



THE CROSS-HARBOUR (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liabilities)

CONNECTED TRANSACTION

The board of directors of the Company wishes to announce that on 9th May, 2003, the Company and Honway entered into a Share Option Agreement pursuant to which the Company has conditionally agreed to grant Honway an option to subscribe for up to a maximum of 60,000,000 Shares in the capital of the Company at the Option Price during the Option Period. In consideration of the sum of HK\$50,000,000 (as to HK\$5,000,000 being the amount for purchasing the Option and as to HK\$25,000,000 being the non-refundable and non-interest bearing deposit payable in advance for exercise of the Option and as to HK\$20,000,000 being a 3-year interest-free term loan to be advanced by Honway to the Company) payable by Honway to the Company within 3 business days upon fulfillment of the conditions set out below, the Company shall grant to Honway the Option. The Option will not be listed on the Stock Exchange.

The Share Option Agreement is conditional upon (i) the approval of the Stock Exchange to the granting of the Option and the granting of listing of and permission to deal in the shares of the Company to be issued on exercise of the Option by the Listing Committee of the Stock Exchange; and (ii) the passing at the EGM of a resolution to approve the Share Option Agreement and the transaction contemplated thereunder (including but not limited to the grant of Option and the allotment and issue of the Shares to be issued on exercise of the Option) at which meeting Honway and its associates shall abstain from voting.

Honway is beneficially interested in approximately 27.57% of the issued share capital of the Company and is therefore a substantial shareholder of the Company and a connected person of the Company according to the Listing Rules. The grant of the Option to Honway to subscribe for the Company's new Shares as contemplated under the Share Option Agreement constitutes a connected transaction for the Company under Rule 14.26(4) of the Listing Rules and the grant of the Option is therefore subject to the approval by the independent shareholders of the Company at its general meeting for the grant of the Option at which meeting Honway and its associates shall abstain from voting.

A circular containing, among other things, further details of the Share Option Agreement, a letter of advice from the independent financial adviser to the Independent Shareholders and the notice of EGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 12th May, 2003. An application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 13th May, 2003.

The principal terms of the Share Option Agreement are set out below.

Date:	9th May, 2003
Parties:	The Company Honway
Key terms:	<p>(1) The Company has conditionally agreed to grant Honway an option to subscribe for up to a maximum of 60,000,000 Shares in the capital of the Company at the Option Price during the Option Period in consideration of the sum of HK\$50,000,000 (as to HK\$5,000,000 being the amount for purchasing the Option and as to HK\$25,000,000 being the non-refundable and non-interest bearing deposit payable in advance for exercise of the Option and as to HK\$20,000,000 being a 3-year interest-free term loan to be advanced by Honway to the Company) payable by Honway to the Company within 3 business days upon fulfillment of the conditions set out below. The Option Prices of HK\$3.40, HK\$3.70 and HK\$4.00 represent a premium of 7.09%, 16.54% and 25.98% respectively of the closing price of the Shares as at 9th May, 2003. The amount of HK\$5,000,000 for purchasing the Option and the premium mentioned above are determined as a result of negotiations between Honway and the Company. The Option Price of HK\$3.40 is determined with reference to approximately 7% to 8% premium over the one-month average closing price of the Shares ending on 7th May, 2003 and the Option Prices of HK\$3.70 and HK\$4.00 are determined with reference to approximately 7% to 8% premium over the Option Price of HK\$3.40 and HK\$3.70 respectively.</p> <p>(2) The HK\$25,000,000 non-refundable and non-interest bearing deposit so payable in advance may be used by Honway as part of the Exercise Moneys in respect of the exercise of any particular Option but shall otherwise be non-refundable to Honway by the Company.</p> <p>(3) Instead of making payment in cash to the Company in respect of the Exercise Moneys payable on the exercise of the Option, Honway may at its sole option waive all or any part of the Loan owing by the Company to Honway in satisfaction in full or part of the cash sum otherwise payable by Honway to the Company and the Company will be entitled to treat that part of the Loan so waived as extinguished.</p> <p>(4) The Option may be exercised in whole or in part at any time and from time to time during the Option Period.</p> <p>(5) The number of Shares to be allotted on exercise of the Option shall be calculated by dividing the amount of the Exercise Moneys specified in the Exercise Notice by the Option Price applicable on the Exercise Date.</p> <p>(6) The benefit of the Share Option Agreement may be assigned in whole or in part by Honway to its holding company for the time being or to any wholly owned subsidiary of Honway or of such holding company.</p>
Conditions:	<p>The Share Option Agreement is conditional upon (i) the approval of the Stock Exchange to the granting of the Option and the granting of listing of and permission to deal in the Shares of the Company to be issued on exercise of the Option by the Listing Committee of the Stock Exchange; and (ii) the passing at the EGM of a resolution to approve the Share Option Agreement and the transaction contemplated thereunder (including but not limited to the grant of Option and the allotment and issue of the Shares to be issued on exercise of the Option) at which meeting Honway and its associates shall abstain from voting.</p> <p>In the event that the conditions set out above are not fulfilled by 30th June, 2003 (or such later date as the parties may agree), the Share Option Agreement shall thereupon forthwith cease and determine and neither party shall have any claim against the other.</p>
Size of Option:	The exercise of the entire Option will result in the issue of 60,000,000 Shares, constituting approximately 24.29% of the existing issued capital of the Company and approximately 19.54% of the Company's existing issued capital as enlarged by such issue. On exercise of the entire Option which will result in the issue of 60,000,000 new Shares to Honway, Honway's interest in the Company will be increased from 27.57% to 41.72%. The Company has not received any notification from other Shareholders holding 5% or more of the issued capital of the Company pursuant to the SFO.

Reasons for entering into the Share Option Agreement

The principal activities of the Group are investment holding, tunnel management and operation, motoring school operation, and operation of an automatic toll collection system in Hong Kong. Such investments include, among others, 37% interest in Western Harbour Tunnel Company Limited, 70% interest in The Hong Kong School of Motoring Limited and 35% attributable interest in Autotoll Limited.

The Share Option Agreement, if implemented, will enable the Company to raise immediately \$50 million additional working capital in a most efficient way with no interest expense incurred by the Company. If the Option is exercised, further funds will be raised by way of equity thus strengthening the capital base of the Company. In view of the current adverse economic condition prevailing in Hong Kong, the Board believes that it is prudent to increase liquidity and general working capital of the Group. The Board has not decided as to the application of the funds raised from issue of Option Shares as a result of exercise of the Option since there is no assurance that the Option will be exercised by Honway.

Connected transaction

Honway is beneficially interested in approximately 27.57% of the issued share capital of the Company and is therefore a substantial shareholder of the Company and a connected person of the Company according to the Listing Rules. The grant of the Option to Honway to subscribe for the Company's new Shares as contemplated under the Share Option Agreement constitutes a connected transaction for the Company under Rule 14.26(4) of the Listing Rules and the grant of the Option is therefore subject to the approval by the Independent Shareholders of the Company at the EGM. Honway and its associates shall abstain from voting at the EGM.

General

A circular containing, among other things, further details of the Share Option Agreement, a letter of advice from the independent financial adviser to the Independent Shareholders and the notice of EGM will be despatched to the Shareholders as soon as practicable.

Application will be made to the Stock Exchange for the listing of, and permission to, deal in the new Shares issuable upon the exercise of the Option. The Option will not be listed on the Stock Exchange. The Option is not granted pursuant to the general mandate given to the board of directors of the Company on 29th May, 2002.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 12th May, 2003. An application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 13th May, 2003.

Definitions

"Board"	means the board of directors of the Company
"Company"	means The Cross-Harbour (Holdings) Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
"Date of Grant"	means the date of grant of the Option, namely, the date Honway effects payment of HK\$50,000,000 in accordance with the Share Option Agreement
"EGM"	means the extraordinary general meeting of the Company to be convened in connection with the Share Option Agreement
"Equity Share Capital"	means the issued share capital of the Company excluding any part thereof which does not either as respects dividends or as respects capital carry any right to participate beyond a specified amount or beyond an amount calculated by reference to a specified rate in a distribution;
"Exercise Date"	means any business day falling during the Option Period on which the Option is duly exercised before the close of business on such day by delivery of an Exercise Notice to the Company, where appropriate, together with a remittance for the Exercise Moneys and/or a completed notice of waiver of Loan (as attached to the Exercise Notice) and otherwise in accordance with the Share Option Agreement provided that if an Exercise Notice is served during a period when the register of holders of Shares is closed the "Exercise Date" shall be the next following business day on which the register of holders of Shares is open
"Exercise Moneys"	means, in relation to the Option, the aggregate amount of the relevant Option Price multiplied by the number of Option Shares payable by Honway to the Company upon the exercise of the Option and in the case of the exercise of any particular Option means the relevant Option Price multiplied by the relevant number of Option Shares in respect of which that particular Option has been exercised
"Exercise Notice"	means a notice to be completed, signed and delivered by Honway to the Company in accordance with the Share Option Agreement in order to exercise the Option in whole or in part
"Group"	means the Company and its subsidiaries
"Honway"	means Honway Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Y. T. Realty Group Limited, a company listed on the Stock Exchange
"Independent Shareholders"	the Shareholders other than Honway and its associates
"Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Loan"	means a 3-year interest-free term loan in the principal amount of HK\$20,000,000 advanced by Honway to the Company pursuant to the Share Option Agreement, the maturity date of the Loan being the last day of the Option Period
"Option"	means the right to subscribe in aggregate for up to the Option Shares at a price per Share equal to the Option Price in force on the relevant Exercise Date
"Option Period"	means the period from the Date of Grant to the third anniversary of the Date of Grant (both dates inclusive)
"Option Price"	means the sum payable in respect of each Share on exercise of the Option being HK\$3.40 for the period from the Date of Grant up to the first anniversary of the Date of Grant, HK\$3.70 for the period from the date immediately following the first anniversary of the Date of Grant up to the second anniversary of the Date of Grant and HK\$4.00 for the period from the date immediately following the second anniversary of the Date of Grant up to the third anniversary of the Date of Grant or such adjusted price as may for the time being be applicable in accordance with the terms of the Share Option Agreement
"Option Shares"	means up to a maximum of 60,000,000 new Shares issuable upon the exercise of the Option
"SFO"	means Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	means the shares of HK\$1.00 each in the authorized capital of the Company existing on the date of this Agreement and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) shares or stock in the Equity Share Capital of the Company resulting from any sub-division, consolidation or re-classification of Shares
"Share Option Agreement"	means the share option agreement dated 9th May, 2003 made between the Company and Honway for subscription of Shares
"Shareholders"	means the shareholders of the Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"substantial shareholder"	shall have the meaning as ascribed in the Listing Rules
"Takeovers Code"	means the Hong Kong Codes on Takeovers and Mergers and Share Repurchases

By order of the Board
The Cross-Harbour (Holdings) Limited
 Yeung Hin Chung, John
 Managing Director

Hong Kong, 12th May, 2003