) |
| Impairment losses on financial assets, net | | (31,219) | (10,988) |
| (Loss)/profit from operations | | (301,944) | 265,753 |
| Finance costs | 5(a) | (1,027) | (1,215) |
| Share of profits of associates | | 144,251 | 212,792 |
| Share of profits of a joint venture | | 11,600 | 12,261 |
| (Loss)/profit before taxation | 5 | (147,120) | 489,591 |
| Income tax | 6 | (16,599) | (15,895) |
| (Loss)/profit for the period | | (163,719) | 473,696 |
| Attributable to: | | | |
| Equity shareholders of the Company | | (192,206) | 446,285 |
| Non-controlling interests | | 28,487 | 27,411 |
| (Loss)/profit for the period | | (163,719) | 473,696 |
| (Loss)/earnings per share | 7 | | |
| Basic and diluted | | (\$0.52) | \$1.20 |

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 2022 - unaudited

(Expressed in Hong Kong dollars)

| | Six months ended 30 June | |
|--|---------------------------------|---------------|
| | 2022 | 2021 |
| | <i>Note</i> | |
| | \$'000 | \$'000 |
| (Loss)/profit for the period | (163,719) | 473,696 |
| Other comprehensive income for the period (after tax and reclassification adjustments) | | |
| Item that will not be reclassified to profit or loss: | | |
| – Financial assets measured at fair value through other comprehensive income (non-recycling) | | |
| – Net changes in fair value of equity securities | 3,109 | (60,615) |
| Items that are or may be reclassified subsequently to profit or loss: | | |
| – Financial assets measured at fair value through other comprehensive income (recycling) | | |
| – Changes in fair value of debt securities | (34,223) | (51,135) |
| – Impairment losses recognised/(reversed) of debt securities | 5(b) 5,745 | (10,556) |
| – Loss upon disposal of debt security recycled to profit or loss | - | 342 |
| | (28,478) | (61,349) |
| – Share of other comprehensive income of a joint venture: | | |
| – Exchange differences on translation of financial statements of subsidiary outside Hong Kong in a joint venture | 36 | 28 |
| Other comprehensive income for the period | (25,333) | (121,936) |
| Total comprehensive income for the period | (189,052) | 351,760 |
| Attributable to: | | |
| Equity shareholders of the Company | (217,549) | 324,341 |
| Non-controlling interests | 28,497 | 27,419 |
| Total comprehensive income for the period | (189,052) | 351,760 |

Consolidated Statement of Financial Position

As at 30 June 2022 - unaudited

(Expressed in Hong Kong dollars)

| | | 30 June 2022 | | 31 December 2021 | |
|---------------------------------|-------|--------------|------------------|------------------|------------------|
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | | | 295,951 | | 320,433 |
| Interest in associates | | | 418,817 | | 571,492 |
| Interest in a joint venture | | | 160,930 | | 149,292 |
| Other financial assets | 9 | | 3,099,484 | | 2,968,717 |
| Deposits and prepayment | 10(b) | | 83,649 | | 74,441 |
| Deferred tax assets | | | 2,067 | | 3,065 |
| | | | <u>4,060,898</u> | | <u>4,087,440</u> |
| Current assets | | | | | |
| Inventories | | | 1,441 | | 1,211 |
| Other financial assets | 9 | | 1,310,188 | | 1,341,532 |
| Trade and other receivables | 10(a) | | 37,997 | | 45,172 |
| Amount due from a joint venture | | | - | | 9,000 |
| Tax recoverable | | | - | | 102 |
| Dividend receivable | | | 62,419 | | 77,500 |
| Bank deposits and cash | | | 2,548,129 | | 2,805,940 |
| | | | <u>3,960,174</u> | | <u>4,280,457</u> |
| Current liabilities | | | | | |
| Trade and other payables | 11 | | 51,304 | | 120,766 |
| Contract liabilities | | | 629,316 | | 597,589 |
| Lease liabilities | | | 59,903 | | 70,475 |
| Taxation payable | | | 17,913 | | 10,863 |
| Dividends payable | | | 23,360 | | 854 |
| | | | <u>781,796</u> | | <u>800,547</u> |
| Net current assets | | | <u>3,178,378</u> | | <u>3,479,910</u> |

Consolidated Statement of Financial Position

As at 30 June 2022 - unaudited

(Expressed in Hong Kong dollars)

| | 30 June 2022 | 31 December 2021 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| Total assets less current liabilities | 7,239,276 | 7,567,350 |
| Non-current liabilities | | |
| Lease liabilities | 19,820 | 27,195 |
| Deferred tax liabilities | 2,411 | 2,182 |
| | 22,231 | 29,377 |
| NET ASSETS | 7,217,045 | 7,537,973 |
| | | |
| CAPITAL AND RESERVES | | |
| Share capital | 1,629,461 | 1,629,461 |
| Reserves | 5,377,762 | 5,707,117 |
| Total equity attributable to equity shareholders of the Company | 7,007,223 | 7,336,578 |
| Non-controlling interests | 209,822 | 201,395 |
| TOTAL EQUITY | 7,217,045 | 7,537,973 |

Notes to the financial information:

(Expressed in Hong Kong dollars)

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 2022 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 23 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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 section 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 this interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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:

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

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 operation:** this segment invests in subsidiaries which operate four designated driving training centres.
- **Tunnel operation:** this segment invests in associates which operate the Western Harbour Tunnel franchise.
- **Electronic toll operation:** this segment invests in a joint venture which operates an electronic toll collection system, provision of telematics services, intelligent transportation and surveillance system solutions and smart city service solutions in Hong Kong.
- **Treasury management:** this segment operates investing activities to receive dividend income and interest income, and manages an investment portfolio including unlisted funds, equity securities, debt securities, 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 and assets 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.

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 | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue from contracts with customers within the scope of HKFRS 15 | 240,248 | 243,941 | 1,250 | 1,250 | 2,100 | 1,800 | — | — | 243,598 | 246,991 |
| Dividend income from equity securities | — | — | — | — | — | — | 26,808 | 20,822 | 26,808 | 20,822 |
| Interest revenue | 2,172 | 1,441 | — | — | — | — | 29,779 | 69,233 | 31,951 | 70,674 |
| Reportable segment revenue | 242,420 | 245,382 | 1,250 | 1,250 | 2,100 | 1,800 | 56,587 | 90,055 | 302,357 | 338,487 |
| Reportable segment profit/(loss) before tax | 97,970 | 93,191 | 145,501 | 214,042 | 13,583 | 13,948 | (375,575) | 200,401 | (118,521) | 521,582 |
| Finance costs | 968 | 1,136 | — | — | — | — | 59 | 79 | 1,027 | 1,215 |
| Depreciation | 44,917 | 37,179 | — | — | — | — | — | — | 44,917 | 37,179 |
| Share of profits of associates | — | — | 144,251 | 212,792 | — | — | — | — | 144,251 | 212,792 |
| Share of profits of a joint venture | — | — | — | — | 11,600 | 12,261 | — | — | 11,600 | 12,261 |
| Income tax | 16,158 | 15,630 | — | — | 139 | 138 | 40 | 69 | 16,337 | 15,837 |
| Reportable segment assets at 30 June 2022 / 31 December 2021 | 1,286,625 | 1,253,305 | 247,253 | 399,928 | 165,910 | 176,730 | 6,289,116 | 6,507,549 | 7,988,904 | 8,337,512 |

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

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Revenue | | |
| Reportable segment revenue | 302,357 | 338,487 |
| Unallocated head office and corporate revenue | 1,151 | 1,342 |
| Consolidated revenue | 303,508 | 339,829 |
| | ===== | ===== |
| | | |
| | Six months ended 30 June | |
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Profit | | |
| Reportable segment (loss)/profit before taxation | (118,521) | 521,582 |
| Other income | 13 | 13 |
| Unallocated head office and corporate income and expenses | (28,612) | (32,004) |
| Consolidated (loss)/profit before taxation | (147,120) | 489,591 |
| | ===== | ===== |
| | | |
| | At | At |
| | 30 June | 31 December |
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Assets | | |
| Reportable segment assets | 7,988,904 | 8,337,512 |
| Unallocated head office and corporate assets | 32,168 | 30,385 |
| Consolidated total assets | 8,021,072 | 8,367,897 |
| | ===== | ===== |

4 Other net (losses)/gains

| | Six months ended 30 June | |
|--|---------------------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Change in fair value of other financial assets at FVPL | | |
| - Unlisted fund investments | (264,591) | 275,116 |
| - Equity securities | (129,131) | (147,084) |
| - Debt securities | (1,249) | (2,952) |
| - Others | 85 | - |
| | (394,886) | 125,080 |
| Net gains on sale of property, plant and equipment | 45 | 264 |
| Loss upon disposal of debt security at FVOCI (recycling) | - | (342) |
| Others | - | (1,066) |
| | (394,841) | 123,936 |

5 (Loss)/profit before taxation

| | Six months ended 30 June | |
|--|---------------------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| (Loss)/profit before taxation is arrived at after charging/(crediting): | | |
| (a) Finance costs | | |
| Interest on lease liabilities | 1,027 | 1,215 |
| (b) Other items | | |
| Depreciation | | |
| - Owned property, plant and equipment | 12,845 | 13,780 |
| - Right-of-use assets | 36,774 | 28,436 |
| | 49,619 | 42,216 |
| Impairment losses recognised/(reversed) on financial assets | | |
| - Debt securities at FVOCI (recycling) | 5,745 | (10,556) |
| - Interest bearing instruments, net | 16,784 | 21,544 |
| - Trade and other receivables | 8,690 | - |
| | 31,219 | 10,988 |
| Contributions to defined contribution retirement scheme | 4,359 | 4,090 |
| Salaries, wages and other benefits (including directors' emoluments) | 119,596 | 119,094 |
| Cost of inventories consumed | 6,415 | 5,227 |
| Rent concessions | (25,924) | (19,374) |

6 Income tax

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Current tax – Hong Kong Profits Tax | 15,372 | 16,307 |
| Deferred tax | 1,227 | (412) |
| | <u>16,599</u> | <u>15,895</u> |

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2021: 16.5%) to the six months ended 30 June 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

7 (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the loss for the period attributable to ordinary equity shareholders of the Company of \$192,206,000 (2021: profit for the period of \$446,285,000) and the weighted average of 372,688,000 ordinary shares (2021: 372,688,000 ordinary shares) in issue during the period. Basic (loss)/earnings per share are the same as diluted (loss)/earnings per share as the Company had no dilutive potential shares.

8 Dividends

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

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| First interim dividend declared during the interim period of \$0.06 per share (2021: \$0.06 per share) | 22,361 | 22,361 |
| Second interim dividend declared after the interim period of \$0.06 per share (2021: \$0.06 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 of the Company attributable to the previous financial year, declared and approved during the interim period

| | Six months ended 30 June | |
|--|---------------------------------|--------|
| | 2022 | 2021 |
| | \$'000 | \$'000 |
| Final dividend in respect of the previous financial year, declared and approved during the interim period of \$0.24 per share (2021: \$0.24 per share) | 89,445 | 89,445 |

9 Other financial assets

| | <i>Note</i> | At 30 June 2022 \$'000 | At 31 December 2021 \$'000 |
|---|-------------|---------------------------------|-------------------------------------|
| Non-current | | | |
| Financial assets measured at FVOCI (non-recycling) | | | |
| – Equity securities listed in Hong Kong* | (i) | <u>63,040</u> | <u>59,931</u> |
| Financial assets measured at FVPL | | | |
| – Unlisted fund investments | (ii) | 2,950,600 | 2,822,231 |
| – Unlisted equity security | | 84,484 | 83,946 |
| – Debt security listed outside Hong Kong* | | <u>1,360</u> | <u>2,609</u> |
| | | <u>3,036,444</u> | <u>2,908,786</u> |
| | | <u>3,099,484</u> | <u>2,968,717</u> |
| Current | | | |
| Financial assets measured at amortised cost | | | |
| – Unsecured, interest-bearing instruments | (iii) | 175,000 | 275,000 |
| Less: loss allowance | | <u>(101,065)</u> | <u>(84,281)</u> |
| | | <u>73,935</u> | <u>190,719</u> |
| Financial assets measured at FVOCI (recycling) | | | |
| – Debt securities listed outside Hong Kong* | | <u>81,832</u> | <u>102,960</u> |
| Financial assets measured at FVPL | | | |
| – Equity securities listed in Hong Kong* | (iv) | 871,913 | 913,434 |
| – Equity securities listed outside Hong Kong* | (v) | 278,524 | 130,521 |
| – Others* | | <u>3,984</u> | <u>3,898</u> |
| | | <u>1,154,421</u> | <u>1,047,853</u> |
| | | <u>1,310,188</u> | <u>1,341,532</u> |
| Total | | <u><u>4,409,672</u></u> | <u><u>4,310,249</u></u> |

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

9 Other financial assets (continued)

Notes:

- (i) The Group designated these investments at FVOCI (non-recycling), as they are held for strategic purposes. Net fair value gain of \$3,109,000 (30 June 2021: net loss of \$60,615,000) was recognised in other comprehensive income and dividends amounted to \$581,000 (30 June 2021: \$1,749,000) were received and recognised in profit or loss during the period. Neither addition nor disposal was noted during the period (30 June 2021: Nil).
- (ii) As at 30 June 2022, the Group's unlisted fund investments comprised 46 (31 December 2021: 35) private funds. The Group managed the price risk through diversification of investment portfolio. The underlying investments held by these funds include listed and unlisted equity securities, debt securities, structured financing products and venture capital deals in various regions, covering various industries and sectors including biopharmaceuticals, biotechnology, e-Commerce, healthcare and related services, information technology, industrials, enterprise software, and transportation. The fair value of these investments may change significantly based on broader macroeconomic conditions, overall capital and investment markets conditions, and factors associated with underlying assets within the private fund portfolio.
- (iii) The balance as at 30 June 2022 represents 4 (31 December 2021: 4) interest-bearing instruments which are unsecured, interest-bearing from 7% to 12% per annum (31 December 2021: 7% to 12% per annum) and with original maturities of 6 to 12 months.
- (iv) As at 30 June 2022, the fair value of equity securities listed in Hong Kong and classified at FVPL amounted to \$871,913,000 (31 December 2021: \$913,434,000), and a decrease in fair value of \$72,878,000 (30 June 2021: decrease of \$147,908,000) was recognised in profit or loss for the period.
- (v) As at 30 June 2022, the Group's investments in listed equity securities outside Hong Kong and classified at FVPL amounted to \$278,524,000 (31 December 2021: \$130,521,000) are equity securities listed in USA, UK and Singapore, and a decrease in fair value of \$56,791,000 (30 June 2021: increase of \$540,000) was recognised in profit or loss for the period.

10 Trade and other receivables and deposits and prepayment

(a) 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 2022 | At 31 December 2021 |
|---|-------------|-----------------------|---------------------------|
| | <i>Note</i> | \$'000 | \$'000 |
| Within 1 month | | 2,420 | 2,561 |
| 1 month to 3 months | | 45 | 348 |
| Over 3 months | | 110 | 107 |
| Trade receivables, net of loss allowance | | <u>2,575</u> | 3,016 |
| Other receivables | | <u>16,674</u> | 21,830 |
| Trade and other receivables | | 19,249 | 24,846 |
| Deposits and prepayment (Current Portion) | 10(b) | <u>18,748</u> | 20,326 |
| | | <u><u>37,997</u></u> | <u><u>45,172</u></u> |

All of the trade and other receivables and current portion of deposits and prepayment are expected to be recovered within one year.

(b) Deposits and prepayment

| | | At 30 June 2022 | At 31 December 2021 |
|---|-------------|-----------------------|---------------------------|
| | <i>Note</i> | \$'000 | \$'000 |
| Deposits for properties leased for own use | | 83,446 | 73,663 |
| Deposit for property, plant and equipment | | 203 | - |
| Prepayment for unlisted fund investments | | - | 778 |
| Deposits and prepayment (Non-current Portion) | | <u>83,649</u> | 74,441 |
| Deposits and prepayment (Current Portion) | 10(a) | <u>18,748</u> | 20,326 |
| | | <u><u>102,397</u></u> | <u><u>94,767</u></u> |

The Group's deposits and prepayment of \$83,649,000 (31 December 2021: \$74,441,000) are expected to be recovered after more than one year.

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 30 June 2022 \$'000 | At 31 December 2021 \$'000 |
|-----------------------------------|---------------------------------|-------------------------------------|
| Within 1 month | 3,523 | 2,082 |
| 1 month to 3 months | 2,027 | 2,082 |
| Over 3 months but within 6 months | 4,064 | 4,163 |
| Trade payables | <u>9,614</u> | <u>8,327</u> |
| Other payables and accruals | 41,690 | 112,439 |
| | <u><u>51,304</u></u> | <u><u>120,766</u></u> |

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

BUSINESS REVIEW AND PROSPECTS

Hong Kong experienced a resurgence of COVID-19 cases in the first quarter of this year, plunging the economy into contraction. In the first quarter of 2022, its GDP contracted by 4.0% year-on-year, Hong Kong's total retail sales decreased by 7.6% and the unemployment rate rose back to 5.0%. The fifth wave of local outbreak of COVID-19 and corresponding restrictive measures heavily disrupted a wide range of economic activities as well as the financial market sentiment. Amid the worries over the conflict between Russia and Ukraine, the economic slowdown in mainland China impacted by the latest wave of COVID-19, and the acceleration of interest rates hikes and balance sheet reductions in the United States, the local and global financial markets underwent a substantial correction in the first half of 2022. The economic activities of Hong Kong improved in the second quarter as the number of COVID-19 cases were reduced which led to the relaxation of social distancing measures, but the external demand continued to weaken because of a global rampant inflation situation that curtailed purchasing power.

Looking forward to the rest of 2022, the local and global economy and financial markets would not be able to escape from the uncertainties over the incessant development of COVID-19, the ongoing conflict between Russia and Ukraine, the continuous supply chain disruptions, and the new wave of US-China Tension. The Group's operating environments and investment portfolio would subject to unusually high difficulties and unexpected risks, which may in turn adversely affects the overall performance and financial position of the Group by end of the 2022.

Motoring School Operation

Alpha Hero Group (70% owned) operates driving training schools in Hong Kong. Operating income for the first half of 2022 decreased slightly by 1.5% as compared to the last corresponding period as a net result of a decrease in revenue from non-motorcycle driving training courses and an increase in revenue from motorcycles driving training courses. The number of non-motorcycle driving lessons delivered for the first half of 2022 dropped by 7.0% as compared to the last corresponding period mainly due to the fifth wave of COVID-19 outbreak in the first quarter of 2022. In late January 2022, the Transport Department suspended all driving test services to align with the Government's anti-epidemic measures. But the driving test services were gradually resumed from April in line with the Government's announcement to resume public services. The driving training market in coming quarters might recover at a gradual pace if the fifth wave of COVID-19 could be controlled at an acceptable level.

Electronic Toll Operation

Autotoll (BVI) Limited ("Autotoll"), a jointly controlled entity, 50% owned by The Autopass Company Limited (a 70% owned subsidiary), operates electronic toll collection ("ETC") system, provision of telematics services, intelligent transportation and surveillance system solutions, and smart city service solutions in Hong Kong. The ETC facilities cover ten different toll roads and tunnels; and there are fifty-two auto-toll lanes in operation at present. The total number of tags in circulation as at 30 June 2022 was about 359,000. The overall usage of auto-toll facilities in all ten toll roads and tunnels is maintained at around 48%. The number of daily transactions handled by Autotoll was about 301,000 with toll amount of approximately HK\$7.4 million. The number of subscribers for the Global Positioning System at the end of June was about 14,100. The Free-Flow Tolling Service will be rolled out gradually by Government at each of the government-tolled tunnels and Tsing Sha Control Area from the end of 2022. It is expected that the number of tags for ETC facilities might gradually decrease in the second half of 2022.

Tunnel Operation

Western Harbour Tunnel Company Limited ("WHTCL"), a 50% owned associate, operates the Western Harbour Tunnel ("WHT") in Hong Kong under a 30 years' franchise. The franchise of WHT will expire on 1 August 2023. On expiration, the ownership of the WHT will vest in the Government and WHTCL's contribution to the Group therefore will reduce significantly in 2023.

The average daily throughput of the WHT for the first half of 2022 decreased by 16.8% to 44,531 vehicle journeys as compared to 53,553 vehicle journeys recorded in the last corresponding period. The average toll per vehicle increased from HK\$81.3 in the last corresponding period to HK\$82.5 in the first half of 2022. WHT's market share was decreased from about 22% in the last corresponding period to about 21% for the current period. As the fifth wave of COVID-19 has not yet ended and the schedule of resuming quarantine-free travel with mainland China is still in question, the traffic demand and toll revenue of WHT for the rest of 2022 would continue to be affected.

Treasury Management Business

Global financial markets have faced a list of concerns in the first half of 2022, including the Russia-Ukraine war, the new COVID-19 lockdowns and economic slowdown in China, the multi-decade high inflation in many countries, and the corresponding contractionary monetary policy. Major stock market indices have undergone large corrections, such as Dow Jones Industrial Average dropped around 15.3% to 30,775, Nasdaq Composite dropped around 29.5% to 11,029, SSE Composite Index dropped around 6.6% to 3,399, and Hang Seng Index dropped around 6.6% to 21,860. The private equity market was also under pressure. The fundraising and acquisition activity level was comparatively slowdown than last year.

Under this volatile market situation, the Group recorded a net fair value loss on unlisted fund investments of HK\$264.6 million and a net fair value loss on equity securities of HK\$129.1 million in the first half of 2022. The Group continued to make capital contribution to various unlisted funds of different sectors and industries and increased the investment in equity securities listed outside Hong Kong, in order to diversify the investment portfolio of the Group. The Group further reduced the investments in interest-bearing instruments to minimize the associated credit risk exposure. Overall, the value of the Group's investment portfolio during the period increased slightly by HK\$99.5 million to HK\$4,409.7 million.

The Group through its wholly-owned subsidiary, XHarbour Limited ("XHL"), has on 22 July 2022 obtained an approval-in-principle of its application to the Securities and Futures Commission (the "SFC") for licenses to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the "Application"). XHL may commence Type 4 (advising on securities) and Type 9 (asset management) regulated activities in due course following SFC's final approval of the Application.

Commentary on Interim Results

(I) Review of 2022 Interim Results

The Group reported a loss attributable to shareholders of HK\$192.2 million (30 June 2021: profit of HK\$446.3 million) for the six months ended 30 June 2022. The loss was primarily due to the net loss of treasury management business of HK\$375.6 million (30 June 2021: profit of HK\$200.4 million). In addition, the profit contribution from tunnel operation was decreased to HK\$145.5 million (30 June 2021: HK\$214.0 million).

The Group recorded a total revenue of HK\$303.5 million in the first half of 2022, representing a decrease of 10.7% as compared to HK\$339.8 million recorded in the last corresponding period. The drop in total revenue was mainly due to the decrease in revenue from treasury management segment.

Performance of the treasury management segment for the first half of 2022

The net loss of treasury management business of HK\$375.6 million mainly includes net fair value loss on financial assets measured at fair value through profit or loss (“FVPL”) of HK\$394.9 million, dividend income and interest income from investment portfolio of HK\$55.6 million, and impairment losses on interest-bearing instruments and debt securities measured at fair value through other comprehensive income (“FVOCI”) of HK\$31.2 million. Taking into account of net fair value loss on financial assets measured at FVOCI recognised in the fair value reserve, the overall performance of treasury management segment was significantly worse off in current period as compared with the last corresponding period.

The net fair value loss on financial assets measured at FVPL of HK\$394.9 million (30 June 2021: net gain of HK\$125.1 million) was mainly attributable to (i) the net fair value loss on unlisted fund investments of HK\$264.6 million (30 June 2021: net gain of HK\$275.1 million) and (ii) the net fair value loss on equity securities of HK\$129.1 million (30 June 2021: HK\$147.1 million).

The net fair value loss on unlisted fund investment measured at FVPL of HK\$264.7 million was mainly attributable to the fair value loss of Tisé Opportunity SPC - Tisé Equity Segregated Portfolio 1 of HK\$159.1 million (30 June 2021: HK\$0.9 million) and the fair value loss of Diversified Absolute Return Fund of HK\$36.0 million (30 June 2021: gain of HK\$89.9 million).

The net fair value loss on equity securities measured at FVPL of HK\$129.1 million was mainly attributable to (i) the net fair value loss of listed securities in Hong Kong of HK\$72.9 million (30 June 2021: HK\$147.9 million) and (ii) the net fair value loss of listed securities outside Hong Kong of HK\$56.8 million (30 June 2021: net gain of HK\$0.5 million). The fair value loss of listed securities in Hong Kong included the fair value loss of Tencent Holdings Limited (Stock Code: 700) of HK\$27.6 million (30 June 2021: HK\$3.4 million), the fair value loss of Oshidori International Holdings Limited (Stock Code: 622) of HK\$22.1 million (30 June 2021: HK\$23.4 million).

Dividend income from listed equity securities increased to HK\$26.8 million (30 June 2021: HK\$20.8 million) for the current period and it was mainly due to a higher dividend received from China Telecom Corporation Limited (Stock Code: 728) of HK\$15.1 million (30 June 2021: HK\$5.9 million). Interest income from listed debt securities decreased to HK\$18.5 million (30 June 2021: HK\$49.2 million) for the current period because of the disposal of various listed debt securities in the second half of 2021. Interest income derived from interest-bearing instruments reduced to HK\$10.3 million (30 June 2021: HK\$18.0 million) for the current period as a result of net decrease in loan balances. The impairment loss on debt securities at FVOCI, interest-bearing instruments and related interest receivables of HK\$5.7 million (30 June 2021: reversal of HK\$10.6 million), HK\$16.8 million (30 June 2021: HK\$21.5 million) and HK\$8.7 million (30 June 2021: Nil) were recognised in profit or loss for the current period respectively.

The financial assets measured at FVOCI recorded a net fair value loss of HK\$25.4 million in the fair value reserve for the current period (30 June 2021: loss of HK\$122.3 million), which comprised a net fair value loss on listed debt securities of HK\$28.5 million (30 June 2021: HK\$61.7 million)

and a net fair value gain on listed equity securities of HK\$3.1 million (30 June 2021: net loss of HK\$60.6 million). The decrease in net fair value loss on listed debt securities measured at FVOCI for the current period was because of the disposal of various listed debt securities in the second half of 2021. The net fair value loss on listed equity securities measured at FVOCI for the period of 30 June 2021 was mainly attributable to the fair value loss on China Evergrande New Energy Vehicle Group Limited (Stock Code: 708) of HK\$70.5 million. Such investment had been disposed of in the second half of 2021 and thus no such fair value loss would be recorded for the current period.

Performance of other reportable segments for the first half of 2022

The motoring school operation recorded an operating income of HK\$240.2 million (30 June 2021: HK\$243.9 million). The drop was due to the decrease in income from non-motorcycle driving training courses over the increase in income from motorcycles driving training courses. Profit before tax from the motoring school operation increased to HK\$98.0 million (30 June 2021: HK\$93.2 million) as a result of a decrease in operating expenses during the current period.

The Group's share of profits of an associate, Western Harbour Tunnel Company Limited which operates Western Harbour Tunnel ("WHT"), decreased by 32.2 % to HK\$144.3 million as compared to HK\$212.8 million in the last corresponding period. Toll revenue of WHT decreased by 15.6% to HK\$665.0 million as compared to HK\$788.1 million in the last corresponding period, because of the decrease in traffic volume of the tunnel by 16.8%. Lower traffic was mainly due to the negative impact of the fifth wave of local outbreak of COVID-19 in the first half of 2022.

The Group's share of profits of a joint venture, Autotoll (BVI) Limited, which operates electronic toll collection system, provision of telematics services, intelligent transport and surveillance system solutions and smart city service solutions, was HK\$11.6 million for the first half of 2022 against HK\$12.3 million recorded in the last corresponding period. The drop was the result of an increase in operating expenses during the period.

(II) Treasury Investments and Significant Investments Held

As at 30 June 2022, the Group maintained an investment portfolio with a carrying amount of HK\$4,409.7 million (31 December 2021: HK\$4,310.2 million). The portfolio composed of HK\$2,950.6 million (31 December 2021: HK\$2,822.2 million) unlisted fund investments, HK\$1,298.0 million (31 December 2021: HK\$1,187.8 million) listed and unlisted equity securities, HK\$83.2 million (31 December 2021: HK\$105.6 million) listed debt securities, HK\$73.9 million (31 December 2021: HK\$190.7 million) interest-bearing instruments, and HK\$4.0 million (31 December 2021: HK\$3.9 million) other financial assets measured at FVPL. 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 2022 and 31 December 2021, these facilities were not utilised by the Group.

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

| | 1 January 2022 | Addition | Disposal | Fair value change in OCI | Fair value change in profit and loss / ECL | 30 June 2022 |
|--|-------------------|--------------|--------------|--------------------------------|--|-----------------|
| | HK\$ million | HK\$ million | HK\$ million | HK\$ million | HK\$ million | HK\$ million |
| Financial assets measured at FVOCI | | | | | | |
| – Listed equity securities | 59.9 | — | — | 3.1 | — | 63.0 |
| – Listed debt securities | 103.0 | 13.1 | — | (28.5) | (5.8) | 81.8 |
| Financial assets measured at FVPL | | | | | | |
| – Unlisted fund investments | 2,822.2 | 477.0 | (83.9) | — | (264.7) | 2,950.6 |
| – Listed equity securities | 1,044.0 | 284.3 | (48.1) | — | (129.7) | 1,150.5 |
| – Unlisted equity security | 83.9 | — | — | — | 0.6 | 84.5 |
| – Listed debt security | 2.6 | — | — | — | (1.2) | 1.4 |
| – Others | 3.9 | — | — | — | 0.1 | 4.0 |
| | 3,956.6 | 761.3 | (132.0) | — | (394.9) | 4,191.0 |
| Financial assets measured at amortised cost | | | | | | |
| – Interest-bearing instruments | 190.7 | — | (100.0) | — | (16.8) | 73.9 |
| | 4,310.2 | 774.4 | (232.0) | (25.4) | (417.5) | 4,409.7 |

The aggregate value of the investment portfolio increased by HK\$99.5 million during the period.

Additions of financial assets during the period totalled HK\$774.4 million, including investments in 26 unlisted funds amounted to HK\$477.0 million, investments in 11 listed equity securities amounted to HK\$284.3 million, and investment in a listed debt security amounted to HK\$13.1 million

Disposals of financial assets during the period totalled HK\$232.0 million, including divestments of an interest-bearing instrument amounted to HK\$100.0 million, divestments of 7 unlisted funds amounted to HK\$83.9 million, and divestments of 3 listed equity securities amounted to HK\$48.1 million.

Other movements in the investment portfolio during the period included net fair value loss on financial assets measured at FVOCI of HK\$25.4 million and net fair value loss on financial assets measured at FVPL of HK\$394.9 million.

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

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. The principal business of DARF is to invest for returns from capital appreciation and investment income, either through the use of special purpose vehicles or by investing

directly. As at 30 June 2022, the Group held about 41,805 class A shares and 26,700 class E1 shares of DARF and recorded a fair value of HK\$718.8 million (31 December 2021: HK\$754.8 million) in respect of its holding in 31.2% of the shares of such investment, which exceeded the purchase cost of HK\$610.2 million for such investment and represented 9.0% of the Group's total assets and 16.3% of the aggregate fair value of the Group's investment portfolio. In terms of performance, a fair value loss of HK\$36.0 million on such investment was recognised in profit or loss for the period, as compared to a fair value gain of HK\$89.9 million recorded in last corresponding period. No distribution was received from such investment for the period (30 June 2021: 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 2022. Other financial assets composed of unlisted fund investments, listed and unlisted equity securities, listed debt securities and interest-bearing instruments (accounting for 50.7%, 29.4%, 1.9% and 1.7% of the carrying amount of the Group's investment portfolio respectively).

The Group invested in various unlisted fund investments with different focuses on industries, 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 2022 held a total of 45 unlisted fund investments with an aggregate fair value of HK\$2,231.8 million (accounting for 27.8% of the Group's total assets) and their underlying investments include listed and unlisted equity securities, debt securities, structured products and venture capital deals in various regions, covering various industries and sectors including biopharmaceuticals, biotechnology, e-Commerce, healthcare and related services, information technology, industrials, enterprise software, and transportation.

Equity securities held by the Group at 30 June 2022 comprised a total of 35 listed and unlisted equity securities with an aggregate fair value of HK\$1,298.0 million (accounting for 16.2% of the Group's total assets) covering various industry sectors including telecommunications, information technology, e-Commerce, software, securities investment, asset management, financial services, port operation, property (development, investment and management), healthcare and related services, industrial and infrastructure. The listed equity securities are listed in various stock exchanges including Hong Kong, the United States, England, and Singapore.

Listed debt securities held by the Group at 30 June 2022 comprised a total of 2 listed bonds with an aggregate fair value of HK\$83.2 million (accounting for 1.0% of the Group's total assets) with coupon rates ranging from 12.0% to 12.375% per annum, and they are issued by Hong Kong listed companies or its subsidiaries primarily operating in the PRC real estate sector. On 8 August 2022, a listed bond with a coupon rate of 12.375% per annum has been restructured by the bond issuer, with a revised coupon rate of 7.5% per annum and a revised maturity date of 11 July 2025.

The Group held a total of 4 interest-bearing instruments at 30 June 2022 with an aggregate carrying amount of HK\$73.9 million (accounting for 0.9% of the Group's total assets) and bearing interest at rates ranging from 7% to 12% per annum and with original maturities of 6 to 12 months. The aggregated principle and loss allowance of these interest-bearing instruments amounted to HK\$175.0 million and HK\$101.1 million respectively. Two interest-bearing instruments have been fully impaired on 30 June 2022 as they were overdue for more than one year.

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 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 in its investment portfolio.

The future prospects of the Group's unlisted fund investments and equity securities 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 overall capital and investment market conditions, macroeconomic 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.

(III) Liquidity and Financial Resources

As at 30 June 2022, the Group had bank balances and deposits in the amount of HK\$2,548.1 million (31 December 2021: HK\$2,805.9 million). The Group did not have any bank borrowings as at 30 June 2022 (31 December 2021: nil). The gearing ratio, if any, is calculated as the ratio of net bank borrowings to total equity. Except for the Group's bank deposits denominated in foreign currencies other than the United States dollars, the Group's major sources of income and major assets are denominated in Hong Kong dollars and United States dollars.

(IV) Employees

The Company and its subsidiaries has 677 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 will be 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\$124.0 million (30 June 2021: HK\$123.2 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 in 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 C.3.3 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 a code of conduct regarding securities transactions for its directors and its 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 in Appendix 10 to the Listing Rules (the “Model Code”).

All directors confirmed that they had complied with the required standard set out in 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, 23 August 2022

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.