

INTERIM RESULTS

The Board of Directors of The Cross-Harbour (Holdings) Limited ("the Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2002. The interim results have not been audited, but have been reviewed by both the Company's auditors, KPMG and the Company's Audit Committee. The independent review report of the auditors is attached.

The unaudited Group profit attributable to shareholders for the six months ended 30 June 2002 amounted to HK\$46.5 million, compared with HK\$43.3 million for the corresponding period last year. Earnings per share were HK\$0.24.

INTERIM DIVIDEND

A first quarterly interim dividend of HK\$0.05 (2001 - HK\$0.05) per share absorbing a total amount of HK\$10.3 million (2001 - HK\$9.6 million) was paid with a scrip alternative on 19 July 2002. The Board has declared a second quarterly interim dividend of HK\$0.05 (2001 - HK\$0.05) per share in respect of the financial year ending 31 December 2002, absorbing a total amount of HK\$10.3 million (2001 - HK\$9.6 million) payable on 28 October 2002 to shareholders registered on 26 September 2002.

The second quarterly interim dividend will be payable in cash but shareholders will be given the option to elect to receive the dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to the listing being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited. A circular containing details of the scrip dividend scheme will be despatched to shareholders together with the form of election for the scrip dividend on or about 27 September 2002.

BUSINESS REVIEW AND PROSPECTS

The Hong Kong Tunnels & Highways Management Company Limited ("HKTHMCL"), 37%-owned by the Company, has managed the busiest cross-harbour tunnel at Hunghom under a Management Operation Maintenance ("MOM") Contract with the Government for a period of three years to 31 August 2002. In May 2002, HKTHMCL was awarded a new MOM contract for a period of two years to 31 August 2004, with an option for the Government to extend for further period of up to twenty-four months.

Western Harbour Tunnel Company Limited ("WHTCL"), 37%-owned by the Company, has maintained stable toll revenue with a daily throughput of approximately 39,500 vehicle journeys, representing 17% of the total cross-harbour traffic. In the first half year under review, WHTCL again reported a satisfactory result with a substantial increase in profits as compared with the previous corresponding period. In August 2002, WHTCL completed re-financing its loans at a lower interest cost. Although this means a longer repayment cycle, it is expected that it will improve the cashflow position of WHTCL.

The Hong Kong School of Motoring Limited ("HKSM"), 70%-owned by the Company, recorded a decline of 3% in the number of driving lessons demanded as compared with the previous corresponding period. The total market size has shrunk and consumer spending was persistently low as a result of increasing unemployment and salary cuts. HKSM has and will continue to improve its operating margin through various cost rationalization exercises despite the difficult and competitive business environment. In August 2002, HKSM was awarded a three-year contract, with an option of renewal, by the Transport Department to operate a designated driving improvement school in the Kowloon West District.

Autotoll Limited ("Autotoll"), effectively 35%-owned by the Company, has forty-six auto-toll lanes in operation at ten different toll roads and tunnels at present. The total number of tags in circulation was around 191,000 as at 30 June 2002. The overall usage of auto-toll facilities in all ten toll roads and tunnels was 49% with the highest usage at Western Harbour Tunnel at over 63%. The daily transactions handled by Autotoll have reached a level of over 318,000 with toll amounts of approximately HK\$5.2 million. To further tap the market, Autotoll is exploring various ways to extend the scope of its services.

COMMENTARY ON INTERIM RESULTS

(I) Review of 2002 Interim Results

The unaudited Group profit attributable to shareholders for the six months ended 30 June 2002 amounted to HK\$46.5 million, compared with HK\$43.3 million for the corresponding period last year. Earnings per share were HK\$0.24 compared with HK\$0.23 for the corresponding period last year.

The Group's turnover for the period under review was HK\$128.4 million, a decrease of HK\$9.9 million or 7.2% as compared to the HK\$138.3 million recorded in the same period last year.

The Hong Kong School of Motoring Limited, 70% owned by the Company, recorded a reduction in turnover of HK\$6.4 million to HK\$115.9 million because of the decrease in tuition fees resulting from a lower demand for driving lessons. The continuing efforts of management in controlling costs have been reflected in the improving gross profit margin.

The share of profits in associated companies tripled to HK\$25.4 million from HK\$7.1 million recorded in the corresponding period last year. This was mainly due to the contribution from the operation of the Western Harbour Tunnel ("WHT"). Improvement in the performance of WHTCL was the result of a substantial reduction in interest expenses due to lower interest rates.

The Hong Kong Tunnels & Highways Management Company Limited, an associate undertaking the management contract for the Hunghom Cross-Harbour Tunnel, maintained stable income for the period.

Autotoll Limited, a jointly controlled entity running an electronic toll collection system, contributed steady income to the Group as a result of moderate growth in both revenue and operating expenses.

The Group's financial costs for the period under review amounted to HK\$1.2 million and were primarily due to the issues of convertible notes at an interest rate of 3.5% per annum. The net proceeds of approximately HK\$247 million from the issues were used as additional general working capital for the Group.

(II) Investments

At 30 June 2002, the Group maintained a portfolio of blue-chip securities with an aggregate market value of HK\$282.7 million. Dividend income received therefrom in the first six months amounted to HK\$7.1 million.

(III) Liquidity and Financial Resources

At 30 June 2002, the Group had bank balances and deposits in the amount of HK\$389.7 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. These facilities were not utilised by the Group during the period under review.

At 30 June 2002, the Group had outstanding convertible notes of HK\$215 million, which are unsecured, bear interest at 3.5% per annum payable annually in arrears and will be due for redemption in 2005. As the Group's sources of income and borrowings are denominated in Hong Kong dollars, there is no exposure to foreign exchange rate fluctuations. The gearing ratio, defined as long-term debts to shareholders' funds, was 16.2% as at 30 June 2002 (31 December 2001 - Nil).

(IV) Comments on Segmental Information

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries and a jointly controlled entity are the operation of motoring schools, the operation of an electronic toll collection system and investment. Further information on the segmental details is provided in note 7 of the interim financial report.

(V) Employees

The Group has approximately 753 staff. Employees are remunerated according to the nature of the job 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 directors and depending upon the financial performance of the Group. Total staff costs for the first six months amounted to HK\$64.9 million.

DISCLOSURE UNDER PRACTICE NOTE 19

(I) Financial Assistance

In relation to the provision of financial assistance by the Company to Western Harbour Tunnel Company Limited ("WHTCL"), a 37%-owned associate of the Company, as previously disclosed in the Company's annual report and financial statements for the year ended 31 December 2001, obligations in relation to the abovementioned financial assistance by the Group continued to exist as at 30 June 2002. Total advances given by the Group to WHTCL including accrued interest thereon amounted to HK\$1,033.6 million as at 30 June 2002.

An announcement dated 23 August 2002 was issued by the Company in accordance with the provisions of Practice Note 19 of the Listing Rules in relation to increases in financial assistance since the last reporting date, by amounts which, in aggregate, exceed 10% of the Group's net assets as at 31 December 2001. On 23 August 2002, the Group further advanced HK\$70.3 million to cover partly the repayment of the syndicated loans outstanding under the HK\$5.2 billion banking facilities in connection with the refinancing of the WHT project. This further advance of HK\$70.3 million was funded by internal resources of the Group. The total loan advances given by the Group to WHTCL including accrued interest thereon, after the latest fund injection amounted to approximately HK\$1,104.8 million on the same date.

Terms of the Financial Assistance

The loan to WHTCL bears interest at such rate as may be agreed from time to time among all the shareholders of WHTCL, currently being fixed at 1% per annum. The loan is repayable on demand as may from time to time be agreed among WHTCL's shareholders, subject to a syndicated loan having been fully repaid by WHTCL before any repayment of the loan except in certain circumstances. No security is provided to the Group for the loan.

(II) Guarantee

The Company entered into a guarantee ("Guarantee") on 25 June 2002 in favour of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), given for the benefit of Hong Kong Tunnels and Highways Management Company Limited ("HKTHMCL"), a company which is owned as to 37% by the Company, to the extent of approximately HK\$18.9 million, which became effective as from 1 September 2002. The Guarantee was given to HSBC in return for it providing a guarantee in favour of the Government of the Hong Kong SAR on behalf of HKTHMCL to secure the performance of an agreement in relation to the operation and management of the cross-harbour tunnel at Hunghom and the operation and maintenance of the tunnel equipment by HKTHMCL. As described in note 15(b) of the interim financial report, the Group had given a guarantee of HK\$11.1 million to HSBC in this respect as at 30 June 2002.

(III) Proforma Balance Sheet of Affiliated Companies

Set out below is a combined proforma balance sheet of WHTCL and HKTHMCL as at 31 July 2002 (being the latest practicable date for determining the relevant figures) required to be disclosed under Practice Note 19 of the Listing Rules:

	HK\$'000
Total assets	6,303,320
Other liabilities	(3,745,759)
	<u>2,557,561</u>
Share capital and reserves	(238,270)
Shareholders' loans	2,795,831
	<u>2,557,561</u>

CONNECTED TRANSACTIONS

On 11 June 2002, the Company entered into an agreement with Honway Holdings Limited ("Honway") in relation to the subscription by Honway for an interest-bearing convertible note amounting to HK\$117 million (the "Note"). Honway is a substantial shareholder of the Company. The Note conferred the right to the holder to convert the whole or part of the principal amount of the Note into ordinary shares of the Company at any time from the date of its issue for a period of three years, at a conversion price of HK\$3.5 per share in the first year, HK\$3.7 per share in the second year and HK\$3.9 per share in the third year, subject to adjustment. The Note will mature and will be repayable if not previously converted, on the third anniversary of the date of its issue. Interest on the Note is accrued from the date of issue on a day-to-day basis at 3.5% per annum on the principal amount of the Note outstanding and is payable annually in arrears. The holder of the Note is not entitled to attend or vote at any meeting of the Company by reason of its being the holder of the Note. The net proceeds from the issue of the Note which amounted to HK\$117 million are being used as general working capital of the Group.

DIRECTORS' INTEREST IN SHARES

At 30 June 2002, Directors of the Company had the following beneficial interests in the share capital of the Company:

Name of Director	No. of Ordinary Shares	Nature of Interest
Mr. Cheung Chung Kiu	55,099,100	Corporate interest (see note below)

Note: The 55,099,100 shares of the Company were beneficially owned by Honway Holdings Limited, a wholly owned subsidiary of Y. T. Realty Group Limited ("Y.T."). Y.T. is owned as to 34.25% by Yugang International Limited ("Yugang"). Yugang is owned as to 0.63% by Mr. Cheung Chung Kiu and as to 37.79% by Chongqing Industrial Limited ("Chongqing"). Chongqing is owned as to 35% by Mr. Cheung Chung Kiu, as to 30% and 5% respectively by Peking Palace Limited and Miraculous Services Limited (companies controlled by Palin Discretionary Trust, the objects of which include, Mr. Cheung and his family) and as to 30% by Prize Winner Limited which is owned by Mr. Cheung and his associates.

Other than certain nominee shares in subsidiaries held by Directors in trust for the companies in the Group, no Director held an interest in the share capital of the Company's subsidiaries during the year.

Save as disclosed above, as recorded in the register kept by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests held as at 30 June 2002 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance); and
- (ii) during the financial period, there existed no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises of any such rights by any of them.

SHARE OPTION SCHEME

There were no changes to the information disclosed in the Annual Report and Financial Statements for the year ended 2001 in respect of the share options granted to the employees of the Company under the Share Option Scheme adopted on 8 May 2001. No options were exercised, cancelled or lapsed during the period under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 10 per cent or more of the nominal value of the share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 30 June 2002 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

Names	No. of ordinary shares
(i) Honway Holdings Limited	55,099,100
(ii) Y. T. Investment Holdings Limited	55,099,100
(iii) Y. T. Realty Group Limited	55,099,100
(iv) Funrise Limited	55,099,100
(v) Yugang International (BVI) Limited	55,099,100
(vi) Yugang International Limited	55,099,100
(vii) Chongqing Industrial Limited	55,099,100
(viii) Mr. Cheung Chung Kiu	55,099,100

Notes:

- (a) Mr. Cheung Chung Kiu's interest has been disclosed under the section headed "Directors' Interests in Shares".
- (b) For the avoidance of doubt and double counting, it should be noted that duplication occurred in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) to (viii) above represented the same block of shares; all of the abovenamed parties were deemed to be interested in the same shareholdings under the SDI Ordinance as at 30 June 2002.

SHARE CAPITAL

On 8 May and 11 June 2002, the Company issued convertible notes with a principal amount of HK\$133 million maturing on 8 May 2005, and HK\$117 million maturing on 11 June 2005, respectively.

On 17 May 2002, a total of 10,000,000 ordinary shares of HK\$1 each were allotted upon conversion of convertible notes with a principal amount of HK\$35 million at HK\$3.5 per share.

Details of other movements in the share capital of the Company are set out in note 11 on the interim financial report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters including review of the unaudited interim financial report.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited has been complied with by the Company during the six months ended 30 June 2002. The independent non-executive directors were appointed by the board of directors for a term of 2 years commencing on 8 May 2001 with their remuneration to be fixed by the board.

BOOK CLOSURE

The Register of Members of the Company will be closed from 25 to 26 September 2002, both days inclusive, during which period no transfer of shares can be registered. The record date for the second quarterly interim dividend is at the close of business on 26 September 2002. In order to qualify for the abovementioned second quarterly interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, not later than 4:00 p.m. on Tuesday, 24 September 2002.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication throughout the period.

By Order of the Board
Yeung Hin Chung, John
Managing Director

Hong Kong, 6 September 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30 June 2002 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2002	2001 <i>restated</i>
		\$'000	\$'000
Turnover	2	128,426	138,326
Other revenue		4,811	9,540
Other net income		1	181
Direct costs and operating expenses		(60,187)	(66,390)
Selling and marketing expenses		(16,816)	(15,756)
Administrative and corporate expenses		(31,597)	(27,368)
Operating profit before finance costs		24,638	38,533
Finance costs	3	(1,169)	—
Operating profit	2	23,469	38,533
Share of profits less losses of associates		25,415	7,102
Share of profit of a jointly controlled entity		8,563	8,651
Profit from ordinary activities before taxation	3	57,447	54,286
Taxation	4	(4,416)	(3,775)
Profit from ordinary activities after taxation		53,031	50,511
Minority interests		(6,536)	(7,227)
Profit attributable to shareholders for the interim period		<u>46,495</u>	<u>43,284</u>
Dividends attributable to the interim period:	5(a)		
Interim dividend declared during the interim period		10,277	9,582
Interim dividend declared after the interim period end		10,336	9,629
		<u>20,613</u>	<u>19,211</u>
Earnings per share	6		
Basic		<u>24 cents</u>	<u>23 cents</u>
Diluted		<u>22 cents</u>	<u>23 cents</u>
Profit for the period is retained by:			
The Company and its subsidiaries		15,850	30,126
Associates		25,415	7,102
Jointly controlled entity		5,230	6,056
		<u>46,495</u>	<u>43,284</u>

The notes on pages 14 to 25 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

As at 30 June 2002 - unaudited

(Expressed in Hong Kong dollars)

	Note	30 June 2002		31 December 2001	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets			98,337		106,927
Interest in associates			940,128		850,704
Interest in a jointly controlled entity			(3,047)		(10,519)
Investments			282,720		318,577
			<u>1,318,138</u>		<u>1,265,689</u>
Current assets					
Inventories			728		588
Trade and other receivables	8		16,610		14,195
Dividends receivable			3,795		—
Cash and cash equivalents			389,699		192,364
			<u>410,832</u>		<u>207,147</u>
Current liabilities					
Trade and other payables	9		134,530		128,961
Taxation			10,863		7,362
Dividends payable			10,380		9,748
			<u>155,773</u>		<u>146,071</u>
Net current assets			<u>255,059</u>		<u>61,076</u>
Total assets less current liabilities			<u>1,573,197</u>		<u>1,326,765</u>
Non-current liabilities					
Convertible notes	10		(215,000)		—
Deferred taxation			(3,860)		(4,400)
			<u>(218,860)</u>		<u>(4,400)</u>
Minority interests			<u>(29,681)</u>		<u>(29,904)</u>
NET ASSETS			<u>1,324,656</u>		<u>1,292,461</u>
CAPITAL AND RESERVES					
Share capital	11		205,545		193,572
Reserves	12		1,119,111		1,098,889
			<u>1,324,656</u>		<u>1,292,461</u>

The notes on pages 14 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2002 - unaudited

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Investment revaluation reserve \$'000	Revenue reserve \$'000	Total \$'000
At 1 January 2002	193,572	751,015	1,984	(9,645)	355,535	1,292,461
Shares issued in lieu of dividend declared in previous financial year	979	2,145	—	—	—	3,124
Dividend approved in respect of the previous financial year	994	2,375	—	—	(9,728)	(6,359)
Revaluation deficits	—	—	—	(35,788)	—	(35,788)
Net profit for the interim period	—	—	—	—	46,495	46,495
Dividend declared in respect of the current interim period	—	—	—	—	(10,277)	(10,277)
Conversion of convertible notes	10,000	25,000	—	—	—	35,000
At 30 June 2002	<u>205,545</u>	<u>780,535</u>	<u>1,984</u>	<u>(45,433)</u>	<u>382,025</u>	<u>1,324,656</u>
At 1 January 2001	191,638	747,029	1,984	2,571	330,084	1,273,306
Dividend approved in respect of the previous financial year	—	—	—	—	(9,582)	(9,582)
Revaluation deficits	—	—	—	(61,040)	—	(61,040)
Net profit for the interim period	—	—	—	—	43,284	43,284
Dividend declared in respect of the current interim period	—	—	—	—	(9,582)	(9,582)
At 30 June 2001	<u>191,638</u>	<u>747,029</u>	<u>1,984</u>	<u>(58,469)</u>	<u>354,204</u>	<u>1,236,386</u>

The notes on pages 14 to 25 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2002 - unaudited
 (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2002	2001
	\$'000	\$'000
Net cash inflow from operating activities	22,264	49,370
Net cash outflow from investing activities	<u>(55,359)</u>	<u>(53,160)</u>
Net cash outflow before financing	(33,095)	(3,790)
Net cash inflow/(outflow) from financing	<u>230,430</u>	<u>(30,234)</u>
Increase/(decrease) in cash and cash equivalents	197,335	(34,024)
Cash and cash equivalents at 1 January	<u>192,364</u>	<u>230,669</u>
Cash and cash equivalents at 30 June	<u>389,699</u>	<u>196,645</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and deposits maturing within three months of the balance sheet date	<u>389,699</u>	<u>196,645</u>

The notes on pages 14 to 25 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). KPMG's independent review report to the board of directors is included on page 26.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 31 December 2001 included in the interim financial report does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2001 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 April 2002.

The same accounting policies adopted in the 2001 annual financial statements have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2001 annual financial statements.

2 Turnover and operating profit

The analysis of the principal activities of the operations of the Company and its subsidiaries during the financial period is as follows:

	Turnover		Operating profit	
	Six months ended 30 June 2002 \$'000	2001 \$'000	Six months ended 30 June 2002 \$'000	2001 \$'000
<i>Principal activities</i>				
Motoring school operations	115,908	122,311	16,275	14,582
Investment and other activities	12,518	16,015	7,194	23,951
	<u>128,426</u>	<u>138,326</u>	<u>23,469</u>	<u>38,533</u>

During the interim financial period, more than 90% of the operations of the Company and its subsidiaries in terms of both turnover and operating profit were carried out in Hong Kong.

3 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2002 \$'000	2001 \$'000
<i>(a) Finance costs</i>		
Interest on convertible notes	762	—
Other borrowing costs	407	—
	<u>1,169</u>	<u>—</u>
<i>(b) Other items</i>		
Depreciation	9,869	9,393
Cost of inventories consumed	6,333	6,226
Cost of retirement schemes	2,178	2,132
Net profit on sale of fixed assets	(1)	(181)
	<u>18,387</u>	<u>17,570</u>

4 Taxation

	Six months ended 30 June	
	2002 \$'000	2001 \$'000
Hong Kong taxation	3,865	3,775
Deferred taxation	(540)	—
Share of a jointly controlled entity's taxation	1,091	—
	<u>4,416</u>	<u>3,775</u>

The provision for Hong Kong profits tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the six months ended 30 June 2002.

5 Dividends

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2002 \$'000	2001 \$'000
Interim dividend declared of 5 cents per share (2001: 5 cents per share)	10,277	9,582
Interim dividend declared after the interim period end of 5 cents per share (2001: 5 cents per share)	10,336	9,629
	<u>20,613</u>	<u>19,211</u>

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

(b) *Dividends attributable to the previous financial year, approved and paid during the interim period*

	Six months ended 30 June	
	2002	2001
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 5 cents per share (2001: 5 cents per share)	<u>9,728</u>	<u>9,582</u>

6 Earnings per share

(a) *Basic*

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$46,495,000 (2001: \$43,284,000) and the weighted average of 197,175,524 ordinary shares (2001: 191,638,401 shares) in issue during the period.

(b) *Diluted*

The calculation of diluted earnings per share is based on the profit attributable to shareholders of \$47,135,000 and the weighted average number of ordinary shares of 214,353,513 shares after adjusting for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in existence during the first half of 2001.

(c) *Reconciliations*

	2002	2001
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	197,175,524	191,638,401
Deemed issue of ordinary shares for no consideration	4,633,396	—
Deemed issue of ordinary shares from conversion of convertible notes	<u>12,544,593</u>	<u>—</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>214,353,513</u>	<u>191,638,401</u>

7 Segment reporting

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the reporting format because this is considered by management to be more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following business segments:

- Motoring school operations
- Tunnel operations
- Electronic toll operations
- Treasury

	Motoring school operations		Tunnel operations		Electronic toll operations		Treasury		Unallocated		Consolidated	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Turnover	115,908	122,311	1,587	877	1,835	2,265	9,096	12,873	—	—	128,426	138,326
Other revenue	—	—	4,811	9,540	—	—	—	—	—	—	4,811	9,540
Total revenue	<u>115,908</u>	<u>122,311</u>	<u>6,398</u>	<u>10,417</u>	<u>1,835</u>	<u>2,265</u>	<u>9,096</u>	<u>12,873</u>	<u>—</u>	<u>—</u>	<u>133,237</u>	<u>147,866</u>
Segment result	16,275	14,582	6,398	10,417	1,829	2,179	5,881	12,645	(205)	867	30,178	40,690
Unallocated operating expenses											(5,540)	(2,157)
Operating profit before finance costs											24,638	38,533
Finance costs	—	—	—	—	—	—	(1,169)	—	—	—	(1,169)	—
Operating profit											23,469	38,533
Share of profits less losses of associates	—	—	25,415	7,102	—	—	—	—	—	—	25,415	7,102
Share of profit of a jointly controlled entity	—	—	—	—	8,563	8,651	—	—	—	—	8,563	8,651
Profit from ordinary activities before taxation											57,447	54,286
Taxation	(2,731)	(2,471)	(317)	(666)	(1,368)	(315)	—	(323)	—	—	(4,416)	(3,775)
Profit from ordinary activities after taxation											53,031	50,511
Minority interests	(3,772)	(3,891)	—	—	(2,764)	(3,336)	—	—	—	—	(6,536)	(7,227)
Profit attributable to shareholders for the interim period											46,495	43,284
Depreciation for the interim period	9,575	9,375	—	—	—	3	—	—	294	15	9,869	9,393

8 Trade and other receivables

Included in trade and other receivables are trade receivables with the following ageing analysis:

	30 June 2002 \$'000	31 December 2001 \$'000
Current	169	167
1 to 3 months overdue	137	316
More than 3 months overdue	42	110
	<u>348</u>	<u>593</u>

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

9 Trade and other payables

Included in trade and other payables are trade payables with the following ageing analysis:

	30 June 2002 \$'000	31 December 2001 \$'000
Due within 1 month or on demand	5,915	2,240
Due after 90 days	—	10
	<u>5,915</u>	<u>2,250</u>

10 Convertible notes

On 8 May 2002, the Company issued convertible notes (the "CN I") amounting to \$133,000,000 with a maturity date of 8 May 2005 which bear interest at the rate of 3.5% per annum. The CN I confer rights to be converted into new ordinary shares of the Company at a conversion price of \$3.50 per share during the period from 8 May 2002 to 8 May 2003, \$3.70 per share during the period from 9 May 2003 to 8 May 2004 and \$3.90 per share during the period from 9 May 2004 to 8 May 2005 (subject to adjustment).

On 17 May 2002, \$35,000,000 CN I were converted into 10,000,000 new ordinary shares of the Company at a conversion price of \$3.50 per share.

On 11 June 2002, the Company issued further convertible notes (the "CN II") of \$117,000,000 with a maturity date of 11 June 2005 which bear interest at the rate of 3.5% per annum. The CN II confer rights to be converted into new ordinary shares of the Company at a conversion price of \$3.50 per share during the period from 11 June 2002 to 11 June 2003, \$3.70 per share during the period from 12 June 2003 to 11 June 2004 and \$3.90 per share during the period from 12 June 2004 to 11 June 2005 (subject to adjustment).

11 Share capital

	No. of shares '000	Amount \$'000
<i>Issued and fully paid:</i>		
At 1 January 2002	193,572	193,572
Shares issued in lieu of dividends	1,973	1,973
Shares issued on conversion of convertible notes	<u>10,000</u>	<u>10,000</u>
At 30 June 2002	<u>205,545</u>	<u>205,545</u>

On 8 January 2002 and 30 May 2002, 979,467 shares and 993,994 shares were issued as fully paid new shares in lieu of the third interim cash dividend and the final cash dividend for the year ended 31 December 2001, at a value of \$3.19 and \$3.39 per share respectively. Amounts totalling \$4.5 million were credited to the share premium account.

On 17 May 2002, \$35 million convertible notes were converted by the holders into 10,000,000 ordinary shares. An amount of \$25 million standing to the credit of the share premium amount was applied in paying up the shares.

Pursuant to a share option scheme established by the Company on 8 May 2001, options to purchase ordinary shares in the Company were granted to eligible employees exercisable at a price of \$2.492 per share. The options are exercisable during the period from 30 August 2001 to 7 May 2011. As at 30 June 2002, no options were exercised and there were outstanding options in respect of a total of 19,200,000 ordinary shares of the Company.

12 Reserves

	Share premium \$'000	Capital reserve \$'000	Investment revaluation reserve \$'000	Revenue reserve \$'000	Total \$'000
At 1 January 2002	751,015	1,984	(9,645)	355,535	1,098,889
Shares issued in lieu of dividend declared in the previous financial year	2,145	—	—	—	2,145
Dividend approved in respect of the previous financial year (note 5(b))	2,375	—	—	(9,728)	(7,353)
Net profit for the period	—	—	—	46,495	46,495
Dividend declared in respect of the current interim period (note 5(a))	—	—	—	(10,277)	(10,277)
Conversion of convertible notes	25,000	—	—	—	25,000
Revaluation deficits	—	—	(35,788)	—	(35,788)
At 30 June 2002	<u>780,535</u>	<u>1,984</u>	<u>(45,433)</u>	<u>382,025</u>	<u>1,119,111</u>

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance. The capital reserve and investment revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill arising on subsidiaries, associates and jointly controlled entities and the revaluation of investments in securities.

13 Capital commitments

The Group had capital commitments outstanding and not provided for at 30 June 2002 as follows:

	30 June 2002 \$'000	31 December 2001 \$'000
Authorised and contracted for	<u>625</u>	<u>282</u>
Authorised but not contracted for	<u>108</u>	<u>—</u>

14 Material related party transactions

During the period, the Group was involved in the following material related party transactions, none of which is regarded as a “connected transaction” as defined under the Listing Rules except for (c).

(a) The Group extended a loan to and received interest from an associate, Western Harbour Tunnel Company Limited (“WHTCL”). The balance of the loan and interest receivable at 30 June 2002 was \$1,033.6 million (31 December 2001: \$969.6 million).

The Group received interest income and management fee income from WHTCL of \$4.8 million (2001: \$4.3 million) and \$1.3 million (2001: \$0.7 million) respectively.

(b) The Group received consultancy fees from a jointly controlled entity of \$1.8 million (2001: \$1.9 million).

(c) On 11 June 2002, the Company issued convertible notes of \$117 million to Honway Holdings Limited. (“Honway”), a substantial shareholder of the Company. The interest expenses accrued in respect of the convertible notes for the six months ended 30 June 2002 were \$0.2 million. Further details of the convertible note are set out in the section headed “Connected Transactions”.

15 Contingent liabilities

At 30 June 2002, the Group had the following contingent liabilities:

(a) *In respect of Western Harbour Tunnel Company Limited ("WHTCL")*

A joint and several guarantee given by the Company and the other shareholders of WHTCL, namely, High Fortune Group Limited, as well as by the ultimate shareholders of High Fortune Group Limited, namely, China Merchants Holdings (International) Company Limited and Adwood Company Limited, as well as by the ultimate shareholders of Adwood Company Limited, namely, CITIC Pacific Limited and Kerry Properties Limited (collectively "the guarantors") to the Government of the Hong Kong SAR to advance to WHTCL by way of share capital injection and/or subordinated debt an amount equal to any excess of the total costs over the budgeted cost of \$7,534 million, incurred by WHTCL in connection with the construction, financing, administration and maintenance of the Western Harbour Crossing ("the Crossing") up to the date the Crossing opened for use by the public ("the operating date") and with the replacement or repair of any of the works after the operating date but prior to the issuance of the maintenance certificate in relation to the Crossing. The maintenance certificate had not been issued at 30 June 2002.

(b) *In respect of Hong Kong Tunnels and Highways Management Company Limited ("HKTHMCL")*

The Group has given a guarantee to the extent of \$11.1 million (31 December 2001: \$11.1 million) to a bank in return for it providing a guarantee in favour of the Government of the Hong Kong SAR on behalf of HKTHMCL to secure the performance of an agreement in relation to the operation and management of the Cross-Harbour Tunnel and the operation and maintenance of the tunnel equipment by HKTHMCL.

(c) *In respect of The Hong Kong School of Motoring Limited ("HKSM")*

There is arrangement between HKSM and its banker where the bank provides guarantees in favour of third parties. Under this arrangement, HKSM has a charge over a time deposit with that bank amounting to not less than \$2.4 million (31 December 2001: \$2.4 million).

(d) *In respect of the Company*

The Company has given two letters of undertaking in relation to the bank facilities of the Group to two banks for general facilities totalling \$200 million (31 December 2001: \$200 million) granted to the Company. The banking facilities granted are also secured by a negative pledge of certain listed investments held by the Group. At 30 June 2002, these facilities were not utilised by the Company.

16 Post balance sheet events

On 16 August 2002, WHTCL, the principal associate of the Group, signed a refinancing agreement for the syndicated loans outstanding under \$5.2 billion banking facilities. On 23 August 2002, the Company further advanced a loan amounting to \$70.3 million to WHTCL. Further details are set out under the section headed "Disclosure under Practice Note 19".

In May 2002, HKTHMCL was awarded a new Management Operation Maintenance ("MOM") contract to manage the cross-harbour tunnel at Hunghom for a period of two years with effect from 1 September 2002 with an option for the Government to extend for further period of up to twenty-four months. On 1 September 2002, the Group gave a guarantee to the extent of \$18.9 million to a bank in return for it providing a guarantee in favour of the Government of the Hong Kong SAR on behalf of HKTHMCL to secure the performance under this new MOM contract and replace the original guarantee of \$11.1 million as set out in note 15(b) "Contingent liabilities".

On 6 September 2002, the Directors declared a second interim dividend. Further details are set out in note 5(a) "Dividends".

17 Comparative figures

In the current period's consolidated profit and loss account, turnover is stated net of cash discounts. In prior periods, cash discounts were disclosed as a component of selling and marketing expenses. The relevant comparative figures have been reclassified to conform with the current period's presentation which management consider better reflects the revenue derived from operations.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF

THE CROSS-HARBOUR (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

We have been instructed by the company to review the interim financial report set out on pages 10 to 25.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statements of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and, therefore, provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

KPMG

Certified Public Accountants

Hong Kong, 6 September 2002