



The Cross-Harbour (Holdings) Limited

(Stock Code : 32)



Interim Report **2008**

Corporate Information	2
Consolidated Profit and Loss Account	3
Consolidated Balance Sheet	4
Consolidated Statement of Changes in Equity	6
Condensed Consolidated Cash Flow Statement	7
Notes on the Unaudited Interim Financial Statements	8
Review Report to the Board of Directors	19
Management Discussion and Analysis	20
Continuing Disclosure	24
Disclosure of Interests	26
Other Information	30

BOARD OF DIRECTORS

Executive Director

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

Non-executive Director

Lee Ka Sze, Carmelo
Wong Yat Fai

Independent Non-executive Director

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

AUDIT COMMITTEE

Luk Yu King, James (*Chairman*)
Lee Ka Sze, Carmelo
Ng Kwok Fu
Leung Yu Ming, Steven

REMUNERATION COMMITTEE

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

SECRETARY

Leung Shuk Mun, Phyllis Sylvia

REGISTERED OFFICE

3301-07, China Resources Building
26 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2161 1888
Fax: (852) 2802 2080
Website: www.crossharbour.com.hk

REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

KPMG
Certified Public Accountants

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 32

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Expressed in Hong Kong dollars)

For the six months ended 30 June 2008 - unaudited

		Six months ended 30 June	
	Note	2008 \$'000	2007 \$'000
Turnover	2	122,778	136,548
Other revenue		2,055	2,947
Other net income	3	73,918	23,262
Direct costs and operating expenses		(50,238)	(49,295)
Selling and marketing expenses		(13,870)	(16,623)
Administrative and corporate expenses		(32,707)	(29,966)
Operating profit before finance costs		101,936	66,873
Finance costs	4(a)	(842)	(1,460)
Operating profit	2	101,094	65,413
Share of profits of associates		70,847	45,321
Share of profit of a jointly controlled entity		8,791	9,718
Profit before taxation	4	180,732	120,452
Income tax	5	(3,290)	(3,172)
Profit for the interim period		<u>177,442</u>	<u>117,280</u>
Attributable to:			
Equity shareholders of the Company		170,233	108,037
Minority interests		7,209	9,243
Profit for the interim period		<u>177,442</u>	<u>117,280</u>
Dividends payable to equity shareholders of the Company attributable to the interim period:	6(a)		
First interim dividend declared during the interim period		21,209	21,209
Second interim dividend declared after the interim period end		21,209	21,209
		<u>42,418</u>	<u>42,418</u>
Earnings per share	7		
Basic		<u>48 cents</u>	<u>31 cents</u>
Diluted		<u>46 cents</u>	<u>30 cents</u>
Profit for the period is retained by:			
The Company and its subsidiaries		90,595	52,998
Associates		70,847	45,321
Jointly controlled entity		8,791	9,718
		<u>170,233</u>	<u>108,037</u>

The notes on pages 8 to 18 form part of this interim financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2008 - unaudited

(Expressed in Hong Kong dollars)

	Note	30 June 2008		31 December 2007	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			72,000		82,230
- Interest in leasehold land held for own use under operating leases			28,441		28,806
			100,441		111,036
Interest in associates			900,306		826,863
Interest in a jointly controlled entity			38,005		29,214
Available-for-sale securities	9		299,186		623,458
Deferred tax assets			357		290
			1,338,295		1,590,861
Current assets					
Trading securities			130,597		136,235
Equity linked notes			44,260		49,965
Inventories			1,282		945
Trade and other receivables	10		14,494		21,507
Cash and cash equivalents			1,310,339		1,210,379
			1,500,972		1,419,031
Current liabilities					
Trade and other payables	11		61,723		83,536
Course fees received in advance			64,948		67,317
Taxation payable			12,168		12,223
Dividends payable			21,325		21,316
			160,164		184,392

CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

As at 30 June 2008 - unaudited

	Note	30 June 2008		31 December 2007	
		\$'000	\$'000	\$'000	\$'000
Net current assets			1,340,808		1,234,639
Total assets less current liabilities			2,679,103		2,825,500
Non-current liabilities					
Deferred tax liabilities			863		1,500
NET ASSETS			<u>2,678,240</u>		<u>2,824,000</u>
CAPITAL AND RESERVES					
Share capital	12		353,488		353,488
Reserves	13		2,263,719		2,401,538
Total equity attributable to equity shareholders of the Company			2,617,207		2,755,026
Minority interests	13		61,033		68,974
TOTAL EQUITY			<u>2,678,240</u>		<u>2,824,000</u>

The notes on pages 8 to 18 form part of this interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008 - unaudited

(Expressed in Hong Kong dollars)

	Note	2008		2007	
		\$'000	\$'000	\$'000	\$'000
Total equity balance at 1 January			<u>2,824,000</u>		<u>2,543,809</u>
Net income recognised directly in equity:					
Cash flow hedge: effective portion of changes in fair value, net of deferred tax	13		542		2,540
Changes in fair value of available-for-sale securities	13		<u>(120,555)</u>		<u>58,588</u>
			<u>(120,013)</u>		<u>61,128</u>
Transfers from equity:					
Transfer to profit or loss on disposal of available-for-sale securities	13		<u>(124,412)</u>		—
Net profit for the interim period	13		<u>177,442</u>		<u>117,280</u>
Total recognised income and expense for the interim period			<u>(66,983)</u>		<u>178,408</u>
Attributable to:					
– Equity shareholders of the Company			<u>(74,192)</u>		168,524
– Minority interests			<u>7,209</u>		<u>9,884</u>
			<u>(66,983)</u>		<u>178,408</u>
Dividends declared or approved during the interim period	13		<u>(63,627)</u>		<u>(63,627)</u>
Minority interest's share of dividend	13		<u>(15,150)</u>		<u>(6,990)</u>
Total equity at 30 June			<u><u>2,678,240</u></u>		<u><u>2,651,600</u></u>

The notes on pages 8 to 18 form part of this interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Hong Kong dollars)

For the six months ended 30 June 2008 - unaudited

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Cash generated from operations	1,503	10,188
Tax paid	(4,049)	(547)
Net cash (used in)/from operating activities	(2,546)	9,641
Net cash from investing activities	182,116	644,764
Net cash used in financing activities	(79,610)	(50,805)
Net increase in cash and cash equivalents	99,960	603,600
Cash and cash equivalents at 1 January	1,210,379	437,001
Cash and cash equivalents at 30 June	1,310,339	1,040,601
Analysis of the balances of cash and cash equivalents		
Deposits and cash at banks	1,310,339	1,040,601

The notes on pages 8 to 18 form part of this interim financial statements.

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), 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 issuance on 12 September 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with new and revised Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG's review report to the Board of Directors is included on page 19.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information 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 2007 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14 March 2008.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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		Six months ended 30 June	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Principal activities</i>				
Motoring school operations	99,251	103,954	15,717	19,769
Investment and other activities	23,527	32,594	97,909	56,072
	<u>122,778</u>	<u>136,548</u>	113,626	75,841
Unallocated operating expenses			(11,690)	(8,968)
Finance costs			(842)	(1,460)
			<u>101,094</u>	<u>65,413</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 Other net income

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Net gain on sale of available-for-sale securities	106,396	—
Net realised and unrealised (losses)/gains on trading securities	(26,500)	22,801
Net realised and unrealised (losses)/gains on equity-linked notes	(11,618)	1,034
Net realised and unrealised gains/(losses) on derivative financial instruments	5,564	(714)
Net gain on sale of fixed assets	76	141
	<u>73,918</u>	<u>23,262</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4. Profit before taxation

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

		Six months ended 30 June	
		2008	2007
		\$'000	\$'000
(a)	Finance Costs		
	Other borrowing costs	842	1,460
(b)	Other items		
	Amortisation of land lease premium	365	365
	Depreciation	12,045	11,649
	Cost of inventories consumed	4,228	3,681
	Contributions to defined contribution retirement schemes	2,345	2,471
	Dividend income from listed investments	(6,568)	(8,765)
	Interest income	(13,205)	(20,058)
		<u> </u>	<u> </u>

5. Income tax

		Six months ended 30 June	
		2008	2007
		\$'000	\$'000
	Current tax – Hong Kong Profits Tax	3,994	3,172
	Deferred taxation	(704)	—
		<u> </u>	<u> </u>
		<u>3,290</u>	<u>3,172</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 June 2008.

Share of taxation of associate for the six months ended 30 June 2008 amounted to \$10.0 million (2007: \$10.2 million) was included in share of profits of associates in the consolidated profit and loss account.

Share of taxation of a jointly controlled entity for the six months ended 30 June 2008 amounted to \$1.3 million (2007: \$1.4 million) was included in share of profit of a jointly controlled entity in the consolidated profit and loss account.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Dividends

(a) Dividends attributable to the interim period

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
First interim dividend declared during the interim period end of 6 cents per share (2007: 6 cents per share)	21,209	21,209
Second interim dividend declared after the interim period end of 6 cents per share (2007: 6 cents per share)	21,209	21,209
	<u>42,418</u>	<u>42,418</u>

The second 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	
	2008 \$'000	2007 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 12 cents per share (2007: 12 cents per share)	<u>42,418</u>	<u>42,418</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7 Earnings per share

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$170,233,000 (2007: \$108,037,000) and the weighted average of 353,488,206 ordinary shares (2007: 353,488,206 shares) in issue during the period.

(b) Diluted

The calculation of diluted earnings per share is based on the profit attributable to shareholders of \$170,233,000 (2007: \$108,037,000) and the weighted average of 366,471,158 ordinary shares (2007: 365,715,545 shares) after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	353,488,206	353,488,206
Deemed issue of ordinary shares for no consideration	<u>12,982,952</u>	<u>12,227,339</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>366,471,158</u></u>	<u><u>365,715,545</u></u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Turnover	99,251	103,954	1,462	1,471	1,800	1,800	19,769	28,828	496	495	122,778	136,548
Other revenue	—	—	—	—	—	—	2,055	2,947	—	—	2,055	2,947
Total revenue	99,251	103,954	1,462	1,471	1,800	1,800	21,824	31,775	496	495	124,833	139,495
Segment result	15,717	19,769	1,462	1,471	1,759	1,749	95,220	53,380	(532)	(528)	113,626	75,841
Unallocated operating expenses	—	—	—	—	—	—	—	—	—	—	(11,690)	(8,968)
Operating profit before finance costs	—	—	—	—	—	—	—	—	—	—	101,936	66,873
Finance costs	—	—	—	—	—	—	(842)	(1,460)	—	—	(842)	(1,460)
Operating profit	—	—	—	—	—	—	—	—	—	—	101,094	65,413
Share of profits of associates	—	—	70,847	45,321	—	—	—	—	—	—	70,847	45,321
Share of profit of a jointly controlled entity	—	—	—	—	8,791	9,718	—	—	—	—	8,791	9,718
Profit before taxation	—	—	—	—	—	—	—	—	—	—	180,732	120,452
Income tax	(3,021)	(2,474)	—	—	(283)	(291)	14	(392)	—	(15)	(3,290)	(3,172)
Profit for the interim period	—	—	—	—	—	—	—	—	—	—	177,442	117,280
Depreciation for the interim period	9,406	9,158	—	—	—	—	—	—	2,639	2,491	12,045	11,649
Amortisation of land lease premium	365	365	—	—	—	—	—	—	—	—	365	365

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9 Available-for-sale securities

	30 June 2008 \$'000	31 December 2007 \$'000
Listed in Hong Kong	285,627	542,139
Listed outside Hong Kong	13,559	81,319
	<u>299,186</u>	<u>623,458</u>
Market value of listed securities	<u>299,186</u>	<u>623,458</u>

At 30 June 2008, certain securities held by the subsidiaries were pledged to the banks for the banking facilities granted to the Company.

10 Trade and other receivables

Included in trade and other receivables are trade receivables with an aging analysis as at the interim period end as follows:

	30 June 2008 \$'000	31 December 2007 \$'000
Amounts receivable due:		
0-30 days	171	248
31-90 days	286	312
Over 90 days	132	128
	<u>589</u>	<u>688</u>

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

Trade and other receivables include deposits paid amounting to \$4,057,000 (31 December 2007: \$4,043,000) which are expected to be recovered after one year. Apart from the above, all of the balances are expected to be recovered within one year.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 Trade and other payables

Included in trade and other payables are trade payables with an aging analysis as at the interim period end as follows:

	30 June 2008 \$'000	31 December 2007 \$'000
Amounts payable within:		
0-30 days	923	1,755
31-90 days	165	327
Over 90 days	406	575
	<u>1,494</u>	<u>2,657</u>

All of the balances are expected to be settled within one year.

12 Share capital

	No. of shares '000	Amount \$'000
Authorised:		
Ordinary shares of \$1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January & 30 June 2008	<u>353,488</u>	<u>353,488</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 Reserves

	Share premium \$'000	Capital reserve \$'000	Investment revaluation reserve \$'000	Hedging reserve \$'000	Retained profit \$'000	Total \$'000	Minority interest \$'000	Total \$'000
At 1 January 2008	1,228,127	1,984	336,615	(4,103)	838,915	2,401,538	68,974	2,470,512
Dividends approved in respect of the previous financial year (note 6(b))	—	—	—	—	(42,418)	(42,418)	—	(42,418)
Net profit for the interim period	—	—	—	—	170,233	170,233	7,209	177,442
Minority interests share of dividend	—	—	—	—	—	—	(15,150)	(15,150)
Available-for-sale securities								
- Changes in fair value	—	—	(120,555)	—	—	(120,555)	—	(120,555)
- Transfer to profit or loss on disposal	—	—	(124,412)	—	—	(124,412)	—	(124,412)
Cash flow hedge: effective portion of changes in fair value, net of deferred tax	—	—	—	542	—	542	—	542
Dividend declared in respect of the current financial year (note 6(a))	—	—	—	—	(21,209)	(21,209)	—	(21,209)
At 30 June 2008	1,228,127	1,984	91,648	(3,561)	945,521	2,263,719	61,033	2,324,752

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 available-for-sale securities.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used by the associate in cash flow hedges pending subsequent recognition of the hedged cash flow.

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Capital commitments

Capital commitments outstanding at 30 June 2008 and not provided for in the interim financial statement were as follows:

	30 June 2008 \$'000	31 December 2007 \$'000
Contracted for	508	2,589
Authorised but not contracted for	—	—

15 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.

- (a) The balance of the loan and interest receivable from an associate, Western Harbour Tunnel Company Limited (“WHTCL”) at 30 June 2008 was \$415.9 million (31 December 2007: \$413.8 million).

The Group received interest income and management fee income from WHTCL of \$2.1 million (2007: \$2.9 million) and \$1.3 million (2007: \$1.3 million) respectively.

- (b) The Group received consultancy fees from a jointly controlled entity of \$1.8 million (2007: \$1.8 million).

16 Contingent liabilities

At 30 June 2008, the Group had the following contingent liabilities:

(a) *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 \$50 million (31 December 2007: \$150 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 2008, these facilities were not utilised by the Company.

(b) *In respect of The Hong Kong School of Motoring Limited (“HKSM”)*

There is an arrangement between HKSM and its banker whereby 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 \$0.4 million (31 December 2007: \$0.4 million).

NOTES ON THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 Contingent liabilities (Continued)

(c) *In respect of Hong Kong Transport, Logistics and Management Company Limited ("HKTLMCL")*

The Group has given a guarantee to the extent of \$28.5 million (31 December 2007: \$28.5 million) to a bank in return for it providing a guarantee in favour of the Government of the HKSAR on behalf of HKTLMCL 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 HKTLMCL.

(d) *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 its ultimate shareholder, China Merchants Holdings (International) Company, Limited) and Adwood Company Limited (as well as by its ultimate shareholders, CITIC Pacific Limited and Kerry Properties Limited) to the Government of the HKSAR 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 Tunnel ("WHT") up to the date WHT 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 WHT. The maintenance certificate had not been issued at 30 June 2008.

17 Post balance sheet event

- (a) On 21 February 2008, the Company and China Merchants Holdings (International) Company Limited ("CMHI") entered into a conditional sale and purchase agreement, pursuant to which the Company agreed to acquire from CMHI the entire issued share capital of High Fortune Group Limited ("High Fortune"), a wholly-owned subsidiary of CMHI, and to purchase and take assignment of the entire shareholder's loan due from High Fortune to CMHI for an aggregate consideration of \$460,000,000, payable in cash at completion. High Fortune is an investment holding company incorporated in the British Virgin Islands and holds a 13% interest in each of WHTCL, Hong Kong Tunnels and Highways Management Company Limited ("HKTHMCL") and HKTLMCL. The transaction was completed on 8 August 2008 after the fulfillment of all the precedent conditions. Upon the completion, the Company effectively holds a 50% shareholding interest in each of WHTCL, HKTHMCL and HKTLMCL.
- (b) On 12 September 2008, the Directors declared a second interim dividend. Further details are set out in note 6(a) "Dividends".

REVIEW REPORT TO THE BOARD OF DIRECTORS THE CROSS-HARBOUR (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 3 to 18 which comprises the consolidated balance sheet of The Cross-Harbour (Holdings) Limited as of 30 June 2008 and the related consolidated statements of income, and changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong, 12 September 2008

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors of The Cross-Harbour (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008. The interim results have been reviewed by the audit committee and KPMG. KPMG's review report is set out on page 19.

The Group's unaudited profit attributable to shareholders for the first half of 2008 amounted to HK\$170.2 million, a 57.6% increase compared with HK\$108.0 million for the first half of 2007. Basic earnings per share were HK\$0.48.

DIVIDENDS

A first quarterly interim dividend of HK\$0.06 per share, absorbing a total amount of HK\$21.2 million, was paid on 18 July 2008. Your directors have today declared a second quarterly interim dividend of HK\$0.06 per share payable on 10 October 2008 to shareholders registered on 2 October 2008.

CLOSURE OF BOOKS

The member register and transfer books of the Company will be closed from Monday, 29 September 2008 to Thursday, 2 October 2008, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Tengis Limited, for registration by 4:30 p.m., Friday, 26 September 2008.

BUSINESS REVIEW AND PROSPECTS

During the first half year, the mounting inflationary pressure has changed the local economic landscape significantly. A softening currency exposes the highly import-dependent Hong Kong economy to imported inflation. Inflation hit 6.1% in June, surging to 11-year highs and spreading beyond food to other consumer goods and services. The surge in oil prices filtered through to other sectors leading to noticeable increases in utilities charges and transport costs. Stepping into the second half of 2008, the shadow of recession still hovers while the threat of global inflation driven by elevated energy and food prices remains the growing concern. Mainland China's export growth has already shown signs of decelerating on a US-led slowdown. Interest rates are likely to stay on hold. The financial market continues to adjust and fluctuate, and we remain prudent on the outlook of the economy.

The Autopass Company Limited ("Autopass") – 70% owned

Autotoll Limited ("Autotoll") – effectively 35% owned

The main asset of Autopass is its 50% stake in Autotoll, which provides electronic toll clearing facilities in Hong Kong covering eleven different toll roads and tunnels. There are fifty-two auto-toll lanes in operation at present. The total number of tags in circulation as at 30 June 2008 was about 230,000. The overall usage of auto-toll facilities in all eleven toll roads and tunnels maintained at about 50%, with the highest usage at the Western Harbour Tunnel at around 60%. The daily transactions handled by Autotoll were about 330,000 with toll amount of approximately HK\$6.6 million. The number of subscribers for the Global Positioning System at the end of June was about 3,200.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

The Hong Kong School of Motoring Limited ("HKSM") – 70% owned

HKSM recorded a decrease in the demand for driving lessons and also a further deteriorated demand in motorcycle training courses resulting from contracting market size during the period under review as compared with the previous corresponding period. The dampening effect of low throughput and rising fuel costs on the performance of HKSM was however mitigated by the higher lesson income unit rate.

Western Harbour Tunnel Company Limited ("WHTCL") – 50% owned effective from 8 August 2008

As a measure to increase revenue, WHTCL has implemented its fourth toll increase effective from 6 January 2008. Toll charges for private cars, taxis and light buses have risen by HK\$5 to HK\$45, HK\$40 and HK\$55 respectively, while single and double decked buses are charged HK\$80 (increased by HK\$10) and HK\$115 (increased by HK\$15) respectively. Tolls on all other categories of vehicles, including goods vehicles and motorcycles, remain unchanged. The average daily throughput during the first half-year under review, however, maintained at about 47,000 vehicle journeys as compared with the last corresponding period.

Hong Kong Transport, Logistics and Management Company Limited ("HKTMCL") – 50% owned effective from 8 August 2008

HKTMCL, has managed the busiest Cross-Harbour Tunnel at Hungghom ("CHT") under a Management, Operation and Maintenance ("MOM") Contract with the Government for a period of twenty-six months up to 31 October 2008. The extension of the contract for a further twenty-four months to 31 October 2010 has been confirmed.

COMMENTARY ON INTERIM RESULTS

(I) Review of 2008 Interim Results

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2008 amounted to HK\$170.2 million, an increase of 57.6% compared with HK\$108.0 million for the last corresponding period. Earnings per share were HK\$0.48, an increase of 54.8% compared with HK\$0.31 for the last corresponding period. The improvement in 2008 interim results was primarily attributable to an increase in contribution from tunnel operations and gain from disposal of listed shares.

The Group's turnover for the period under review was HK\$122.8 million, a decrease of HK\$13.7 million or 10.0% as compared to the HK\$136.5 million recorded in the same period last year. The decrease was mainly due to reduction in interest income and dividend income from listed investments.

HKSM recorded a decrease in turnover of 4.5% to HK\$99.3 million as a result of decrease in tuition fees income due to reduction in demand for driving lessons despite an increase in the lesson income unit rate as compared with the last corresponding period. Operating profit decreased by HK\$4.1 million or 20.7% as compared to the HK\$19.8 million recorded in the same period last year.

The Group's share of profits of associates, primarily contributed by the operations of the Western Harbour Tunnel, has increased significantly by 56.3% to HK\$70.8 million from HK\$45.3 million in the last corresponding period. Improvement in the performance of WHTCL was the aggregate result of a 12% increase in toll revenue after the fourth toll increase and a substantial decrease in financial charges resulting from reduced bank loans and lower interest rates, as compared to the last corresponding period. The Group's share of taxation of associates was primarily the utilization of deferred tax assets by WHTCL.

HKTMCL, an associate undertaking the management contract for the Hunghom Cross-Harbour Tunnel, maintained stable income for the period.

The Group's share of profit from a jointly controlled entity, Autotoll Limited, which operates an electronic toll collection system, was HK\$8.8 million for the first half year under review against the HK\$9.7 million recorded in the last corresponding period, representing a decrease of HK\$0.9 million or 9.3% as a result of a decrease in project income.

COMMENTARY ON INTERIM RESULTS *(Continued)*

(II) Investments

As at 30 June 2008, the Group maintained a portfolio of investments, composed of listed securities, equity-linked notes and derivative financial instruments, with an aggregate market value of HK\$459.9 million. The decrease in portfolio balance was primarily due to partial disposal of available-for-sale securities and equity market price changes. Equity-linked notes and certain trading securities were pledged to the financial institution to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. Dividend income received therefrom in the first six months amounted to HK\$6.6 million.

(III) Liquidity and Financial Resources

As at 30 June 2008, the Group had bank balances and deposits in the amount of HK\$1,310.3 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. These facilities had not been utilized by the Group during the period under review.

Except for the Group's investment in trading securities denominated in foreign currencies other than the United States dollars, the Group's major sources of income, major assets and borrowings are denominated in Hong Kong dollars. The Group did not have long-term debts outstanding as at 30 June 2008 and 31 December 2007.

(IV) Comments on Segmental Information

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries, associates and a jointly controlled entity are the operation of motoring schools, tunnels and an electronic toll collection system, and investment. Further information on the segmental details is provided in note 8 of the interim financial report.

(V) Employees

The Group has 565 employees. Employees are remunerated according to job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from provident fund schemes and medical insurance, discretionary bonuses and employee share options are awarded to employees of the Group at the discretion of the directors, depending upon the financial performance of the Group. Total staff costs for the first six months amounted to HK\$57.3 million.

DISCLOSURE UNDER RULES 13.20 AND 13.22 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

(I) Financial Assistance

In relation to the provision of financial assistance by the Company to 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 2007, obligations in relation to the abovementioned financial assistance by the Group continued to exist as at 30 June 2008. Total advances given by the Group to WHTCL including accrued interest thereon amounted to HK\$415.9 million as at 30 June 2008.

Terms of the Financial Assistance

WHTCL, a consortium, was granted a thirty-year franchise to construct and operate the Western Harbour Tunnel ("WHT") in accordance with the Western Harbour Crossing Ordinance enacted on 22 July 1993. The construction of the WHT was completed in April 1997 at a total cost of HK\$7 billion. In addition to external loan finance, the project was partly financed by the shareholders' fund of the consortium in the form of equity and shareholders' loan in proportion to their shareholdings.

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 certain financial parameters of a syndicated loan being fulfilled. No security is provided to the Group for the loan.

(II) Guarantee

The Company entered into a guarantee ("Guarantee") on 6 July 2006 in favour of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), given for the benefit of HKTMCL, a company which is owned as to 37% by the Company as at 30 June 2008, to the extent of approximately HK\$28.5 million, which becomes effective as from 1 September 2006 (the commencement date of the new MOM Contract). The Guarantee is given to HSBC in return for it providing a guarantee in favour of the Government of the HK SAR on behalf of HKTMCL 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 HKTMCL.

**DISCLOSURE UNDER RULES 13.20 AND 13.22
OF THE RULES GOVERNING THE LISTING OF SECURITIES ON
THE STOCK EXCHANGE OF HONG KONG LIMITED** *(Continued)*

(III) Combined Balance Sheet of Affiliated Companies

Set out below is a combined unaudited balance sheet of WHTCL and HKTLMCL as at 31 July 2008 (being the latest practicable date for determining the relevant figures):

	<i>HK\$'000</i>
Total assets	5,106,897
Other liabilities	(2,633,193)
	<u>2,473,704</u>
Share capital and reserves	1,348,750
Shareholders' loans	1,124,954
	<u>2,473,704</u>

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The register kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows the following interest of a director in the shares of the Company as at 30 June 2008:

Name	Capacity	No. of shares	% of issued share capital
Cheung Chung Kiu	Interest of controlled corporation	148,254,432	41.94%

Note:

The above interest of Mr. Cheung Chung Kiu ("Mr. Cheung") represents a long position. Mr. Cheung was deemed to be interested in those shares by virtue of his indirect shareholding interest in Honway Holdings Limited ("Honway") which owned those shares. Honway was a wholly owned subsidiary of Y. T. Investment Holdings Limited ("Y. T. Investment") which in turn was a wholly owned subsidiary of Y. T. Realty Group Limited ("Y. T. Realty"). Yugang International (B.V.I.) Limited ("Yugang BVI"), through its wholly owned subsidiary, Funrise Limited ("Funrise"), owned 34.14% of the issued share capital of Y. T. Realty. Yugang BVI was a wholly owned subsidiary of Yugang International Limited ("Yugang"). Mr. Cheung, Timmex Investment Limited (a company wholly owned by Mr. Cheung) and Chongqing Industrial Limited ("Chongqing Industrial") owned 0.57%, 9.16% and 34.33% of the issued share capital of Yugang respectively. Chongqing Industrial was owned as to 35% by Mr. Cheung, as to 30% by Prize Winner Limited (a company owned by Mr. Cheung and his associates), as to 30% by Peking Palace Limited ("Peking Palace") and as to 5% by Miraculous Services Limited ("Miraculous Services"). Peking Palace and Miraculous Services were companies controlled by Palin Discretionary Trust, the objects of which included Mr. Cheung and his family.

Save as disclosed herein, as at 30 June 2008, there was no interest recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Code for Securities Transactions by Directors adopted by the Company on 1 January 2005.

SHARE OPTIONS

On 29 April 2005, the Company adopted a share option scheme (the "New Scheme") and terminated the one it adopted on 8 May 2001 (the "Old Scheme"), details of which are given in the Company's circular dated 13 April 2005.

Pursuant to the Old Scheme, options over 19,200,000 shares had been granted to eligible participants and all such options remained exercisable throughout the period. Particulars of those outstanding options at the beginning and at the end of the period are set out in the table below.

Type of participant	No. of outstanding options at the beginning and at the end of the period	Date of grant	Vesting period	Exercise period	Exercise price per share
Directors	Nil	N/A	N/A	N/A	N/A
Other employees	19,200,000	30 August 2001	Nil	30 August 2001 to 7 May 2011	HK\$2.492

During the period, no option lapsed and no option was granted, exercised or cancelled under the Old Scheme and the New Scheme.

DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2008, so far as is known to the directors of the Company, the following persons, other than the directors, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept under section 336 of the SFO:

Name	Capacity	No. of shares	Total no. of shares	% of issued share capital
Palin Holdings Limited	Interest of controlled corporation	145,022,432	145,022,432 ¹	41.03%
Chongqing Industrial	Interest of controlled corporation	145,022,432	145,022,432 ¹	41.03%
Yugang	Interest of controlled corporation	145,022,432	145,022,432 ¹	41.03%
Yugang BVI	Interest of controlled corporation	145,022,432	145,022,432 ¹	41.03%
Furrise	Interest of controlled corporation	145,022,432	145,022,432 ¹	41.03%
Y. T. Realty	Interest of controlled corporation	145,022,432	145,022,432 ¹	41.03%
Y. T. Investment	Interest of controlled corporation	145,022,432	145,022,432 ¹	41.03%
Honway	Beneficial owner	145,022,432	145,022,432 ¹	41.03%
PMA Capital Management Limited	Investment manager	32,092,000	32,092,000	9.08%
Deutsche Bank Aktiengesellschaft	Investment manager Security interest	5,582,430 <u>15,527,000</u>	21,109,430	5.97%
Sheldon Fenton Kasowitz ²	Interest of controlled corporation	17,705,000	17,705,000	5.01%
David Nathan Kowitz ²	Interest of controlled corporation	17,705,000	17,705,000	5.01%
Indus Capital Partners, LLC ²	Investment manager	17,705,000	17,705,000	5.01%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS *(Continued)*

Notes:

- ¹ Each parcel of 145,022,432 shares represents the same shareholding interest of Honway and is duplicated in Mr. Cheung's interest as set out on page 26. Each of Palin Holdings Limited, Chongqing Industrial, Yugang, Yugang BVI, Funrise, Y. T. Realty and Y. T. Investment was deemed to be interested in those shares by virtue of its direct/indirect shareholding interest in Honway.
- ² Messrs. Sheldon Fenton Kasowitz and David Nathan Kowitz owned 35.3% each of Indus Capital Partners, LLC.
- ³ All the interests disclosed above represent long positions.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 30 June 2008, had, or was deemed to have, any interest or short position in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO, other than as disclosed on page 26.

OTHER INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company endorses good corporate governance practices. Throughout the accounting period covered by the interim report, the Company has met the code provisions of the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS

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

All directors have confirmed, following specific enquiries by the Company, that they have 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

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

REVIEW BY AUDIT COMMITTEE

The interim report has been reviewed by the audit committee and KPMG. With management, the audit committee has reviewed the accounting principles and practices adopted by the Company and its subsidiaries and discussed internal control and financial reporting matters, including the review of the unaudited interim financial statements.

On behalf of the board

Yeung Hin Chung, John
Managing Director

Hong Kong, 12 September 2008