



2011
INTERIM
REPORT



The Cross-Harbour (Holdings) Limited

(Stock Code : 32)

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CORPORATE INFORMATION

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

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EXTERNAL AUDITOR

KPMG

REGISTRAR & TRANSFER OFFICE

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 26/F, Tesbury Centre
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 Wanchai
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 Tel: (852) 2980 1333
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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 2011 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2011 \$'000	2010 \$'000
Turnover	3, 4	116,903	98,269
Other revenue		373	1,448
Other net income	5	6,024	23,451
Direct costs and operating expenses		(53,959)	(50,328)
Selling and marketing expenses		(9,346)	(9,604)
Administrative and corporate expenses		(27,279)	(27,208)
Profit from operations		32,716	36,028
Finance costs	6(a)	(3,510)	(4,951)
Share of profits less losses of associates		139,220	136,587
Share of profits of a jointly controlled entity		9,209	7,826
Profit before taxation	6	177,635	175,490
Income tax	7	(3,593)	(3,647)
Profit for the period		<u>174,042</u>	<u>171,843</u>
Attributable to:			
Equity shareholders of the Company		165,811	165,433
Non-controlling interests		8,231	6,410
Profit for the period		<u>174,042</u>	<u>171,843</u>
Earnings per share	9		
Basic		<u>46 cents</u>	<u>47 cents</u>
Diluted		<u>45 cents</u>	<u>45 cents</u>

The notes on pages 9 to 25 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 - unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2011 \$'000	2010 \$'000
Profit for the period		174,042	171,843
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale securities:			
net movement in the investment revaluation reserve	8	(15,308)	(10,111)
Share of other comprehensive income of an associate and a jointly controlled entity:			
– Cash flow hedge: net movement in the hedging reserve		6,507	875
– Exchange differences on translation of financial statements of overseas subsidiary and jointly controlled entity		102	—
		<u>(8,699)</u>	<u>(9,236)</u>
Total comprehensive income for the period		<u><u>165,343</u></u>	<u><u>162,607</u></u>
Attributable to:			
Equity shareholders of the Company		157,081	156,197
Non-controlling interests		8,262	6,410
Total comprehensive income for the period		<u><u>165,343</u></u>	<u><u>162,607</u></u>

The notes on pages 9 to 25 form part of this interim financial report.

CONSOLIDATED BALANCE SHEETAs at 30 June 2011 - unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2011		31 December 2010	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			131,115		125,947
- Interest in leasehold land held for own use			26,253		26,619
			<u>157,368</u>		<u>152,566</u>
Interest in associates			1,923,093		1,834,780
Interest in a jointly controlled entity			51,890		42,579
Available-for-sale securities	10		507,184		430,525
Deferred tax assets			3,440		3,060
			<u>2,642,975</u>		<u>2,463,510</u>
Current assets					
Trading securities			96,867		64,209
Inventories			1,080		1,016
Loan receivable			—		40,000
Trade and other receivables	11		14,767		13,847
Bank deposits and cash	12		826,282		944,037
			<u>938,996</u>		<u>1,063,109</u>
Current liabilities					
Trade and other payables	13		33,771		50,902
Course fees received in advance			92,666		79,330
Bank loans	14		208,333		208,333
Taxation payable			11,581		9,920
Dividends payable			22,568		2,301
			<u>368,919</u>		<u>350,786</u>

CONSOLIDATED BALANCE SHEET

As at 30 June 2011 - unaudited
(Expressed in Hong Kong dollars)

	Note	30 June 2011		31 December 2010	
		\$'000	\$'000	\$'000	\$'000
Net current assets			570,077		712,323
Total assets less current liabilities			3,213,052		3,175,833
Non-current liabilities					
Bank loans	14		52,083		156,250
Deferred tax liabilities			190		200
			52,273		156,450
NET ASSETS			3,160,779		3,019,383
CAPITAL AND RESERVES					
Share capital	15(b)		372,688		353,488
Reserves			2,716,535		2,597,891
Total equity attributable to equity shareholders of the Company			3,089,223		2,951,379
Non-controlling interests			71,556		68,004
TOTAL EQUITY			3,160,779		3,019,383

The notes on pages 9 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 - 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	Exchange 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	15(a)	—	—	—	—	—	(42,418)	(42,418)	—	(42,418)
Profit for the period		—	—	—	—	—	165,433	165,433	6,410	171,843
Other comprehensive income		—	—	(10,111)	875	—	—	(9,236)	—	(9,236)
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	15(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
Changes in equity for the six months ended 31 December 2010:										
Profit for the period		—	—	—	—	—	193,320	193,320	9,756	203,076
Other comprehensive income		—	—	57,334	4,589	62	—	61,985	27	62,012
Total comprehensive income for the period		—	—	57,334	4,589	62	193,320	255,305	9,783	265,088
Non-controlling interest's share of dividend		—	—	—	—	—	—	—	(5,460)	(5,460)
Dividend declared in respect of the current financial year		—	—	—	—	—	(42,420)	(42,420)	—	(42,420)
Balance at 31 December 2010	353,488	1,228,127	1,984	68,270	(11,688)	62	1,311,136	2,951,379	68,004	3,019,383

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 - unaudited
(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company									Total Equity \$'000	
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Investment revaluation reserve \$'000	Hedging reserve \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000	Non- controlling interests \$'000		
Balance at 1 January 2011	353,488	1,228,127	1,984	68,270	(11,688)	62	1,311,136	2,951,379	68,004	3,019,383	
Changes in equity for the six months ended 30 June 2011:											
Shares issued under share option scheme	15(b)	19,200	28,646	—	—	—	—	47,846	—	47,846	
Dividends approved in respect of the previous financial year	15(a)	—	—	—	—	—	(44,722)	(44,722)	—	(44,722)	
Profit for the period		—	—	—	—	—	165,811	165,811	8,231	174,042	
Other comprehensive income		—	—	(15,308)	6,507	71	—	(8,730)	31	(8,699)	
Total comprehensive income for the period		—	—	(15,308)	6,507	71	165,811	157,081	8,262	165,343	
Non-controlling interests share of dividend		—	—	—	—	—	—	—	(4,710)	(4,710)	
Dividend declared in respect of the current financial year	15(a)	—	—	—	—	—	(22,361)	(22,361)	—	(22,361)	
Balance at 30 June 2011		<u>372,688</u>	<u>1,256,773</u>	<u>1,984</u>	<u>52,962</u>	<u>(5,181)</u>	<u>133</u>	<u>1,409,864</u>	<u>3,089,223</u>	<u>71,556</u>	<u>3,160,779</u>

The notes on pages 9 to 25 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
Note	2011 \$'000	2010 \$'000
Cash generated from operations	12,960	4,996
Tax paid	(2,322)	(8,170)
	<hr/>	<hr/>
Net cash generated from / (used in) operating activities	10,638	(3,174)
Net cash generated from / (used in) investing activities	57,457	(201,612)
Net cash used in financing activities	(111,410)	(116,979)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(43,315)	(321,765)
Cash and cash equivalents at 1 January	824,401	998,460
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	12 781,086	676,695
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 25 form part of this interim financial report.

NOTES TO THE UNAUDITED 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 26 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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 26.

The financial information relating to the financial year ended 31 December 2010 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 2010 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 29 March 2011.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

2 Changes in accounting policies

The HKICPA has issued 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

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 operate both the Western Harbour Tunnel and Tate's Cairn Tunnel franchises.
- 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 investing and financing 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue from external customers	93,375	86,869	1,250	1,400	2,400	1,800	3,164	4,365	521	584	100,710	95,018
Inter-segment revenue	—	—	—	—	—	—	—	—	6,034	3,307	6,034	3,307
Interest revenue	579	89	—	—	—	—	15,614	3,162	—	—	16,193	3,251
Reportable segment revenue	<u>93,954</u>	<u>86,958</u>	<u>1,250</u>	<u>1,400</u>	<u>2,400</u>	<u>1,800</u>	<u>18,778</u>	<u>7,527</u>	<u>6,555</u>	<u>3,891</u>	<u>122,937</u>	<u>101,576</u>
Reportable segment profit / (loss) before tax	<u>20,107</u>	<u>15,512</u>	<u>140,470</u>	<u>137,987</u>	<u>11,504</u>	<u>9,532</u>	<u>19,344</u>	<u>26,261</u>	<u>(2,530)</u>	<u>(3,060)</u>	<u>188,895</u>	<u>186,232</u>
Depreciation	4,257	5,799	—	—	—	—	—	—	5,178	4,402	9,435	10,201
Share of profits less losses of associates	—	—	139,220	136,587	—	—	—	—	—	—	139,220	136,587
Share of profits of a jointly controlled entity	—	—	—	—	9,209	7,826	—	—	—	—	9,209	7,826
Income tax	3,297	3,396	—	—	279	281	15	(30)	2	—	3,593	3,647
Reportable segment assets at												
30 June 2011/	305,222	280,341	1,923,093	1,834,780	53,037	58,271	1,207,674	1,260,763	92,222	97,349	3,581,248	3,531,504
31 December 2010												

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***3 Segment reporting** *(Continued)***(b) Reconciliations of reportable segment revenues, profit or loss and assets**

	Six months ended 30 June	
	2011 \$'000	2010 \$'000
Revenue		
Reportable segment revenue	122,937	101,576
Elimination of inter-segment revenue	(6,034)	(3,307)
	<u>116,903</u>	<u>98,269</u>
Consolidated turnover	<u>116,903</u>	<u>98,269</u>
	Six months ended 30 June	
	2011 \$'000	2010 \$'000
Profit		
Reportable segment profit derived from Group's external customers	188,895	186,232
Other revenue	373	1,448
Unallocated head office and corporate expenses	(11,633)	(12,190)
	<u>177,635</u>	<u>175,490</u>
Consolidated profit before taxation	<u>177,635</u>	<u>175,490</u>
	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Assets		
Reportable segment assets	3,581,248	3,531,504
Elimination of inter-segment receivables	—	(5,600)
Unallocated head office and corporate assets	723	715
	<u>3,581,971</u>	<u>3,526,619</u>
Consolidated total assets	<u>3,581,971</u>	<u>3,526,619</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***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	
	2011 \$'000	2010 \$'000
<i>Principal activities</i>		
Motoring school operations	93,375	86,869
Investment and other activities	23,528	11,400
	116,903	98,269
	116,903	98,269

5 Other net income

	Six months ended 30 June	
	2011 \$'000	2010 \$'000
Net realised and unrealised gains on trading securities	5,921	10,968
Net gains on sale of fixed assets	103	12,483
	6,024	23,451
	6,024	23,451

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***6 Profit before taxation**

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

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
(a) Finance costs		
Interest on bank borrowings	3,127	4,546
Other borrowing costs	383	405
	<u>3,510</u>	<u>4,951</u>
(b) Other items		
Depreciation	9,435	10,201
Cost of inventories consumed	4,227	3,564
Contributions to defined contribution retirement schemes	2,277	2,372
Dividend income from listed investments	(3,150)	(4,334)
Interest income	(16,193)	(3,251)
	<u>(16,193)</u>	<u>(3,251)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***7 Income tax**

	Six months ended 30 June	
	2011 \$'000	2010 \$'000
Current tax – Hong Kong Profits Tax	3,983	4,437
Deferred taxation	(390)	(790)
	<u>3,593</u>	<u>3,647</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the six months ended 30 June 2011.

Share of taxation of associates for the six months ended 30 June 2011 amounted to \$56.8 million (2010: \$31.0 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 2011 amounted to \$2.1 million (2010: \$1.8 million) was included in share of profits of a jointly controlled entity in the consolidated income statement.

8 Other comprehensive income*Available-for-sale securities*

	Six months ended 30 June	
	2011 \$'000	2010 \$'000
Changes in fair value and net movement in the investment revaluation reserve recognised during the period	<u>(15,308)</u>	<u>(10,111)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(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 \$165,811,000 (2010: \$165,433,000) and the weighted average of 359,501,393 ordinary shares (2010: 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 \$165,811,000 (2010: \$165,433,000) and the weighted average of 367,896,497 ordinary shares (2010: 365,742,873 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares during the period.

(c) Reconciliations

	2011 Number of shares	2010 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	359,501,393	353,488,206
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	8,395,104	12,254,667
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>367,896,497</u>	<u>365,742,873</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***10 Available-for-sale securities**

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Listed in Hong Kong	250,762	160,285
Listed outside Hong Kong	143,339	156,739
Unlisted securities	113,083	113,501
	<u>507,184</u>	<u>430,525</u>

At 30 June 2011, certain securities held by the subsidiaries were negatively pledged to a bank for the banking facilities granted to the Company.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***11 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 2011 \$'000	At 31 December 2010 \$'000
Current	1,461	1,288
Less than 1 month past due	279	732
1 to 3 months past due	344	1,172
More than 3 months but less than 12 months past due	155	68
	<hr/>	<hr/>
Trade receivables, net of allowance for doubtful debts	2,239	3,260
Other receivables	2,977	185
	<hr/>	<hr/>
Trade and other receivables	5,216	3,445
Deposits and prepayments	9,551	10,402
	<hr/>	<hr/>
	14,767	13,847
	<hr/> <hr/>	<hr/> <hr/>

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 \$1,244,000 (31 December 2010: \$1,406,000) 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***12 Bank deposits and cash**

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Deposits with banks and other financial institutions	327,289	822,051
Cash at bank and in hand	498,993	121,986
	<hr/>	<hr/>
Bank deposits and cash in the consolidated balance sheet	826,282	944,037
Less: Deposits with maturity greater than 3 months	(45,196)	(119,636)
	<hr/>	<hr/>
Cash and cash equivalents in the condensed consolidated cash flow statement	<u>781,086</u>	<u>824,401</u>

At 30 June 2011, \$18,797,000 (31 December 2010: \$17,906,000) were pledged to a financial institution as security against treasury facilities granted to the Group.

13 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 2011 \$'000	At 31 December 2010 \$'000
Due within 1 month or on demand	892	822
Due after 1 month but within 3 months	1,282	825
Due after 3 months but within 6 months	10	10
	<hr/>	<hr/>
Trade payables	2,184	1,657
Other payables and accrued charges	31,587	49,245
	<hr/>	<hr/>
	<u>33,771</u>	<u>50,902</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***14 Bank loans**

At 30 June 2011, the bank loans were repayable as follows:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Within 1 year and included in current liabilities	208,333	208,333
After 1 year but within 2 years and included in non-current liabilities	52,083	156,250
	<u>260,416</u>	<u>364,583</u>

All 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 2011, none of the covenants relating to drawn down facilities had been breached.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***15 Capital, reserves and dividends****(a) Dividends***(i) Dividends payable to equity shareholders attributable to the interim period*

	Six months ended 30 June	
	2011 \$'000	2010 \$'000
First interim dividend declared during the interim period of 6 cents per share (2010: 6 cents per share)	22,361	21,209
Second interim dividend declared after the interim period of 6 cents per share (2010: 6 cents per share)	22,361	21,209
	<u>44,722</u>	<u>42,418</u>

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	
	2011 \$'000	2010 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 12 cents per share (2010: 12 cents per share)	<u>44,722</u>	<u>42,418</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***15 Capital, reserves and dividends (Continued)****(b) Share capital***(i) Authorised and issued share capital*

	<i>Note</i>	No. of shares '000	Amount \$'000
Authorised:			
Ordinary shares of \$1 each		1,000,000	1,000,000
Issued and fully paid:			
At 1 January 2011		353,488	353,488
Shares issued under share option scheme	<i>(iii)</i>	19,200	19,200
At 30 June 2011		372,688	372,688

(ii) Shares issued under share option scheme

On 4 May 2011, the holders of the options issued under a share option scheme adopted by the Company on 8 May 2001 exercised in full to subscribe for 19,200,000 ordinary shares at a price of \$2.492 per share. Of the consideration of \$47,846,000, \$19,200,000 was credited to share capital and \$28,646,000 was credited to the share premium account upon the issue of new shares.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Hong Kong dollars)***16 Capital commitments outstanding not provided for in the interim financial report**

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Contracted for	—	11,632

17 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 2011 was \$76.0 million (31 December 2010: \$75.6 million).

The Group received interest income and management fee income from WHTCL of \$0.4 million (2010: \$1.4 million) and \$1.3 million (2010: \$1.3 million) respectively.

- (b) The Group received a loan from an associate, Tate's Cairn Tunnel Company Limited. The balance of the loan at 30 June 2011 was \$154.7 million (31 December 2010: \$134.7 million).
- (c) The Group received consultancy fees and management fee income from a jointly controlled entity of \$1.8 million (2010: \$1.8 million) and \$0.6 million (2010: \$0.3 million) respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

18 Contingent liabilities

At 30 June 2011, the Group had the following contingent liabilities 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 2010: \$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 2011, these facilities were not utilised by the Company.

Also, there was contingent liability in respect of a guarantee given by the Company on behalf of a subsidiary relating to a bank loan of up to \$250 million (31 December 2010: \$250 million). The Company has not recognised any deferred income for the guarantee given in respect of the banking facility for the subsidiary as their fair value cannot be reliably measured and no transaction cost was incurred.

19 Non-adjusting post balance sheet events

On 26 August 2011, the Directors proposed a second interim dividend. Further details are set out in note 15 (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 2 to 25 which comprises the consolidated balance sheet of The Cross-Harbour (Holdings) Limited as of 30 June 2011 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement 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 2011 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, 26 August 2011



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 2011. The interim results have been reviewed by the audit committee and KPMG. KPMG's review report is set out on page 26.

The Group's unaudited profit attributable to shareholders for the first half of 2011 amounted to HK\$165.8 million as compared to HK\$165.4 million for the first half of 2010. Earnings per share were HK\$0.46 against HK\$0.47 for the last corresponding period as a result of new shares issued during the period under review.

DIVIDENDS

A first quarterly interim dividend of HK\$0.06 per share, absorbing a total amount of HK\$22.4 million, was paid on 5 July 2011. Your directors have today declared a second quarterly interim dividend of HK\$0.06 per share payable on 23 September 2011 to shareholders registered on 16 September 2011.

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Wednesday, 14 September 2011 to Friday, 16 September 2011, 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 Tricor Tengis Limited for registration by 4:30 p.m., Monday, 12 September 2011.

BUSINESS REVIEW AND PROSPECTS

The second phase of the US quantitative easing which ended in June not only resulted in a weaker currency and lower interest rate, but also a higher unemployment rate of 9% and falling home prices in the US economy. Under the deteriorating global economic environment, the Hong Kong economy recorded a drop in the quarterly GDP growth from over 7% in the first quarter to 5% in the second quarter with unemployment rate maintained at a two-and-a-half year low of 3.5%. Moreover, it has to contend with surging inflationary pressures as consumer prices already leaped to a 36-month high of 5.6% in June as a result of the persistent decline of the US dollar. Food, fuel, imported goods and housing remained the key inflation engines. Looking ahead, a fragile US economic recovery which shows signs of losing momentum, lingering sovereign debt problems in Europe, disruptions on global supply chains in the aftermath of the devastating earthquake in Japan as well as accelerated pace of monetary tightening on the Mainland, will continue to provide a negative backdrop to the worldwide economy. As exports are losing momentum, the Hong Kong economy is expected to grow more moderately though the buoyant consumer demand should continue to underpin growth. Apart from the uncertain outlook on the external front, inflation is likely to edge up further in the second half of the year on the back of wage rise demand.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Electronic Toll Operation

Autotoll Limited ("Autotoll"), 50% owned by The Autopass Company Limited (a 70% owned subsidiary), 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 2011 was about 253,000. 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 355,000 with toll amount of approximately HK\$7.8 million. The number of subscribers for the Global Positioning System at the end of June was around 7,000.

Motoring School Operation

Alpha Hero Group (70% owned) which operates driving training schools, recorded not only a 16% increase in the number of driving lessons demanded for the period under review as compared with the previous corresponding period but also a welcomed increase in income from motorcycle training courses, as a result of proactive sales and marketing efforts despite severe price competitions among operators.

Tunnel Operations

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

Bolstered by the positive sentiment of the economy and continued growth in consumption, the average daily throughput of the Western Harbour Tunnel ("WHT") for the first half year under review has increased to almost 55,000 vehicle journeys, representing an increase of about 5% as compared with the last corresponding period. Likewise, WHTCL recorded a significant growth in toll revenue for the same period since its fifth toll increase became effective from August 2010. WHT's market share was maintained at 22% for the period.

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

The average daily throughput of the Tate's Cairn Tunnel during the first half-year under review remained at about 52,400 vehicle journeys. Moreover, TCTCL recorded an increase of about 7% in toll revenue for the period under review as compared with the previous corresponding period as a result of its sixth toll increase implemented in December 2010.



MANAGEMENT DISCUSSION AND ANALYSIS

COMMENTARY ON INTERIM RESULTS

(I) Review of 2011 Interim Results

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2011 amounted to HK\$165.8 million as compared to HK\$165.4 million for the last corresponding period. Earnings per share were HK\$0.46.

The Group's turnover for the period under review was HK\$116.9 million, an increase of HK\$18.6 million or 18.9% as compared to the HK\$98.3 million recorded in the same period last year. The improvement was attributable to an increase in turnover of the motoring school and interest income from fixed rate notes.

The motoring school operations recorded an increase in turnover of 7.5% to HK\$93.4 million as a result of improvement in tuition fees income due to higher demand for driving lessons, albeit at a lower lesson income unit rate and also an increase in income from motorcycle courses as compared with the last corresponding period.

The Group's share of profits less losses of associates has increased slightly by 1.9% to HK\$139.2 million as compared to HK\$136.6 million in the last corresponding period due to improved performance of both WHTCL and TCTCL as a result of new tolls implemented in the second half of 2010. WHTCL recorded a 15.5% increase in toll revenue which was however, partially offset by an additional deferred tax provision. 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\$116.5 million and HK\$22.7 million respectively.

The Group's share of profit from a jointly controlled entity, Autotoll Limited, which operates an electronic toll collection system, was HK\$9.2 million for the first half year under review against the HK\$7.8 million recorded in the last corresponding period, representing an increase of HK\$1.4 million or 17.9% as a result of an increase in project income.

The Group's financial costs incurred on bank loans during the period under review amounted to HK\$3.1 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 2011, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate market value of HK\$604.1 million (31 December 2010: HK\$494.7 million). The increase in portfolio balance was primarily due to the acquisition of available-for-sale securities. 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\$3.2 million.

(III) Liquidity and Financial Resources

As at 30 June 2011, the Group had bank balances and deposits in the amount of HK\$826.3 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. At 30 June 2011, the Group had outstanding bank loans of HK\$260.4 million (31 December 2010: HK\$364.6 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. Gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was negative as cash and cash equivalents of the Group could cover the total debt (31 December 2010 : negative). Net debt includes interest-bearing bank borrowings and other payables, net of cash and cash equivalents.

The following is the maturing profile of the Group's bank borrowings as of 30 June 2011 :

Within 1 year	80.0%
After 1 year but within 2 years	20.0%
	<hr/>
	100.0%
	<hr/> <hr/>

The sum of term loan instalment payments repayable within one year is HK\$208.3 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 470 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\$55.9 million.

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 2011:

Name	Capacity	No. of shares	% of issued share capital
Cheung Chung Kiu	Interest of controlled corporation	155,254,432	41.66%

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 2011, 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 (the "Stock Exchange") pursuant to the Code for Securities Transactions by Directors of the Company.

DISCLOSURE OF INTERESTS

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.

As of 1 January 2011, options over 19,200,000 shares granted under the Old Scheme remained outstanding (particulars of which are set out in the table below). All of the options then outstanding were exercised in full on 4 May 2011 at the exercise price of HK\$2.492 per share, and there were no outstanding options at the period end. The closing price of the shares as stated in the Stock Exchange's daily quotations sheet on 3 May 2011 is HK\$6.87.

Type of participants	No. of outstanding options at beginning of 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

Apart from the foregoing, no option lapsed and no option was granted, exercised or cancelled during the reporting period; nor were there any outstanding options at the beginning and at the end of the period in relation to the Old Scheme and the New Scheme.

The 19,200,000 options granted under the Old Scheme prior to its termination exercised in the period results in the issue of 19,200,000 ordinary shares and new share capital of HK\$372,688,206, divided into 372,688,206 ordinary shares of HK\$1.00 each.

DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2011, 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	% of issued share capital
Palin Holdings	Interest of controlled corporation	155,254,432 ¹	41.66%
Chongqing Industrial	Interest of controlled corporation	155,254,432 ¹	41.66%
Yugang International	Interest of controlled corporation	155,254,432 ¹	41.66%
Yugang BVI	Interest of controlled corporation	155,254,432 ¹	41.66%
Funrise	Interest of controlled corporation	155,254,432 ¹	41.66%
Y. T. Realty	Interest of controlled corporation	155,254,432 ¹	41.66%
Y. T. Investment	Interest of controlled corporation	155,254,432 ¹	41.66%
Honway	Beneficial owner	155,254,432	41.66%
Sheldon Fenton Kasowitz ² ("Mr. Kasowitz")	Interest of controlled corporation	17,705,000	Note ³
David Nathan Kowitz ² ("Mr. Kowitz")	Interest of controlled corporation	17,705,000	Note ³
Indus Capital Partners, LLC	Investment manager	17,705,000	Note ³



DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS *(Continued)*

Notes:

- ¹ Each parcel of 155,254,432 shares represents Honway's interest in the Company (which is also duplicated in Mr. C.K. Cheung's interest in the Company's shares). Palin Holdings, Chongqing Industrial, Yugang International, Yugang BVI, Funrise, Y. T. Realty and Y. T. Investment were deemed to be interested in those shares by virtue of their direct/indirect shareholding in Honway.
- ² Mr. Kasowitz and Mr. Kowitz owned 35.3% each of Indus Capital Partners, LLC.
- ³ As a result of increase in the issued share capital of the Company as referred to in the share options section above, the interest held by each of Mr. Kasowitz, Mr. Kowitz and Indus Capital Partners, LLC was diluted from 5.01% to 4.75% on 4 May 2011.
- ⁴ All of 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 2011, 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 32.

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 no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out within 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

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

REVIEW BY AUDIT COMMITTEE

The interim report has been reviewed by the audit committee and KPMG. The audit committee has also reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters with the management.



OTHER INFORMATION

DIRECTORS' INFORMATION

The Company has not been advised by the 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, 26 August 2011