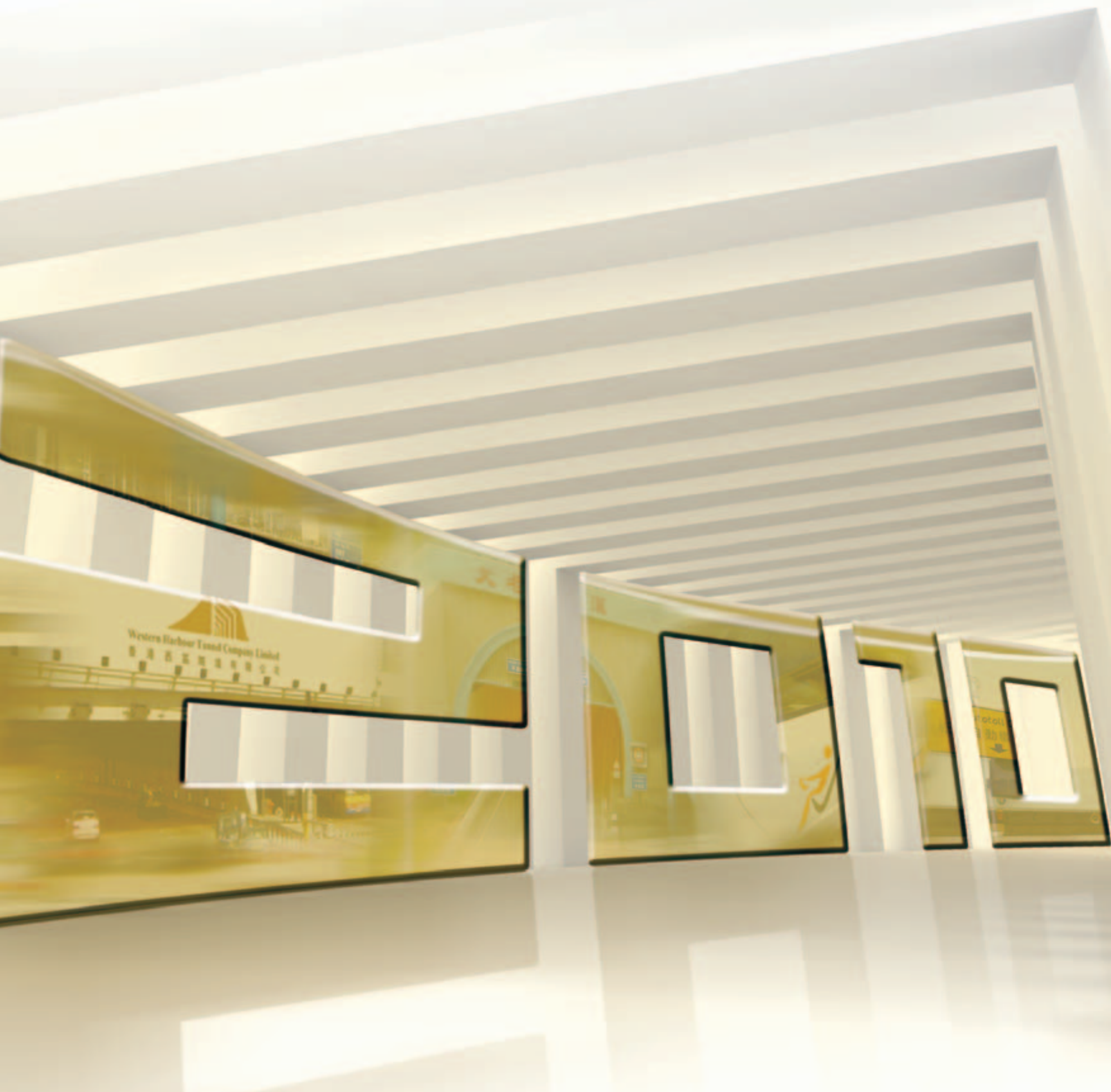
The Cross-Harbour (Holdings) Limited

(Stock Code : 32)



INTERIM REPORT

CONTENTS

BOARD OF DIRECTORS

Executive Director

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

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

AUTHORISED REPRESENTATIVE

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

SECRETARY

Leung Shuk Mun, Phyllis Sylvia

LEGAL ADVISER

Woo, Kwan, Lee & Lo

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

EXTERNAL AUDITOR

KPMG

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

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 32

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2010 *$'000*	2009 *$'000*
Turnover	4	98,269	110,791
Other revenue		1,448	2,169
Other net income	5	23,451	37,397
Direct costs and operating expenses		(50,328)	(48,942)
Selling and marketing expenses		(9,604)	(9,626)
Administrative and corporate expenses		(27,208)	(24,229)
Operating profit before finance costs		36,028	67,560
Finance costs	6(a)	(4,951)	(342)
Operating profit		31,077	67,218
Share of profits less losses of associates		136,587	108,568
Share of profits of a jointly controlled entity		7,826	9,501
Profit before taxation	6	175,490	185,287
Income tax	7	(3,647)	(2,332)
Profit for the period		171,843	182,955
Attributable to:			
Equity shareholders of the Company		165,433	176,323
Non-controlling interests		6,410	6,632
Profit for the period		171,843	182,955
Earnings per share	9		
Basic		47 cents	50 cents
Diluted		45 cents	48 cents

The notes on pages 10 to 29 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2010 *$'000*	2009 *$'000*
Profit for the period		171,843	182,955
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale securities:			
net movement in the investment revaluation reserve	8	(10,111)	16,032
Share of other comprehensive income of the associate:			
Cash flow hedge:			
net movement in the hedging reserve		875	6,266
		(9,236)	22,298
Total comprehensive income for the period		162,607	205,253
Attributable to:			
Equity shareholders of the Company		156,197	198,621
Non-controlling interests		6,410	6,632
Total comprehensive income for the period		162,607	205,253

The notes on pages 10 to 29 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

As at 30 June 2010 - unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2010 $'000	30 June 2010 $'000	31 December 2009 $'000	31 December 2009 $'000
Non-current assets					
Fixed assets	10				
– Property, plant and equipment			134,791		46,531
– Interest in leasehold land held for own use			26,983		27,348
			161,774		73,879
Interest in associates			1,935,813		1,849,043
Interest in a jointly controlled entity			47,023		39,197
Available-for-sale securities	11		371,821		161,066
Deferred tax assets			2,990		2,240
			2,519,421		2,125,425
Current assets					
Trading securities		91,146		80,178	
Inventories		1,039		806	
Trade and other receivables	12	12,795		15,061	
Bank deposits and cash	13	753,249		1,115,341	
		858,229		1,211,386	
Current liabilities					
Trade and other payables	14	28,670		45,722	
Course fees received in advance		78,388		67,113	
Bank loans	15	177,083		114,583	
Taxation payable		9,365		13,097	
Dividends payable		21,442		21,288	
		314,948		261,803	

CONSOLIDATED BALANCE SHEET

As at 30 June 2010 - unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2010 $'000	30 June 2010 $'000	31 December 2009 $'000	31 December 2009 $'000
Net current assets			543,281		949,583
Total assets less current liabilities			3,062,702		3,075,008
Non-current liabilities					
Bank loans	15		260,417		364,583
Deferred tax liabilities			110		150
			260,527		364,733
NET ASSETS			2,802,175		2,710,275
CAPITAL AND RESERVES					
Share capital	16(b)		353,488		353,488
Reserves			2,385,006		2,292,436
Total equity attributable to equity shareholders of the Company			2,738,494		2,645,924
Non-controlling interests			63,681		64,351
TOTAL EQUITY			2,802,175		2,710,275

The notes on pages 10 to 29 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 - unaudited
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital *$'000*	Share premium *$'000*	Capital reserve *$'000*	Investment revaluation reserve *$'000*	Hedging reserve *$'000*	Retained profits *$'000*	Total *$'000*	Non-controlling interests *$'000*	Total Equity *$'000*
Balance at 1 January 2009		353,488	1,228,127	1,984	4,249	(25,358)	873,134	2,435,624	68,285	2,503,909
Changes in equity for the six months ended 30 June 2009:										
Dividends approved in respect of the previous financial year	16(a)	–	–	–	–	–	(42,418)	(42,418)	–	(42,418)
Total comprehensive income for the period		–	–	–	16,032	6,266	176,323	198,621	6,632	205,253
Non-controlling interest's share of dividend		–	–	–	–	–	–	–	(15,390)	(15,390)
Dividend declared in respect of the current financial year	16(a)	–	–	–	–	–	(21,209)	(21,209)	–	(21,209)
Balance at 30 June 2009		353,488	1,228,127	1,984	20,281	(19,092)	985,830	2,570,618	59,527	2,630,145
Changes in equity for the six months ended 31 December 2009:										
Total comprehensive income for the period		–	–	–	766	1,940	115,019	117,725	8,664	126,389
Non-controlling interest's share of dividend		–	–	–	–	–	–	–	(3,840)	(3,840)
Dividend declared in respect of the current financial year		–	–	–	–	–	(42,419)	(42,419)	–	(42,419)
Balance at 31 December 2009		353,488	1,228,127	1,984	21,047	(17,152)	1,058,430	2,645,924	64,351	2,710,275

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 - unaudited
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital *$'000*	Share premium *$'000*	Capital reserve *$'000*	Investment revaluation reserve *$'000*	Hedging reserve *$'000*	Retained profits *$'000*	Total *$'000*	Non-controlling interests *$'000*	Total Equity *$'000*
Balance at 1 January 2010		353,488	1,228,127	1,984	21,047	(17,152)	1,058,430	2,645,924	64,351	2,710,275
Changes in equity for the six months ended 30 June 2010:										
Dividends approved in respect of the previous financial year	16(a)	–	–	–	–	–	(42,418)	(42,418)	–	(42,418)
Total comprehensive income for the period		–	–	–	(10,111)	875	165,433	156,197	6,410	162,607
Non-controlling interest's share of dividend		–	–	–	–	–	–	–	(7,080)	(7,080)
Dividend declared in respect of the current financial year	16(a)	–	–	–	–	–	(21,209)	(21,209)	–	(21,209)
Balance at 30 June 2010		353,488	1,228,127	1,984	10,936	(16,277)	1,160,236	2,738,494	63,681	2,802,175

The notes on pages 10 to 29 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010 - unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2010 $'000	2009 $'000
Cash generated from operations		4,996	2,321
Tax paid		(8,170)	(561)
Net cash (used in)/generated from operating activities		(3,174)	1,760
Net cash (used in)/generated from investing activities		(201,612)	149,157
Net cash used in financing activities		(116,979)	(98,903)
Net (decrease)/increase in cash and cash equivalents		(321,765)	52,014
Cash and cash equivalents at 1 January		998,460	476,959
Cash and cash equivalents at 30 June	13	**676,695**	528,973

The notes on pages 10 to 29 form part of this interim financial report.

(Expressed in Hong Kong dollars)

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 issue on 31 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these 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.

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 2009 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 Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by HKICPA.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 30.

The financial information relating to the financial year ended 31 December 2009 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 2009 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 26 March 2010.

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations* – plan to sell the controlling interest in a subsidiary
- Improvements to HKFRSs (2009)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27 and HKFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.
- The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

2 Changes in accounting policies *(Continued)*

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in the HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

2 Changes in accounting policies *(Continued)*

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

2 Changes in accounting policies *(Continued)*

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associates*, and HKAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

2 Changes in accounting policies *(Continued)*

Other changes in accounting policies which are relevant to the Group's financial statement are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

- As a result of the amendment to HKAS 17, *Leases*, arising from the "*Improvements to HKFRSs (2009)*" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate, with the exception of those interests which are registered and transferable ownership interests in land located in the Hong Kong Special Administrative Region and subject to the Government's land policy of renewal without payment of additional land premium. These leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

3 Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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 identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Motoring school operations: this segment invests in a subsidiary which operates three driver training centres.

- Tunnel operations: this segment invests in associates which operates both the Western Harbour Tunnel and Tate's Cairn Tunnel franchises and manages the Hunghom Cross-Harbour Tunnel for the Government of the Hong Kong Special Administrative Region ("HKSAR").

- Electronic toll operations: this segment invests in a jointly controlled entity which operates an electronic toll collection system and provision of telematics service.

- Treasury: this segment operates investment activities and receives dividend income and interest income.

- Other: this segment mainly operates leasing of fixed assets.

(a) Segment results and assets

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results 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 sales 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.

(Expressed in Hong Kong dollars)

3 Segment reporting *(Continued)*

(a) *Segment results and assets* (Continued)

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

	Motoring School Operations		Tunnel Operations		Electronic Toll Operations		Treasury		Other		Total	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Revenue from external customers	86,869	82,806	1,400	1,400	1,800	1,800	4,365	23,274	584	591	95,018	109,871
Inter-segment revenue	–	–	–	–	–	–	–	–	3,307	4,814	3,307	4,814
Interest revenue	89	709	–	–	–	17	3,162	194	–	–	3,251	920
Reportable segment revenue	86,958	83,515	1,400	1,400	1,800	1,817	7,527	23,468	3,891	5,405	101,576	115,605
Reportable segment profit/(loss) before tax	15,512	13,238	137,987	109,968	9,532	11,202	26,261	61,424	(3,060)	632	186,232	196,464
Depreciation and amortisation	5,799	6,643	–	–	–	–	–	–	4,402	2,778	10,201	9,421
Share of profits less losses of associates	–	–	136,587	108,568	–	–	–	–	–	–	136,587	108,568
Share of profits of a jointly controlled entity	–	–	–	–	7,826	9,501	–	–	–	–	7,826	9,501
Income tax	3,396	2,055	–	–	281	277	(30)	–	–	–	3,647	2,332
Reportable segment assets at 30 June 2010/ 31 December 2009	262,089	255,557	1,935,813	1,849,043	48,140	54,577	1,028,245	1,150,074	102,495	32,151	3,376,782	3,341,402

3 Segment reporting *(Continued)*

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

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Revenue		
Reportable segment revenue	101,576	115,605
Elimination of inter-segment revenue	(3,307)	(4,814)
Consolidated turnover	98,269	110,791

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Profit		
Reportable segment profit derived from Group's external customers	186,232	196,464
Other revenue	1,448	2,169
Unallocated head office and corporate expenses	(12,190)	(13,346)
Consolidated profit before taxation	175,490	185,287

	At 30 June 2010	At 31 December 2009
	$'000	$'000
Assets		
Reportable segment assets	3,376,782	3,341,402
Elimination of inter-segment receivables	—	(5,530)
Unallocated head office and corporate assets	868	939
Consolidated total assets	3,377,650	3,336,811

4 Turnover

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

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
Principal activities		
Motoring school operations	86,869	82,806
Investment and other activities	11,400	27,985
	98,269	110,791

5 Other net income

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
Net gain on sale of available-for-sale securities	—	18,391
Net realised and unrealised gains on trading securities	10,968	16,442
Net realised and unrealised gain on equity-linked notes	—	2,460
Net gains on sale of fixed assets (Note 10)	12,483	104
	23,451	37,397

6 Profit before taxation

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

	Six months ended 30 June	
	2010 *$'000*	2009 *$'000*
(a) Finance costs		
Interest on bank borrowings	4,546	—
Other borrowing costs	405	342
	4,951	342
(b) Other items		
Amortisation of land lease premium	365	365
Depreciation	9,836	9,056
Cost of inventories consumed	3,564	3,074
Contributions to defined contribution retirement schemes	2,372	2,445
Dividend income from listed investments	(4,334)	(23,269)
Interest income	(3,251)	(920)

7 Income tax

	Six months ended 30 June	
	2010 *$'000*	2009 *$'000*
Current tax – Hong Kong Profits Tax	4,437	3,087
Deferred taxation	(790)	(755)
	3,647	2,332

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the six months ended 30 June 2010.

Share of taxation of associates for the six months ended 30 June 2010 amounted to $31.0 million (2009: $25.7 million) was included in share of profits less losses of associates in the consolidated income statement.

Share of taxation of a jointly controlled entity for the six months ended 30 June 2010 amounted to $1.8 million (2009: $2.5 million) was included in share of profit of a jointly controlled entity in the consolidated income statement.

8 Other comprehensive income

Available-for-sale securities

	Six months ended 30 June	
	2010 *$'000*	2009 *$'000*
Changes in fair value recognised during the period	(10,111)	18,432
Reclassification adjustments for amounts transferred to profit or loss on disposal	—	(2,400)
Net movement in the investment revaluation reserve during the period recognised in other comprehensive income	(10,111)	16,032

(Expressed in Hong Kong dollars)

9 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $165,433,000 (2009: $176,323,000) and the weighted average of 353,488,206 ordinary shares (2009: 353,488,206 ordinary shares) in issue during the period.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $165,433,000 (2009: $176,323,000) and the weighted average of 365,742,873 ordinary shares (2009: 364,662,980 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares.

(c) *Reconciliations*

	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	353,488,206	353,488,206
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	12,254,667	11,174,774
Weighted average number of ordinary shares used in calculating diluted earnings per share	365,742,873	364,662,980

10 Fixed assets

In February 2010, the Group purchased a new yacht and related equipment for consideration of $90.0 million. Subsequently, in March 2010, the Group disposed its existing yacht and related equipment with a carrying value of $17.4 million for consideration of $30.0 million.

11 Available-for-sale securities

	At 30 June 2010 *$'000*	At 31 December 2009 *$'000*
Listed in Hong Kong	119,861	60,960
Listed outside Hong Kong	152,294	—
Unlisted securities	99,666	100,106
	371,821	161,066

At 30 June 2010, certain securities held by the subsidiaries were negatively pledged to a bank for the banking facilities granted to the Company.

12 Trade and other receivables

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2010 *$'000*	At 31 December 2009 *$'000*
Current	2,215	1,635
Less than 1 month past due	215	382
1 to 3 months past due	211	628
More than 3 months but less than 12 months past due	43	35
Trade receivables, net of allowance for doubtful debts	2,684	2,680
Other receivables	196	174
Trade and other receivables	2,880	2,854
Deposits and prepayments	9,915	12,207
	12,795	15,061

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

Deposits and prepayments paid amounting to $1,191,000 (31 December 2009: $1,482,000) are expected to be recovered after more than one year. Apart from these, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(Expressed in Hong Kong dollars)

13 Bank deposits and cash

	At 30 June 2010 $'000	At 31 December 2009 $'000
Deposits with banks and other financial institutions	180,964	186,148
Cash at bank and in hand	572,285	929,193
	753,249	1,115,341
Less: Deposits with maturity greater than 3 months	(76,554)	(116,881)
Cash and cash equivalents in the condensed consolidated cash flow statement	676,695	998,460

At 30 June 2010, $16,178,000 (31 December 2009: $16,457,000) were pledged to the financial institution as securities against treasury facilities granted to the Group.

14 Trade and other payables

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Due within 1 month or on demand	1,707	482
Due after 1 month but within 3 months	357	306
Due after 3 months but within 6 months	447	416
Trade payables	2,511	1,204
Other payables and accrued charges	26,159	44,518
	28,670	45,722

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

15 Bank loans

At 30 June 2010, the bank loans were repayable as follows:

	At 30 June 2010 *$'000*	At 31 December 2009 *$'000*
Within 1 year and included in current liabilities	177,083	114,583
After 1 year and included in non-current liabilities:		
After 1 year but within 2 years	208,333	208,333
After 2 years but within 5 years	52,084	156,250
	260,417	364,583
	437,500	479,166

The bank loans are secured by negative pledge of the Group's shareholding in certain subsidiaries and associates.

All of the Group's banking facilities are subject to the fulfillment of covenants relating to negative pledge of certain listed investments and the Group's shareholding in certain subsidiaries and associates. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2010, none of the covenants relating to drawn down facilities had been breached.

16 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
First interim dividend declared during the interim period of 6 cents per share (2009: 6 cents per share)	**21,209**	21,209
Second interim dividend declared after the interim period of 6 cents per share (2009: 6 cents per share)	**21,209**	21,209
	42,418	42,418

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

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

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the interim period of 12 cents per share (2009: 12 cents per share)	**42,418**	42,418

16 Capital, reserves and dividends *(Continued)*

(b) *Share capital*

	No. of shares	Amount
	'000	*$'000*
Authorised:		
Ordinary shares of $1 each	1,000,000	1,000,000
Issued and fully paid:		
At 1 January & 30 June 2010	353,488	353,488

17 Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2010	At 31 December 2009
	$'000	*$'000*
Contracted for	—	19,512

18 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 2010 was $294.8 million (31 December 2009: $293.4 million).

The Group received interest income and management fee income from WHTCL of $1.4 million (2009: $2.2 million) and $1.3 million (2009: $1.3 million) respectively.

(b) The Group received consultancy fees from a jointly controlled entity of $1.8 million (2009: $1.8 million).

19 Contingent liabilities

At 30 June 2010, the Group had the following contingent liabilities:

(a) *In respect of the Company*

The Company has given a letter of undertaking to a bank for general banking facilities totalling $50 million (31 December 2009: $50 million) granted to the Company. The banking facilities granted are also secured by a negative pledge of certain listed investments and its shareholding in certain subsidiaries held by the Group. At 30 June 2010, 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 $0.15 million (31 December 2009: $0.15 million).

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

At 30 June 2010, the Group has given a guarantee to the extent of $38.5 million (31 December 2009: $38.5 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.

20 Post balance sheet event

On 31 August 2010, the Directors declared a second interim dividend. Further details are set out in note 16 (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 29 which comprises the consolidated balance sheet of The Cross-Harbour (Holdings) Limited as of 30 June 2010 and the related consolidated income statement, statement of comprehensive income and statement of 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 2010 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, 31 August 2010

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 2010. The interim results have been reviewed by the audit committee and KPMG. KPMG's review report is set out on page 30.

The Group's unaudited profit attributable to shareholders for the first half of 2010 amounted to HK$165.4 million, a 6.2% decrease compared with HK$176.3 million for the first half of 2009. Basic earnings per share were HK$0.47.

DIVIDENDS

A first quarterly interim dividend of HK$0.06 per share, absorbing a total amount of HK$21.2 million, was paid on 5 July 2010. Your directors have today declared a second quarterly interim dividend of HK$0.06 per share payable on 27 September 2010 to shareholders registered on 17 September 2010.

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Wednesday, 15 September 2010 to Friday, 17 September 2010, both days inclusive, during which period no transfer of shares in the Company 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., Tuesday, 14 September 2010.

BUSINESS REVIEW AND PROSPECTS

During the first quarter of the year, the Hong Kong economy recorded not only a strong GDP growth of 8.2% but also the fastest quarterly growth since 2006. Strong domestic demand, driven by better income prospects, vibrant private consumption and increased government consumption, will continue to be the main driver for economic growth. The prolonged low interest rates and influx of liquidity have lifted asset prices and inflation expectation. However, net exports of goods remain a drag on the growth momentum, offsetting the boost from services trade. The onset of Europe's sovereign debt crisis in mid April has caused sharpened volatilities in the global financial and currency markets. European countries are expected to suffer from the fiscal austerity measures which will certainly lead to subdued economic recovery. However, contagion from the European mishap should have a lesser impact than the US sub-prime crisis. On the Mainland, the authorities have taken a range of policy tightening actions to prevent domestic economy from overheating and these measures have in turn dampened the financial and asset market sentiment in Hong Kong. Looking forward, it is uncertain whether the growth momentum can be sustained as the global economy faces strong headwinds and we remain cautiously optimistic on the near term outlook of the local economy.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

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-three auto-toll lanes in operation at present. The total number of tags in circulation as at 30 June 2010 was about 242,000. The overall usage of auto-toll facilities in all eleven toll roads and tunnels maintained at about 50%, with the highest usage at the Tai Lam Tunnel at around 60%. The daily transactions handled by Autotoll were about 340,000 with toll amount of approximately HK$7.2 million. The number of subscribers for the Global Positioning System at the end of June was about 4,500.

Alpha Hero Group ("AHG") – 70% owned

AHG, which operates driving training schools, recorded a slight increase of 4% in the number of driving lessons demanded for the period under review as compared with the previous corresponding period as a result of proactive sales and marketing efforts, despite a decline in income from motorcycle training courses. In view of the persistently low interest rates and rising rentals of the sales outlets, two properties were acquired to improve the cost structure in the long run. AHG will continue to strive for higher productivity through various quality enhancement programs in order to protect the existing market share and increase spending per customer.

Western Harbour Tunnel Company Limited ("WHTCL") – 50% owned

Due to improved economic sentiments and reviving business environment, the average daily throughput of the Western Harbour Tunnel ("WHT") for the first half year under review has rebounded significantly by 14% to about 52,500 vehicle journeys, as compared with the last corresponding period. WHT's market share also increased to 22% for the period.

As a measure to increase revenue, WHTCL has implemented its fifth toll increase with effect from 1 August 2010. Toll charges for private cars, taxis, light buses and goods vehicles of different categories have risen by HK$5 while toll on additional axles remains unchanged. Toll increases for single and double decked buses are HK$10 and HK$13 respectively whereas toll charge for motorcycles has risen by HK$1. Both midnight empty taxi promotion and midnight goods vehicle promotion were extended till the end of January 2011.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Tate's Cairn Tunnel Company Limited ("TCTCL") – 39.5% owned

The average daily throughput of the Tate's Cairn Tunnel ("TCT") during the first half-year under review maintained at about 52,000 vehicle journeys, representing an increase of almost 4% as compared with the throughput in the last corresponding period. TCTCL recorded an increase of about 3% in toll revenue for the period under review as compared with the previous corresponding period.

Hong Kong Transport, Logistics and Management Company Limited ("HKTLMCL") – 50% owned

HKTLMCL, has managed the Cross-Harbour Tunnel at Hunghom ("CHT") under a Management, Operation and Maintenance Contract with the Government since 1 September 2006. The contract will expire on 31 October 2010.

COMMENTARY ON INTERIM RESULTS

(I) Review of 2010 Interim Results

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2010 amounted to HK$165.4 million, a decrease of 6.2% compared with HK$176.3 million for the last corresponding period. Earnings per share were HK$0.47, a decrease of 6.0% compared with HK$0.50 for the last corresponding period. The decrease in 2010 interim results was attributable to a substantial decrease in both dividend income and gain from disposal of listed shares despite a significant increase in contribution from tunnel operations during the period under review as compared to the last corresponding period.

The Group's turnover for the period under review was HK$98.3 million, a decrease of HK$12.5 million or 11.3% as compared to the HK$110.8 million recorded in the same period last year. The decrease was primarily due to a reduction in dividend income from listed investments.

The motoring school operations recorded an increase in turnover of 4.9% to HK$86.9 million as a result of improvement in tuition fees income due to increases in both demand for driving lessons and lesson income unit rate as compared with the last corresponding period.

The Group's share of profits less losses of associates has increased significantly by 25.8% to HK$136.6 million as compared to HK$108.6 million in the last corresponding period. The increase in profit contribution was due to improved performance of both WHTCL and TCTCL as a result of an increase in throughout of both tunnels during the period under review. After accounting for the amortization of fair value in excess of net book value of WHTCL and TCTCL as at the completion dates of the acquisitions in 2008, profit contributions from WHTCL and TCTCL for the first half year under review were HK$110.5 million and HK$19.5 million respectively.

HKTLMCL, an associate undertaking the management contract for the CHT, 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$7.8 million for the first half year under review against the HK$9.5 million recorded in the last corresponding period, representing a decrease of HK$1.7 million or 17.9% as a result of a decrease in project income.

The Group's financial costs incurred on bank loans during the period under review amounted to HK$4.5 million. The bank loans are variable interest rate loans with interest rate based on the HIBOR plus the predetermined spread.

COMMENTARY ON INTERIM RESULTS *(Continued)*

(II) Investments

As at 30 June 2010, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments, with an aggregate market value of HK$463.0 million. The increase in portfolio balance was primarily due to the acquisition of available-for-sale securities and bonds at a total amount of HK$220.9 million. Certain 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$4.3 million.

(III) Liquidity and Financial Resources

As at 30 June 2010, the Group had bank balances and deposits in the amount of HK$753.2 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. At 30 June 2010, the Group had outstanding bank loans of HK$437.5 million (31 December 2009: HK$479.2 million). The bank loans are denominated in Hong Kong dollars and secured by corporate guarantees issued by the Company and two indirect wholly-owned subsidiaries. The gearing ratio, defined as total bank borrowings to shareholders' funds was 16.0% as at 30 June 2010 (31 December 2009: 18.1%).

The following is the maturing profile of the group's bank borrowings as of 30 June 2010 :

Within 1 year	40.5%
After 1 year but within 2 years	47.6%
After 2 years but within 5 years	11.9%
	100.0%

The sum of term loan instalment payments repayable within one year is HK$177.1 million.

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.

COMMENTARY ON INTERIM RESULTS *(Continued)*

(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 3 of the interim financial report.

(V) Employees

The Group has 492 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$53.2 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 50%-owned associate of the Company, as previously disclosed in the Company's annual report and financial statements for the year ended 31 December 2009, obligations in relation to the abovementioned financial assistance by the Group continued to exist as at 30 June 2010. Total advances given by the Group to WHTCL including accrued interest thereon amounted to HK$294.8 million as at 30 June 2010.

Terms of the Financial Assistance

WHTCL, a consortium, was granted a thirty-year franchise to construct and operate the 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

On 8 August 2008, the Company entered into a new guarantee ("Guarantee") which superseded the guarantee previously signed on 6 July 2006, in favour of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), given for the benefit of HKTLMCL, a company which is owned as to 50% by the Company as at 30 June 2010, to the extent of HK$38.5 million, which becomes effective as from 8 August 2008, the completion date of the acquisition of an additional 13% interest in HKTLMCL. The Guarantee is given to HSBC in return for it providing a guarantee in favour of the Government of the Hong Kong Special Administrative Region on behalf of HKTLMCL 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 HKTLMCL.

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 2010 (being the latest practicable date for determining the relevant figures):

	HK$'000
Total assets	4,821,325
Other liabilities	(2,058,856)
	2,762,469
Share capital and reserves	2,172,361
Shareholders' loans	590,108
	2,762,469

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 2010:

Name	Capacity	No. of shares	% of issued share capital
Cheung Chung Kiu	Interest of controlled corporation	155,254,432	43.92%

Note:

The above interest of Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") represents a long position. Mr. C.K. Cheung was deemed to be interested in the 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 International"). Mr. C.K. Cheung, Timmex Investment Limited (a company wholly owned by Mr. C.K. Cheung) and Chongqing Industrial Limited ("Chongqing Industrial") owned 0.57%, 9.16% and 34.33% of the issued share capital of Yugang International respectively. Chongqing Industrial was owned as to 35% by Mr. C.K. Cheung, as to 30% by Prize Winner Limited (a company owned by Mr. C.K. 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 ("PDT"), the trustee of which was Palin Holdings Limited ("Palin Holdings"). The objects of PDT included Mr. C.K. Cheung and his family.

Save as disclosed herein, as at 30 June 2010, there was no interest recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Code for Securities Transactions by Directors adopted by the Company on 24 March 2009.

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 participants	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.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2010, 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:

(I) Long Positions

Name	Capacity	No. of shares	% of issued share capital
Palin Holdings	Interest of controlled corporation	155,254,432[1]	43.92%
Chongqing Industrial	Interest of controlled corporation	155,254,432[1]	43.92%
Yugang International	Interest of controlled corporation	155,254,432[1]	43.92%
Yugang BVI	Interest of controlled corporation	155,254,432[1]	43.92%
Funrise	Interest of controlled corporation	155,254,432[1]	43.92%
Y. T. Realty	Interest of controlled corporation	155,254,432[1]	43.92%
Y. T. Investment	Interest of controlled corporation	155,254,432[1]	43.92%
Honway	Beneficial owner	155,254,432[1]	43.92%
Shanghai Industrial Investment (Holdings) Company Limited	Interest of controlled corporation	31,566,000	8.93%
Sheldon Fenton Kasowitz[2]	Interest of controlled corporation	17,705,000	5.01%
David Nathan Kowitz[2]	Interest of controlled corporation	17,705,000	5.01%
Indus Capital Partners, LLC[2]	Investment manager	17,705,000	5.01%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS *(Continued)*

(II) Short Positions

Name	Capacity	No. of shares	% of issued share capital
Shanghai Industrial Investment (Holdings) Company Limited	Interest of controlled corporation	24,134,000	6.83%

Notes:

1 Each parcel of 155,254,432 shares represents the same shareholding interest of Honway, which number is duplicated in Mr. C.K. Cheung's interest as set out on page 39. Each of Palin Holdings, Chongqing Industrial, Yugang International, 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.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 30 June 2010, 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 39.

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") set out within Appendix 14 to the 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 within the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules (as amended from time to time).

All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out within the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the period.

PURCHASE, SALE OR REDEMPTION OF SHARES

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. Apart from the interim financial statements, 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 with management.

CHANGE IN DIRECTORS' INFORMATION

The Company has not been advised by directors of any changes in the information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since its last annual report.

On behalf of the board

Yeung Hin Chung, John
Managing Director

Hong Kong, 31 August 2010