# THE CROSS-HARBOUR (HOLDINGS) LIMITED
# 港通控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 32)**

## 2008 Interim Results Announcement

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

**GROUP RESULTS**

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

**DIVIDENDS**

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

**CLOSURE OF BOOKS**

The member register and transfer books of the Company will be closed from Monday, 29 September 2008 to Thursday, 2 October 2008, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m., Friday, 26 September 2008.

**Consolidated profit and loss account**
for the six months ended 30 June 2008 - unaudited

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

**Consolidated balance sheet**
As at 30 June 2008 - unaudited

| | **30 June 2008** | | 31 December 2007 | |
|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| **Non-current assets** | | | | |
| Fixed assets | | | | |
| - Property, plant and equipment | | **72,000** | | 82,230 |
| - Interest in leasehold land held for own use under operating leases | | **28,441** | | 28,806 |
| | | **100,441** | | 111,036 |
| Interest in associates | | **900,306** | | 826,863 |
| Interest in a jointly controlled entity | | **38,005** | | 29,214 |
| Available-for-sale securities | | **299,186** | | 623,458 |
| Deferred tax assets | | **357** | | 290 |
| | | **1,338,295** | | 1,590,861 |
| **Current assets** | | | | |
| Trading securities | **130,597** | | 136,235 | |
| Equity-linked notes | **44,260** | | 49,965 | |
| Inventories | **1,282** | | 945 | |
| Trade and other receivables | **14,494** | | 21,507 | |
| Cash and cash equivalents | **1,310,339** | | 1,210,379 | |
| | **1,500,972** | | 1,419,031 | |
| **Current liabilities** | | | | |
| Trade and other payables | **61,723** | | 83,536 | |
| Course fees received in advance | **64,948** | | 67,317 | |
| Taxation payable | **12,168** | | 12,223 | |
| Dividends payable | **21,325** | | 21,316 | |
| | **160,164** | | 184,392 | |
| **Net current assets** | | **1,340,808** | | 1,234,639 |
| **Total assets less current liabilities** | | **2,679,103** | | 2,825,500 |

| | 30 June 2008 | | 31 December 2007 | |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | | **863** | | 1,500 |
| **NET ASSETS** | | **2,678,240** | | 2,824,000 |
| **CAPITAL AND RESERVES** | | | | |
| Share capital | | **353,488** | | 353,488 |
| Reserves | | **2,263,719** | | 2,401,538 |
| **Total equity attributable to equity shareholders of the Company** | | **2,617,207** | | 2,755,026 |
| **Minority interests** | | **61,033** | | 68,974 |
| **TOTAL EQUITY** | | **2,678,240** | | 2,824,000 |

## Notes on the unaudited interim financial report

## 1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 12 September 2008.

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

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

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.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 14 March 2008.

## 2 Segment reporting

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

**Business segments**

The Group comprises the following main business segments:

Motoring school operations
Tunnel operations
Electronic toll operations
Treasury

(a) **Six months ended 30 June 2008**

| | **Motoring school operations** *HK$'000* | **Tunnel operations** *HK$'000* | **Electronic toll operations** *HK$'000* | **Treasury** *HK$'000* | **Unallocated** *HK$'000* | **Consolidated** *HK$'000* |
|---|---|---|---|---|---|---|
| Turnover | **99,251** | **1,462** | **1,800** | **19,769** | **496** | **122,778** |
| Other revenue | – | – | – | **2,055** | – | **2,055** |
| Total revenue | **99,251** | **1,462** | **1,800** | **21,824** | **496** | **124,833** |
| Segment result | **15,717** | **1,462** | **1,759** | **95,220** | **(532)** | **113,626** |
| Unallocated operating expenses | | | | | | **(11,690)** |
| Operating profit before finance costs | | | | | | **101,936** |
| Finance costs | – | – | – | **(842)** | – | **(842)** |
| Operating profit | | | | | | **101,094** |
| Share of profits of associates | – | **70,847** | – | – | – | **70,847** |
| Share of profit of a jointly controlled entity | – | – | **8,791** | – | – | **8,791** |
| Profit before taxation | | | | | | **180,732** |
| Income tax | **(3,021)** | – | **(283)** | **14** | – | **(3,290)** |
| Profit for the interim period | | | | | | **177,442** |
| Depreciation for the interim period | **9,406** | – | – | – | **2,639** | **12,045** |
| Amortisation of land lease premium | **365** | – | – | – | – | **365** |

### (b) Six months ended 30 June 2007

| | Motoring school operations *HK$'000* | Tunnel operations *HK$'000* | Electronic toll operations *HK$'000* | Treasury *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| Turnover | 103,954 | 1,471 | 1,800 | 28,828 | 495 | 136,548 |
| Other revenue | – | – | – | 2,947 | – | 2,947 |
| Total revenue | 103,954 | 1,471 | 1,800 | 31,775 | 495 | 139,495 |
| Segment result | 19,769 | 1,471 | 1,749 | 53,380 | (528) | 75,841 |
| Unallocated operating expenses | | | | | | (8,968) |
| Operating profit before finance costs | | | | | | 66,873 |
| Finance costs | – | – | – | (1,460) | – | (1,460) |
| Operating profit | | | | | | 65,413 |
| Share of profits of associates | – | 45,321 | – | – | – | 45,321 |
| Share of profit of a jointly controlled entity | – | – | 9,718 | – | – | 9,718 |
| Profit before taxation | | | | | | 120,452 |
| Income tax | (2,474) | – | (291) | (392) | (15) | (3,172) |
| Profit for the interim period | | | | | | 117,280 |
| Depreciation for the interim period | 9,158 | – | – | – | 2,491 | 11,649 |
| Amortisation of land lease premium | 365 | – | – | – | – | 365 |

## 3 Other net income

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

## 4 Profit before taxation

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

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

## 5 Income tax

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| Current tax - Hong Kong Profits Tax | **3,994** | 3,172 |
| Deferred taxation | **(704)** | – |
| | **3,290** | 3,172 |

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

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

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

## 6 Dividends

### (a) Dividends attributable to the interim period

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| First interim dividend declared during the interim period end of 6 cents per share (2007: 6 cents per share) | **21,209** | 21,209 |
| Second interim dividend declared after the interim period end of 6 cents per share (2007: 6 cents per share) | **21,209** | 21,209 |
| | **42,418** | 42,418 |

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year, approved and paid during the interim period, of 12 cents per share (2007: 12 cents per share) | **42,418** | 42,418 |

## 7 Earnings per share

### (a) Basic

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

### (b) Diluted

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

### (c) Reconciliations

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

## BUSINESS REVIEW AND PROSPECTS

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

***The Autopass Company Limited ("Autopass")*** *– 70% owned*
***Autotoll Limited ("Autotoll")*** *– effectively 35% owned*
The main asset of Autopass is its 50% stake in Autotoll, which provides electronic toll clearing facilities in Hong Kong covering eleven different toll roads and tunnels. There are fifty-two auto-toll lanes in operation at present. The total number of tags in circulation as at 30 June 2008 was about 230,000. The overall usage of auto-toll facilities in all eleven toll roads and tunnels maintained at about 50%, with the highest usage at the Western Harbour Tunnel at around 60%. The daily transactions handled by Autotoll were about 330,000 with toll amount of approximately HK$6.6 million. The number of subscribers for the Global Positioning System at the end of June was about 3,200.

***The Hong Kong School of Motoring Limited ("HKSM")*** *– 70% owned*
HKSM recorded a decrease in the demand for driving lessons and also a further deteriorated demand in motorcycle training courses resulting from contracting market size during the period under review as compared with the previous corresponding period. The dampening effect of low throughput and rising fuel costs on the performance of HKSM was however mitigated by the higher lesson income unit rate.

***Western Harbour Tunnel Company Limited ("WHTCL")*** *– 50% owned effective from 8 August 2008*
As a measure to increase revenue, WHTCL has implemented its fourth toll increase effective from 6 January 2008. Toll charges for private cars, taxis and light buses have risen by HK$5 to HK$45, HK$40 and HK$55 respectively, while single and double decked buses are charged HK$80 (increased by HK$10) and HK$115 (increased by HK$15) respectively. Tolls on all other categories of vehicles, including goods vehicles and motorcycles, remain unchanged. The average daily throughput during the first half-year under review, however, maintained at about 47,000 vehicle journeys as compared with the last corresponding period.

***Hong Kong Transport, Logistics and Management Company Limited ("HKTLMCL")*** *– 50% owned effective from 8 August 2008*
HKTLMCL, has managed the busiest Cross-Harbour Tunnel at Hunghom ("CHT") under a Management, Operation and Maintenance ("MOM") Contract with the Government for a period of twenty-six months up to 31 October 2008. The extension of the contract for a further twenty-four months to 31 October 2010 has been confirmed.

## COMMENTARY ON INTERIM RESULTS

### (I) Review of 2008 Interim Results

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

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

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

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

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

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

### (II) Investments

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

**(III) Liquidity and Financial Resources**

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

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

**(IV) Employees**

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

**(V) Contingent Liabilities**

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

**(a) In respect of the Company**

The Company has given two letters of undertaking in relation to the bank facilities of the Group to two banks for general banking facilities totalling HK$50 million (31 December 2007: HK$150 million) granted to the Company. The banking facilities granted are also secured by a negative pledge of certain listed investments held by the Group. At 30 June 2008, these facilities were not utilised by the Company.

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

There is an arrangement between HKSM and its banker whereby the bank provides guarantees in favour of third parties. Under this arrangement, HKSM has a charge over a time deposit with that bank amounting to not less than HK$0.4 million (31 December 2007: HK$0.4 million).

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

The Group has given a guarantee to the extent of HK$28.5 million (31 December 2007: HK$28.5 million) to a bank in return for it providing a guarantee in favour of the Government of the HKSAR on behalf of HKTLMCL to secure the performance of an agreement in relation to the operation and management of the Cross-Harbour Tunnel and the operation and maintenance of the tunnel equipment by HKTLMCL.

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

A joint and several guarantee given by the Company and the other shareholders of WHTCL, namely, High Fortune Group Limited (as well as by its ultimate shareholder, China Merchants Holdings (International) Company Limited) and Adwood Company Limited (as well as by its ultimate shareholders, CITIC Pacific Limited and Kerry Properties Limited) to the Government of the HKSAR to advance to WHTCL by way of share capital injection and/or subordinated debt of an amount equal to any excess of the total costs over the budgeted cost of HK$7,534 million, incurred by WHTCL in connection with the construction, financing, administration and maintenance of the Western Harbour Tunnel ("WHT") up to the date WHT opened for use by the public (the "operating date") and with the replacement or repair of any of the works after the operating date but prior to the issuance of the maintenance certificate in relation to WHT. The maintenance certificate had not been issued at 30 June 2008.

**(VI) Post Balance Sheet Event**

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

## CODE ON CORPORATE GOVERNANCE PRACTICES

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

**PURCHASE, SALE OR REDEMPTION OF SHARES**

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

On behalf of the board
**Yeung Hin Chung, John**
*Managing Director*

Hong Kong, 12 September 2008

*As at the date hereof, the board of directors of the Company comprises Cheung Chung Kiu, Yeung Hin Chung, John, Yuen Wing Shing, Wong Chi Keung, Leung Wai Fai and Tung Wai Lan, Iris who are executive directors; Lee Ka Sze, Carmelo and Wong Yat Fai who are non-executive directors; and Ng Kwok Fu, Luk Yu King, James and Leung Yu Ming, Steven who are independent non-executive directors.*