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

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

2012 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 2012. 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 2012 amounted to HK$194.8 million, a 17.5% increase as compared to 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 at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m., Tuesday, 11 September 2012.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012 - unaudited

	Note	**Six months ended 30 June 2012** *HK$'000*	2011 *HK$'000*
Turnover	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)
Profit from operations		**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
Profit before taxation	4	**212,573**	177,635
Income tax	5	**(6,124)**	(3,593)
Profit for the period		**206,449**	174,042
Attributable to:			
Equity shareholders of the Company		**194,793**	165,811
Non-controlling interests		**11,656**	8,231
Profit for the period		**206,449**	174,042
Earnings per share	6		
Basic		**52 cents**	46 cents
Diluted		**52 cents**	45 cents

Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 - unaudited

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'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	**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)
Total comprehensive income for the period	**250,276**	165,343
Attributable to:		
Equity shareholders of the Company	**238,618**	157,081
Non-controlling interests	**11,658**	8,262
Total comprehensive income for the period	**250,276**	165,343

CONSOLIDATED BALANCE SHEET

As at 30 June 2012 - unaudited

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2012 - unaudited

	30 June 2012		31 December 2011	
	HK$'000	***HK$'000***	*HK$'000*	*HK$'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
NET ASSETS		**3,264,882**		3,090,704
CAPITAL AND RESERVES				
Share capital		**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
TOTAL EQUITY		**3,264,882**		3,090,704

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 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.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("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.

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.

2 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.

(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 2012

	Motoring School Operations *HK$'000*	Tunnel Operations *HK$'000*	Electronic Toll Operations *HK$'000*	Treasury *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	**101,667**	**1,250**	**2,400**	**1,913**	**438**	**107,668**
Inter-segment revenue	—	—	—	—	**5,456**	**5,456**
Interest revenue	**1,673**	—	—	**12,747**	—	**14,420**
Reportable segment revenue	**103,340**	**1,250**	**2,400**	**14,660**	**5,894**	**127,544**
Reportable segment profit / (loss) before tax	**33,934**	**182,014**	**11,646**	**1,531**	**(5,109)**	**224,016**
Depreciation	**2,537**	—	—	—	**5,459**	**7,996**
Share of profits less losses of associates	—	**180,764**	—	—	—	**180,764**
Share of profits of a jointly controlled entity	—	—	**9,356**	—	—	**9,356**
Income tax	**5,845**	—	**279**	—	—	**6,124**
Reportable segment assets at 30 June 2012	**380,436**	**1,930,631**	**59,824**	**1,018,001**	**131,756**	**3,520,648**

(ii) Six months ended 30 June 2011

	Motoring School Operations *HK$'000*	Tunnel Operations *HK$'000*	Electronic Toll Operations *HK$'000*	Treasury *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	93,375	1,250	2,400	3,164	521	100,710
Inter-segment revenue	—	—	—	—	6,034	6,034
Interest revenue	579	—	—	15,614	—	16,193
Reportable segment revenue	93,954	1,250	2,400	18,778	6,555	122,937
Reportable segment profit / (loss) before tax	20,107	140,470	11,504	19,344	(2,530)	188,895
Depreciation	4,257	—	—	—	5,178	9,435
Share of profits less losses of associates	—	139,220	—	—	—	139,220
Share of profits of a jointly controlled entity	—	—	9,209	—	—	9,209
Income tax	3,297	—	279	15	2	3,593
Reportable segment assets at 31 December 2011	326,998	1,812,393	64,660	1,115,209	87,695	3,406,955

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

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Profit		
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)
Consolidated profit before taxation	**212,573**	177,635

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

3 Other net (loss) / income

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'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
	(8,240)	6,024

4 Profit before taxation

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank borrowings	**959**	3,127
Other borrowing costs	**393**	383
	1,352	3,510
(b) Other items		
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)

5 Income tax

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

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 HK$41.4 million (2011: HK$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 HK$1.9 million (2011: HK$2.1 million) was included in share of profits of a jointly controlled entity in the consolidated income statement.

6 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$194,793,000 (2011: HK$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 HK$194,793,000 (2011: HK$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	**372,688,206**	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	**372,688,206**	367,896,497

7 Dividends

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'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
	44,722	44,722

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	
	2012	2011
	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 (2011: 12 cents per share)	**44,722**	44,722

8 Fixed assets

In February 2012, the Group purchased a new yacht and related equipment for consideration of HK$119.0 million. Subsequently, in May 2012, the Group disposed its existing yacht and related equipment with a carrying value of HK$71.1 million for consideration of HK$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 HK$62.0 million. As at 30 June 2012, the Group received an amount of HK$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.

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.

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$8.1million. 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.

(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) 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.

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) the director's information 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.

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

Hong Kong, 27 August 2012

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.