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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 32)

2010 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 2010. 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 2010 amounted to HK$165.4 million, a 6.2% decrease compared with HK$176.3 million for the first half of 2009. Basic earnings per share were HK$0.47.

DIVIDENDS

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

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Wednesday, 15 September 2010 to Friday, 17 September 2010, both days inclusive, during which period no transfer of shares in the Company shall be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m., Tuesday, 14 September 2010.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2010 - unaudited

		Six months ended 30 June	
	Note	**2010**	2009
		HK$'000	*HK$'000*
Turnover	3 (b)	**98,269**	110,791
Other revenue		**1,448**	2,169
Other net income	4	**23,451**	37,397
Direct costs and operating expenses		**(50,328)**	(48,942)
Selling and marketing expenses		**(9,604)**	(9,626)
Administrative and corporate expenses		**(27,208)**	(24,229)
Operating profit before finance costs		**36,028**	67,560
Finance costs	5 (a)	**(4,951)**	(342)
Operating profit		**31,077**	67,218
Share of profits less losses of associates		**136,587**	108,568
Share of profits of a jointly controlled entity		**7,826**	9,501
Profit before taxation	5	**175,490**	185,287
Income tax	6	**(3,647)**	(2,332)
Profit for the period		**171,843**	182,955
Attributable to:			
Equity shareholders of the Company		**165,433**	176,323
Non-controlling interests		**6,410**	6,632
Profit for the period		**171,843**	182,955
Earnings per share	8		
Basic		**47 cents**	50 cents
Diluted		**45 cents**	48 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010 - unaudited

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2010 - unaudited

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

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

NOTES TO 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 issue on 31 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

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 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 26 March 2010.

2 Changes in accounting policies

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

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

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

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

- The impact of the majority of the revisions to HKFRS 3, HKAS 27 and HKFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

- The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases,* resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Motoring school operations: this segment invests in a subsidiary which operates three driver training centres.
- Tunnel operations: this segment invests in associates which operates both the Western Harbour Tunnel and Tate's Cairn Tunnel franchises and manages the Hunghom Cross-Harbour Tunnel for the Government of the Hong Kong Special Administrative Region ("HKSAR").
- Electronic toll operations: this segment invests in a jointly controlled entity which operates an electronic toll collection system and provision of telematics service.
- Treasury: this segment operates investment activities and receives dividend income and interest income.
- Other: this segment mainly operates leasing of fixed assets.

(a) Segment results and assets

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

Segment assets include all tangible, intangible assets and current and non-current assets with the exception of other corporate assets.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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.

(i) Six months ended 30 June 2010

	Motoring School Operations *HK$'000*	Tunnel Operations *HK$'000*	Electronic Toll Operations *HK$'000*	Treasury *HK$'000*	Other *HK$'000*	Total *HK$'000*
Revenue from external customers	**86,869**	**1,400**	**1,800**	**4,365**	**584**	**95,018**
Inter-segment revenue	**—**	**—**	**—**	**—**	**3,307**	**3,307**
Interest revenue	**89**	**—**	**—**	**3,162**	**—**	**3,251**
Reportable segment revenue	**86,958**	**1,400**	**1,800**	**7,527**	**3,891**	**101,576**
Reportable segment profit / (loss) before tax	**15,512**	**137,987**	**9,532**	**26,261**	**(3,060)**	**186,232**
Depreciation and amortisation	**5,799**	**—**	**—**	**—**	**4,402**	**10,201**
Share of profits less losses of associates	**—**	**136,587**	**—**	**—**	**—**	**136,587**
Share of profits of a jointly controlled entity	**—**	**—**	**7,826**	**—**	**—**	**7,826**
Income tax	**3,396**	**—**	**281**	**(30)**	**—**	**3,647**
Reportable segment assets at 30 June 2010	**262,089**	**1,935,813**	**48,140**	**1,028,245**	**102,495**	**3,376,782**

(ii) Six months ended 30 June 2009

	Motoring School Operations *HK$'000*	Tunnel Operations *HK$'000*	Electronic Toll Operations *HK$'000*	Treasury *HK$'000*	Other *HK$'000*	Total *HK$'000*
Revenue from external customers	82,806	1,400	1,800	23,274	591	109,871
Inter-segment revenue	—	—	—	—	4,814	4,814
Interest revenue	709	—	17	194	—	920
Reportable segment revenue	83,515	1,400	1,817	23,468	5,405	115,605
Reportable segment profit before tax	13,238	109,968	11,202	61,424	632	196,464
Depreciation and amortisation	6,643	—	—	—	2,778	9,421
Share of profits less losses of associates	—	108,568	—	—	—	108,568
Share of profits of a jointly controlled entity	—	—	9,501	—	—	9,501
Income tax	2,055	—	277	—	—	2,332
Reportable segment assets at 31 December 2009	255,557	1,849,043	54,577	1,150,074	32,151	3,341,402

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

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

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

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

4 Other net income

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Net gain on sale of available-for-sale securities	**—**	18,391
Net realised and unrealised gains on trading securities	**10,968**	16,442
Net realised and unrealised gain on equity-linked notes	**—**	2,460
Net gains on sale of fixed assets (Note 9)	**12,483**	104
	23,451	37,397

5 Profit before taxation

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

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

6 Income tax

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

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

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

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

7 Dividends

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

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

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

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

	Six months ended 30 June	
	2010	2009
	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 (2009: 12 cents per share)	**42,418**	42,418

8 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 HK$165,433,000 (2009: HK$176,323,000) and the weighted average of 353,488,206 ordinary shares (2009: 353,488,206 ordinary shares) in issue during the period.

(b) Diluted earnings per share

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

(c) Reconciliations

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

9 Fixed assets

In February 2010, the Group purchased a new yacht and related equipment for consideration of HK$90 million. Subsequently, in March 2010, the Group disposed its existing yacht and related equipment with a carrying value of HK$17.4 million for consideration of HK$30 million.

BUSINESS REVIEW AND PROSPECTS

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

The Autopass Company Limited ("Autopass") – *70% owned*
Autotoll Limited ("Autotoll") – *effectively 35% owned*

The main asset of Autopass is its 50% stake in Autotoll, which provides electronic toll clearing facilities in Hong Kong covering eleven different toll roads and tunnels. There are fifty-three auto-toll lanes in operation at present. The total number of tags in circulation as at 30 June 2010 was about 242,000. The overall usage of auto-toll facilities in all eleven toll roads and tunnels maintained at about 50%, with the highest usage at the Tai Lam Tunnel at around 60%. The daily transactions handled by Autotoll were about 340,000 with toll amount of approximately HK$7.2 million. The number of subscribers for the Global Positioning System at the end of June was about 4,500.

Alpha Hero Group ("AHG") – *70% owned*

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

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

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

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

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

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

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

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

COMMENTARY ON INTERIM RESULTS

(I) Review of 2010 Interim Results

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

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

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

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

HKTLMCL, an associate undertaking the management contract for the CHT, maintained stable income for the period.

The Group's share of profit from a jointly controlled entity, Autotoll Limited, which operates an electronic toll collection system, was HK$7.8 million for the first half year under review against the HK$9.5 million recorded in the last corresponding period, representing a decrease of HK$1.7 million or 17.9% as a result of a decrease in project income.

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

(II) Investments

As at 30 June 2010, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments, with an aggregate market value of HK$463.0 million. The increase in portfolio balance was primarily due to the acquisition of available-for-sale securities and bonds at a total amount of HK$220.9 million. Certain securities were pledged to the financial institution to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. Dividend income received therefrom in the first six months amounted to HK$4.3 million.

(III) Liquidity and Financial Resources

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

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

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

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

Except for the Group's investment in trading securities denominated in foreign currencies other than the United States dollars, the Group's major sources of income, major assets and borrowings are denominated in Hong Kong dollars.

(IV) Employees

The Group has 492 employees. Employees are remunerated according to job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from provident fund schemes and medical insurance, discretionary bonuses and employee share options are awarded to employees of the Group at the discretion of the directors, depending upon the financial performance of the Group. Total staff costs for the first six months amounted to HK$53.2 million.

(V) Contingent Liabilities

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

(a) In respect of the Company
The Company has given a letter of undertaking to a bank for general banking facilities totalling HK$50 million (31 December 2009: HK$50 million) granted to the Company. The banking facilities granted are also secured by a negative pledge of certain listed investments and its shareholding in certain subsidiaries held by the Group. At 30 June 2010, these facilities were not utilised by the Company.

(b) In respect of The Hong Kong School of Motoring Limited ("HKSM")
There is an arrangement between HKSM and its banker whereby the bank provides guarantees in favour of third parties. Under this arrangement, HKSM has a charge over a time deposit with that bank amounting to not less than HK$0.15 million (31 December 2009: HK$0.15 million).

(c) In respect of Hong Kong Transport, Logistics and Management Company Limited ("HKTLMCL")
At 30 June 2010, the Group has given a guarantee to the extent of HK$38.5 million (31 December 2009: HK$38.5 million) to a bank in return for it providing a guarantee in favour of the Government of the HKSAR on behalf of HKTLMCL to secure the performance of an agreement in relation to the operation and management of the Cross-Harbour Tunnel and the operation and maintenance of the tunnel equipment by HKTLMCL.

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 Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

Hong Kong, 31 August 2010

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.