

# Interim Report 2012



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

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

### NOMINATION 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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26 Harbour Road  
Wanchai  
Hong Kong  
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Website: [www.crossharbour.com.hk](http://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 2012 - unaudited  
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2012 \$'000	2011 \$'000
<b>Turnover</b>	2	122,088	116,903
Other revenue		316	373
Other net (loss)/income	3	(8,240)	6,024
Direct costs and operating expenses		(53,117)	(53,959)
Selling and marketing expenses		(8,715)	(9,346)
Administrative and corporate expenses		(28,527)	(27,279)
<b>Profit from operations</b>		23,805	32,716
Finance costs	4(a)	(1,352)	(3,510)
Share of profits less losses of associates		180,764	139,220
Share of profits of a jointly controlled entity		9,356	9,209
<b>Profit before taxation</b>	4	212,573	177,635
Income tax	5	(6,124)	(3,593)
<b>Profit for the period</b>		206,449	174,042
<b>Attributable to:</b>			
Equity shareholders of the Company		194,793	165,811
Non-controlling interests		11,656	8,231
<b>Profit for the period</b>		206,449	174,042
<b>Earnings per share</b>	7		
Basic		52 cents	46 cents
Diluted		52 cents	45 cents

The notes on pages 9 to 22 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 - unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2012 \$'000	2011 \$'000
Profit for the period		206,449	174,042
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale securities:			
net movement in the investment revaluation reserve	6	41,947	(15,308)
Share of other comprehensive income of an associate and a jointly controlled entity:			
– Cash flow hedge:			
net movement in the hedging reserve		1,874	6,507
– Exchange differences on translation of financial statements of overseas subsidiary and jointly controlled entity		6	102
		43,827	(8,699)
<b>Total comprehensive income for the period</b>		<b>250,276</b>	<b>165,343</b>
Attributable to:			
Equity shareholders of the Company		238,618	157,081
Non-controlling interests		11,658	8,262
<b>Total comprehensive income for the period</b>		<b>250,276</b>	<b>165,343</b>

The notes on pages 9 to 22 form part of this interim financial report.

## CONSOLIDATED BALANCE SHEET

As at 30 June 2012 - unaudited  
(Expressed in Hong Kong dollars)

	Note	30 June 2012		31 December 2011	
		\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>					
Fixed assets	8				
– Property, plant and equipment			148,592		131,014
– Interest in leasehold land held for own use			25,525		25,890
			<u>174,117</u>		<u>156,904</u>
Interest in associates			1,930,631		1,812,393
Interest in a jointly controlled entity			48,688		49,326
Available-for-sale securities	9		368,509		326,562
Deferred tax assets			2,970		3,060
			<u>2,524,915</u>		<u>2,348,245</u>
<b>Current assets</b>					
Trading securities			140,080		235,413
Inventories			1,217		1,023
Trade and other receivables	10		20,665		16,404
Bank deposits and cash	11		809,125		806,355
			<u>971,087</u>		<u>1,059,195</u>
Assets held for sale	8		25,115		—
			<u>996,202</u>		<u>1,059,195</u>
<b>Current liabilities</b>					
Trade and other payables	12		33,473		43,577
Course fees received in advance			133,806		103,820
Bank loans	13		52,083		156,250
Taxation payable			13,854		10,262
Dividends payable			22,516		2,296
			<u>255,732</u>		<u>316,205</u>

## CONSOLIDATED BALANCE SHEET

As at 30 June 2012 - unaudited  
(Expressed in Hong Kong dollars)

	Note	30 June 2012		31 December 2011	
		\$'000	\$'000	\$'000	\$'000
Net current assets			740,470		742,990
Total assets less current liabilities			3,265,385		3,091,235
Non-current liability					
Deferred tax liabilities			503		531
<b>NET ASSETS</b>			<b>3,264,882</b>		<b>3,090,704</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	14 (b)		372,688		372,688
Reserves			2,810,705		2,639,170
Total equity attributable to equity shareholders of the Company			3,183,393		3,011,858
Non-controlling interests			81,489		78,846
<b>TOTAL EQUITY</b>			<b>3,264,882</b>		<b>3,090,704</b>

The notes on pages 9 to 22 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2012 - unaudited  
(Expressed in Hong Kong dollars)*

Note	Attributable to equity shareholders of the Company									
	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Investment			Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
				revaluation reserve \$'000	Hedging reserve \$'000	Exchange reserve \$'000				
<b>Balance at 1 January 2011</b>	353,488	1,228,127	1,984	68,270	(11,688)	62	1,311,136	2,951,379	68,004	3,019,383
<b>Changes in equity for the six months ended 30 June 2011:</b>										
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
Shares issued under share option scheme	19,200	28,646	—	—	—	—	—	47,846	—	47,846
Dividends approved in respect of the previous financial year	14 (a)	—	—	—	—	—	(44,722)	(44,722)	—	(44,722)
Non-controlling interest's share of dividends	—	—	—	—	—	—	—	—	(4,710)	(4,710)
Dividend declared in respect of the current financial year	14 (a)	—	—	—	—	—	(22,361)	(22,361)	—	(22,361)
<b>Balance at 30 June 2011</b>	372,688	1,256,773	1,984	52,962	(5,181)	133	1,409,864	3,089,223	71,556	3,160,779
<b>Changes in equity for the six months ended 31 December 2011:</b>										
Profit for the period	—	—	—	—	—	—	95,065	95,065	12,377	107,442
Other comprehensive income	—	—	—	(108,924)	3,475	103	—	(105,346)	43	(105,303)
Total comprehensive income for the period	—	—	—	(108,924)	3,475	103	95,065	(10,281)	12,420	2,139
Non-controlling interest's share of dividends	—	—	—	—	—	—	—	—	(5,130)	(5,130)
Dividend declared in respect of the current financial year	—	—	—	—	—	—	(67,084)	(67,084)	—	(67,084)
<b>Balance at 31 December 2011</b>	372,688	1,256,773	1,984	(55,962)	(1,706)	236	1,437,845	3,011,858	78,846	3,090,704

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012 - unaudited  
(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Investment revaluation reserve	Hedging reserve	Exchange reserve	Retained profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2012	372,688	1,256,773	1,984	(55,962)	(1,706)	236	1,437,845	3,011,858	78,846	3,090,704
<b>Changes in equity for the six months ended 30 June 2012:</b>										
Profit for the period	—	—	—	—	—	—	194,793	194,793	11,656	206,449
Other comprehensive income	—	—	—	41,947	1,874	4	—	43,825	2	43,827
Total comprehensive income for the period	—	—	—	41,947	1,874	4	194,793	238,618	11,658	250,276
Dividends approved in respect of the previous financial year	14 (a)	—	—	—	—	—	(44,722)	(44,722)	—	(44,722)
Non-controlling interest's share of dividends		—	—	—	—	—	—	—	(9,015)	(9,015)
Dividend declared in respect of the current financial year	14 (a)	—	—	—	—	—	(22,361)	(22,361)	—	(22,361)
<b>Balance at 30 June 2012</b>	<b>372,688</b>	<b>1,256,773</b>	<b>1,984</b>	<b>(14,015)</b>	<b>168</b>	<b>240</b>	<b>1,565,555</b>	<b>3,183,393</b>	<b>81,489</b>	<b>3,264,882</b>

The notes on pages 9 to 22 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 June 2012 - unaudited  
(Expressed in Hong Kong dollars)*

	Six months ended 30 June		
	Note	2012 \$'000	2011 \$'000
Cash generated from operations		34,371	12,960
Tax paid		(2,470)	(2,322)
Net cash generated from operating activities		31,901	10,638
Net cash generated from investing activities		296,254	57,457
Net cash used in financing activities		(161,470)	(111,410)
Net increase/(decrease) in cash and cash equivalents		166,685	(43,315)
Cash and cash equivalents at 1 January		572,367	824,401
Cash and cash equivalents at 30 June	11	739,052	781,086

The notes on pages 9 to 22 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 27 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 the HKICPA.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group's financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 23.

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 28 March 2012.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 2 Turnover and segment reporting

#### (a) 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	
	2012	2011
	\$'000	\$'000
<i>Principal activities</i>		
Motoring school operations	101,667	93,375
Investment and other activities	20,421	23,528
	<u>122,088</u>	<u>116,903</u>

#### (b) 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 presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Motoring school operations: this segment invests in subsidiaries which operate three driver training centres.
- Tunnel operations: this segment invests in associates which operate 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.
- Others: this segment mainly operates leasing of fixed assets.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars)*

### 2 Turnover and segment reporting *(Continued)*

#### *(b) Segment reporting (Continued)*

##### *(i) 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)

### 2 Turnover and segment reporting (Continued)

#### (b) Segment reporting (Continued)

##### (i) 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		Others		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue from external customers	101,667	93,375	1,250	1,250	2,400	2,400	1,913	3,164	438	521	107,668	100,710
Inter-segment revenue	—	—	—	—	—	—	—	—	5,456	6,034	5,456	6,034
Interest revenue	1,673	579	—	—	—	—	12,747	15,614	—	—	14,420	16,193
Reportable segment revenue	<u>103,340</u>	<u>93,954</u>	<u>1,250</u>	<u>1,250</u>	<u>2,400</u>	<u>2,400</u>	<u>14,660</u>	<u>18,778</u>	<u>5,894</u>	<u>6,555</u>	<u>127,544</u>	<u>122,937</u>
Reportable segment profit/(loss) before tax	<u>33,934</u>	<u>20,107</u>	<u>182,014</u>	<u>140,470</u>	<u>11,646</u>	<u>11,504</u>	<u>1,531</u>	<u>19,344</u>	<u>(5,109)</u>	<u>(2,530)</u>	<u>224,016</u>	<u>188,895</u>
Depreciation	2,537	4,257	—	—	—	—	—	—	5,459	5,178	7,996	9,435
Share of profits less losses of associates	—	—	180,764	139,220	—	—	—	—	—	—	180,764	139,220
Share of profits of a jointly controlled entity	—	—	—	—	9,356	9,209	—	—	—	—	9,356	9,209
Income tax	5,845	3,297	—	—	279	279	—	15	—	2	6,124	3,593
Reportable segment assets at 30 June 2012 / 31 December 2011	<u>380,436</u>	<u>326,998</u>	<u>1,930,631</u>	<u>1,812,393</u>	<u>59,824</u>	<u>64,660</u>	<u>1,018,001</u>	<u>1,115,209</u>	<u>131,756</u>	<u>87,695</u>	<u>3,520,648</u>	<u>3,406,955</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 2 Turnover and segment reporting (Continued)

(b) *Segment reporting (Continued)*

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

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
<b>Revenue</b>		
Reportable segment revenue	127,544	122,937
Elimination of inter-segment revenue	(5,456)	(6,034)
	<u>122,088</u>	<u>116,903</u>
Consolidated turnover	<u>122,088</u>	<u>116,903</u>

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
<b>Profit</b>		
Reportable segment profit derived from Group's external customers	224,016	188,895
Other revenue	316	373
Unallocated head office and corporate income and expenses	(11,759)	(11,633)
	<u>212,573</u>	<u>177,635</u>
Consolidated profit before taxation	<u>212,573</u>	<u>177,635</u>

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
<b>Assets</b>		
Reportable segment assets	3,520,648	3,406,955
Unallocated head office and corporate assets	469	485
	<u>3,521,117</u>	<u>3,407,440</u>
Consolidated total assets	<u>3,521,117</u>	<u>3,407,440</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 3 Other net (loss)/income

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Net realised and unrealised (losses)/gains on trading securities	(10,312)	5,921
Net gains on sale of fixed assets (Note 8)	2,072	103
	<u>(8,240)</u>	<u>6,024</u>

### 4 Profit before taxation

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

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
<i>(a) Finance costs</i>		
Interest on bank borrowings	959	3,127
Other borrowing costs	393	383
	<u>1,352</u>	<u>3,510</u>
<i>(b) Other items</i>		
Depreciation	7,996	9,435
Cost of inventories consumed	3,390	4,227
Contributions to defined contribution retirement schemes	2,153	2,277
Dividend income from listed investments	(1,493)	(3,150)
Interest income	(14,420)	(16,193)
	<u>(14,420)</u>	<u>(16,193)</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 5 Income tax

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
Current tax – Hong Kong Profits Tax	6,062	3,983
Deferred taxation	62	(390)
	<u>6,124</u>	<u>3,593</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the six months ended 30 June 2012.

Share of taxation of associates for the six months ended 30 June 2012 amounted to \$41.4 million (2011: \$56.8 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 2012 amounted to \$1.9 million (2011: \$2.1 million) was included in share of profits of a jointly controlled entity in the consolidated income statement.

### 6 Other comprehensive income

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
<i>Available-for-sale securities:</i>		
Changes in fair value and net movement in the investment revaluation reserve recognised during the period	<u>41,947</u>	<u>(15,308)</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 7 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 \$194,793,000 (2011: \$165,811,000) and the weighted average of 372,688,206 ordinary shares (2011: 359,501,393 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 \$194,793,000 (2011: \$165,811,000) and the weighted average of 372,688,206 ordinary shares (2011: 367,896,497 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares during the period.

(c) *Reconciliations*

	2012 Number of shares	2011 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>372,688,206</b>	359,501,393
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	—	8,395,104
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b><u>372,688,206</u></b>	<b><u>367,896,497</u></b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 8 Fixed assets

In February 2012, the Group purchased a new yacht and related equipment for consideration of \$119.0 million. Subsequently, in May 2012, the Group disposed its existing yacht and related equipment with a carrying value of \$71.1 million for consideration of \$73.0 million.

In March 2012, the Group entered into provisional sale and purchase agreements with independent third parties, pursuant to which the Group agreed to dispose of, and the independent third parties agreed to acquire, certain properties from the Group at an aggregate consideration of \$62.0 million. As at 30 June 2012, the Group received an amount of \$6.2 million as deposits for the acquisition (included in trade and other payables). The transactions are expected to complete in late 2012. As at 30 June 2012, the above properties are classified as assets held for sale.

### 9 Available-for-sale securities

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Listed in Hong Kong	171,161	137,808
Listed outside Hong Kong	121,397	110,816
Unlisted securities	75,951	77,938
	<u>368,509</u>	<u>326,562</u>

At 30 June 2012, 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)

### 10 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 2012 \$'000	At 31 December 2011 \$'000
Current	4,952	1,896
Less than 1 month past due	165	1,085
1 to 3 months past due	546	595
More than 3 months but less than 12 months past due	336	283
	<hr/>	<hr/>
Trade receivables, net of allowance for doubtful debts	5,999	3,859
Other receivables	4,185	3,029
	<hr/>	<hr/>
Trade and other receivables	10,184	6,888
Deposits and prepayments	10,481	9,516
	<hr/>	<hr/>
	<b>20,665</b>	<b>16,404</b>
	<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 \$1,313,000 (31 December 2011: \$1,320,000) 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)

### 11 Bank deposits and cash

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Deposits with banks and other financial institutions	568,714	565,643
Cash at bank and in hand	240,411	240,712
Bank deposits and cash in the consolidated balance sheet	809,125	806,355
Less: Deposits with maturity greater than 3 months	(70,073)	(233,988)
Cash and cash equivalents in the condensed consolidated cash flow statement	739,052	572,367

At 30 June 2012, \$18,301,000 (31 December 2011: \$18,214,000) were pledged to a financial institution as security against treasury facilities granted to the Group.

### 12 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 2012 \$'000	At 31 December 2011 \$'000
Due within 1 month or on demand	1,445	728
Due after 1 month but within 3 months	342	343
Due after 3 months but within 6 months	1,010	754
Trade payables	2,797	1,825
Other payables and accrued charges	30,676	41,752
	33,473	43,577

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)

### 13 Bank loans

At 30 June 2012, the bank loans were repayable as follows:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Within 1 year and included in current liabilities	<u>52,083</u>	<u>156,250</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 2012, none of the covenants relating to drawn down facilities had been breached.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 14 Capital, reserves and dividends

#### (a) Dividends

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

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
First interim dividend declared during the interim period of 6 cents per share (2011: 6 cents per share)	22,361	22,361
Second interim dividend declared after the interim period of 6 cents per share (2011: 6 cents per share)	22,361	22,361
	<u>44,722</u>	<u>44,722</u>

The second interim dividend declared after the interim period has not been recognised as a liability at the 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	
	2012 \$'000	2011 \$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 12 cents per share (2011: 12 cents per share)	44,722	44,722

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 14 Capital, reserves and dividends (Continued)

#### (b) Share capital

	No. of shares '000	Amount \$'000
<b>Authorised:</b>		
Ordinary shares of \$1 each	1,000,000	1,000,000
<b>Issued and fully paid:</b>		
At 1 January 2012 and 30 June 2012	372,688	372,688

### 15 Material related party transactions

During the period, the Group was involved in the following material related party transactions, none of which is regarded as a "connected transaction" as defined under the Listing Rules.

- (a) The balance of the loan and interest receivable from an associate, Western Harbour Tunnel Company Limited ("WHTCL") at 30 June 2012 was \$76.6 million (31 December 2011: \$76.3 million).

The Group received interest income and management fee income from WHTCL of \$0.3 million (2011: \$0.4 million) and \$1.3 million (2011: \$1.3 million) respectively.

- (b) The Group received a loan from an associate, Tate's Cairn Tunnel Company Limited ("TCTCL"). The balance of the loan at 30 June 2012 was \$179.9 million (31 December 2011: \$162.1 million).

- (c) The Group received consultancy fees and management fee income from a jointly controlled entity of \$1.8 million (2011: \$1.8 million) and \$0.6 million (2011: \$0.6 million) respectively.

### 16 Non-adjusting post balance sheet event

On 27 August 2012, the Directors proposed a second interim dividend. Further details are set out in note 14 (a) "Dividends".

## REVIEW REPORT TO THE BOARD OF DIRECTORS

### 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 22 which comprises the consolidated balance sheet of The Cross-Harbour (Holdings) Limited as of 30 June 2012 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 2012 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, 27 August 2012

## 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 2012. The interim results have been reviewed by the audit committee and KPMG. KPMG's review report is set out on page 23.

The Group's unaudited profit attributable to shareholders for the first half of 2012 amounted to HK\$194.8 million, a 17.5% increase as compared with HK\$165.8 million for the first half of 2011. Earnings per share were HK\$0.52 against HK\$0.46 for the last corresponding period.

### 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 2012. Your directors have today declared a second quarterly interim dividend of HK\$0.06 per share payable on 21 September 2012 to shareholders registered on 14 September 2012.

### CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Wednesday, 12 September 2012 to Friday, 14 September 2012, 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., Tuesday, 11 September 2012.

### BUSINESS REVIEW AND PROSPECTS

During the first quarter of the year, the Hong Kong economy registered a disappointing 0.4% GDP growth, the lowest level since the third quarter of 2009, after posting a 3% growth in the fourth quarter of 2011. The drop was attributed largely to declining exports under the backdrop of deteriorating euro-zone economies and a slowdown in Mainland China resulting from weak external demand and government's cooling policies on the housing market. Moreover, consumer spending which has been underpinned by low unemployment and strong income growth in the past years began to show signs of moderating. Nevertheless, property prices in March were driven up to 10% higher than their 1997 peak on the back of a tight supply and low interest rate. The immediate outlook for the Hong Kong economy in the second half of 2012 is still challenging due to instability in the global economic environment and volatility in the financial market. The US economic recovery remains weak with the uncertainty over the launch of further quantitative easing measures while Mainland China's economic growth will continue to moderate though the risk of a hard landing is limited. The local economy is expected to grow at a subdued pace throughout the year, but is unlikely to slide back into recession unless the Euro bloc enters into a full blown crisis. The short-term outlook for inflation is benign, as slow growth prospects will help to alleviate rising price pressure.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2012 was about 263,000. The overall usage of auto-toll facilities in all eleven toll roads and tunnels maintained at around 50%, with the highest usage at the Tai Lam Tunnel at around 60%. The daily transactions handled by Autotoll were about 365,000 with toll amount of approximately HK\$8.1 million. The number of subscribers for the Global Positioning System at the end of June was around 9,000.

#### Motoring School Operation

Alpha Hero Group (70% owned) which operates driving training schools, though recorded a 5% decrease in the number of driving lessons demanded for the period under review as compared with the previous corresponding period, tuition fees income however increased as a result of an increase in lesson income unit rate. Moreover, profit margin was also improved under a flexible cost structure.

#### Tunnel Operations

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

Fuelled by buoyant consumer spending alongside gradual wage increase, the average daily throughput of the Western Harbour Tunnel ("WHT") for the first half year under review has increased to almost 58,500 vehicle journeys, representing an increase of about 6% as compared with the last corresponding period. Likewise, WHT's market share also increased to 24% for the period. The revenue growth of WHTCL is anticipated to remain solid in the long run as a result of additional traffic induced by the increasing commercial activities in the West Kowloon region.

(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 increased to approximately 55,400 vehicle journeys, representing an increase of about 6% as compared with the last corresponding period. The increase was partially due to diversion of traffic caused by a fire accident at the Lion Rock Tunnel in March.

### COMMENTARY ON INTERIM RESULTS

#### (I) Review of 2012 Interim Results

The Group's unaudited profit attributable to shareholders for the six months ended 30 June 2012 amounted to HK\$194.8 million, an increase of 17.5% as compared to HK\$165.8 million for the last corresponding period. Earnings per share were HK\$0.52. The increase in 2012 interim result was attributable to a significant increase in contribution from tunnel operations during the period under review.

The Group's turnover for the period under review was HK\$122.1 million, an increase of HK\$5.2 million or 4.4% as compared to the HK\$116.9 million recorded in the same period last year. The improvement was attributable to an increase in turnover of the motoring school.

The motoring school operations recorded an increase in turnover of 8.9% to HK\$101.7 million as a result of improvement in tuition fees income due to higher lesson income unit rate despite a decrease in demand for driving lessons as compared with the last corresponding period.

The Group's share of profits less losses of associates has increased substantially by 29.9% to HK\$180.8 million as compared to HK\$139.2 million in the last corresponding period due to improved performance of both WHTCL and TCTCL. An increase in contribution from WHTCL was attributable to a 6.0% increase in toll revenue, a decrease in finance costs as a result of reduced bank loan outstanding during the period under review, and a decrease in profit tax provision as compared with the additional deferred tax provision in the last corresponding period. TCTCL also registered a 6.7% increase in toll income as a result of increase in throughput. 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\$154.1 million and HK\$26.6 million respectively as compared to HK\$116.5 million and HK\$22.7 million recorded in the last corresponding period.

The Group's share of profit from a jointly controlled entity, Autotoll Limited, which operates an electronic toll collection system, was HK\$9.4 million for the first half year under review against the HK\$9.2 million recorded in the last corresponding period, representing a slight increase of HK\$0.2 million or 2.2%.

The Group's financial costs incurred on bank loans during the period under review amounted to HK\$1.4 million as compared to HK\$3.5 million recorded in the last corresponding period. The bank loans are variable interest rate loans with interest rate based on HIBOR plus the predetermined spread.

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMMENTARY ON INTERIM RESULTS *(Continued)*

#### (II) Investments

As at 30 June 2012, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate market value of HK\$508.6 million (31 December 2011: HK\$562.0 million). The decrease in portfolio balance was primarily due to disposal of trading 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\$1.5 million.

#### (III) Liquidity and Financial Resources

As at 30 June 2012, the Group had bank balances and deposits in the amount of HK\$809.1 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. At 30 June 2012, the Group had outstanding bank loans of HK\$52.1 million (31 December 2011: HK\$156.3 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 2011 : negative). Net debt includes interest-bearing bank borrowings and other payables, net of cash and cash equivalents.

Except for the Group's investment in trading securities and bank deposits 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.

#### (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 2 of the interim financial report.

#### (V) Employees

The Group has 480 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\$54.1 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 2012:

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 2012, 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.

### SHARE OPTIONS

The existing share option scheme was adopted by the Company in its general meeting on 29 April 2005. Details of the scheme are given in the Company's circular dated 13 April 2005.

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.

## DISCLOSURE OF INTERESTS

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2012, 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	41.66%
Chongqing Industrial	Interest of controlled corporation	155,254,432	41.66%
Yugang International	Interest of controlled corporation	155,254,432	41.66%
Yugang BVI	Interest of controlled corporation	155,254,432	41.66%
Funrise	Interest of controlled corporation	155,254,432	41.66%
Y. T. Realty	Interest of controlled corporation	155,254,432	41.66%
Y. T. Investment	Interest of controlled corporation	155,254,432	41.66%
Honway	Beneficial owner	155,254,432	41.66%

*Note: Each parcel of 155,254,432 shares represents a long position and 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.*

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 30 June 2012, 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 28.

### CORPORATE GOVERNANCE CODE

Throughout the accounting period covered by the interim report, the Company has met the code provisions of the Corporate Governance 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"), save that the Company has no formal letters of appointment for directors except the managing director and has therefore deviated from code provision D.1.4 of the Corporate Governance Code. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company and shareholders are given (at the same time as the notice of the relevant shareholders' meeting) information that is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules and such other information reasonably necessary to enable them to make an informed decision on whether to vote for and against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting.

### 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 Corporate Governance Code) at least as exacting as the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out within Appendix 10 to the Listing Rules.

All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out 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, 27 August 2012