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

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

2009 Results Announcement

The board of directors of The Cross-Harbour (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009. The results have been reviewed by the audit committee of the Company.

GROUP RESULTS

The Group profit attributable to shareholders for the year ended 31 December 2009 amounted to HK$291.3 million, compared with HK$140.3 million in 2008. The significant increase was the aggregate of an increase in profit contribution from tunnel operations and the improved performance of the treasury segment as compared to the previous year. Earnings per share were HK$0.82 against HK$0.40 for 2008.

DIVIDENDS

The first, second and third quarterly interim dividends each of HK$0.06 per share (2008: HK$0.06 per share) were paid on 26 June 2009, 16 October 2009 and 8 January 2010 respectively. The directors recommend the payment of a final dividend of HK$0.12 per share (2008: HK$0.12 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2009 of HK$0.30 per share (2008: HK$0.30 per share), representing a total distribution of approximately HK$106.0 million (2008: HK$106.0 million) for the year. Subject to the shareholders' approval of the proposed final dividend at the forthcoming annual general meeting, it is expected that the final dividend will be paid on Friday, 4 June 2010 to shareholders registered on Monday, 24 May 2010.

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Wednesday, 19 May 2010 to Monday, 24 May 2010, both days inclusive, during which period no transfer of shares in the Company shall be effected. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m., Tuesday, 18 May 2010.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2009

	Note	**2009** **HK$'000**	2008 HK$'000
Turnover	3	**217,518**	244,401
Other revenue	4	**3,917**	5,883
Other net gains/(losses)	4	**34,689**	(68,520)
Direct costs and operating expenses		**(98,360)**	(108,526)
Selling and marketing expenses		**(17,663)**	(21,763)
Administrative and corporate expenses		**(65,255)**	(58,379)
Operating profit/(loss) before finance costs		**74,846**	(6,904)
Finance costs	5(a)	**(5,429)**	(442)
Operating profit/(loss)		**69,417**	(7,346)
Share of profits less losses of associates		**235,355**	164,128
Share of profits of a jointly controlled entity		**9,709**	10,279
Profit before taxation	5	**314,481**	167,061
Income tax	6(a)	**(7,842)**	(9,064)
Profit for the year		**306,639**	157,997
Attributable to:			
Equity shareholders of the Company		**291,343**	140,266
Minority interests		**15,296**	17,731
Profit for the year		**306,639**	157,997
Earnings per share	7		
Basic		**HK$ 0.82**	HK$ 0.40
Diluted		**HK$ 0.80**	HK$ 0.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	2009 **HK$'000**	2008 HK$'000
Profit for the year	**306,639**	157,997
Other comprehensive income for the year (after tax and reclassification adjustments):		
Available-for-sale securities:		
net movement in the fair value reserve	**16,798**	(332,366)
Share of other comprehensive income of the associate:		
Cash flow hedge:		
net movement in the hedging reserve	**8,206**	(21,255)
	25,004	(353,621)
Total comprehensive income for the year	**331,643**	(195,624)
Attributable to:		
Equity shareholders of the Company	**316,347**	(213,355)
Minority interests	**15,296**	17,731
Total comprehensive income for the year	**331,643**	(195,624)

CONSOLIDATED BALANCE SHEET
as at 31 December 2009

	Note	**2009**		2008	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**46,531**		61,876
- Interest in leasehold land held for own use under operating leases			**27,348**		28,077
			73,879		89,953
Interest in associates			**1,849,043**		1,858,885
Interest in a jointly controlled entity			**39,197**		34,488
Available-for-sale securities			**161,066**		121,831
Deferred tax assets			**2,240**		1,360
			2,125,425		2,106,517
Current assets					
Trading securities		**80,178**		38,694	
Equity-linked notes		—		4,316	
Inventories		**806**		960	
Trade and other receivables	8	**15,061**		12,149	
Bank deposits and cash		**1,115,341**		476,959	
		1,211,386		533,078	
Current liabilities					
Trade and other payables	9	**45,722**		45,335	
Course fees received in advance		**67,113**		56,748	
Bank loans		**114,583**		—	
Taxation payable		**13,097**		11,764	
Interim dividends payable		**21,288**		21,279	
		261,803		135,126	
Net current assets			**949,583**		397,952

	2009		2008	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Total assets less current liabilities		**3,075,008**		2,504,469
Non-current liabilities				
Bank loans		**364,583**		—
Deferred tax liabilities		**150**		560
		364,733		560
NET ASSETS		**2,710,275**		2,503,909
CAPITAL AND RESERVES				
Share capital		**353,488**		353,488
Reserves		**2,292,436**		2,082,136
Total equity attributable to equity shareholders of the Company		**2,645,924**		2,435,624
Minority interests		**64,351**		68,285
TOTAL EQUITY		**2,710,275**		2,503,909

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations 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 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKAS 23 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

- As a result of amendments to HKAS 28, *Investments in associates*, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3 Segment reporting

The Group manages its businesses by divisions, which are organized 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 a subsidiary which operates three driver training centres.

- Tunnel operations: this segment invests in associates which operate the Western Harbour Tunnel and Tate's Cairn Tunnel franchises and manage the Hunghom Cross-Harbour Tunnel for the Government of HKSAR.

- Electronic toll operations: this segment invests in a jointly controlled entity which operates an electronic toll collection system and provision of telematics services.

- 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, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities 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. Segment liabilities include trade creditors attributable to the sales activities and the accruals of the individual segments and bank borrowings, dividend payable and taxation payable managed directly by the segments with exception of other corporate liabilities.

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 year is set out below.

(i) Year ended 31 December 2009

	Motoring school operations 2009 HK$'000	Tunnel operations 2009 HK$'000	Electronic toll operations 2009 HK$'000	Treasury 2009 HK$'000	Other 2009 HK$'000	Total 2009 HK$'000
Revenue from external customers	174,532	2,800	12,600	19,565	1,183	210,680
Interest revenue	1,061	—	17	5,760	—	6,838
Inter-segment revenue	—	—	—	—	9,627	9,627
Reportable segment revenue	175,593	2,800	12,617	25,325	10,810	227,145
Reportable segment profit before tax	36,745	238,155	22,082	55,471	342	352,795
Interest income from bank deposits	1,061	—	17	1,843	—	2,921
Interest expenses	—	—	—	(4,671)	—	(4,671)
Depreciation and amortisation	(13,080)	—	—	—	(5,524)	(18,604)
Share of profits less losses of associates	—	235,355	—	—	—	235,355
Share of profits of a jointly controlled entity	—	—	9,709	—	—	9,709
Income tax	(5,805)	—	(2,037)	—	—	(7,842)
Reportable segment assets	255,557	1,849,043	54,577	1,150,074	32,151	3,341,402
Interest in a jointly controlled entity	—	—	39,197	—	—	39,197
Interest in the associates	—	1,849,043	—	—	—	1,849,043
Additions to non-current segment assets	1,842	—	—	—	760	2,602
Reportable segment liabilities	94,137	6,945	1,216	500,896	352	603,546

(ii) Year ended 31 December 2008

	Motoring school operations 2008 HK$'000	Tunnel operations 2008 HK$'000	Electronic toll operations 2008 HK$'000	Treasury 2008 HK$'000	Other 2008 HK$'000	Total 2008 HK$'000
Revenue from external customers	197,007	2,800	12,600	2,240	1,183	215,830
Interest revenue	3,879	–	320	24,372	–	28,571
Inter-segment revenue	–	–	–	–	9,387	9,387
Reportable segment revenue	200,886	2,800	12,920	26,612	10,570	253,788
Reportable segment profit before tax	43,118	166,928	22,982	(35,121)	653	198,560
Interest income from bank deposits	3,879	–	320	18,489	–	22,688
Interest expenses	–	–	–	–	–	–
Depreciation and amortisation	(19,481)	–	–	–	(5,408)	(24,889)
Share of profits less losses of associates	–	164,128	–	–	–	164,128
Share of profits of a jointly controlled entity	–	–	10,279	–	–	10,279
Income tax	(7,030)	–	(2,020)	14	(28)	(9,064)
Reportable segment assets	251,522	1,858,885	54,712	436,907	36,861	2,638,887
Interest in a jointly controlled entity	–	–	34,488	–	–	34,488
Interest in the associates	–	1,858,885	–	–	–	1,858,885
Additions to non-current segment assets	3,135	–	–	–	1,629	4,764
Reportable segment liabilities	77,411	6,961	1,196	21,278	(28)	106,818

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

	2009	2008
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**227,145**	253,788
Elimination of inter-segment revenue	**(9,627)**	(9,387)
Consolidated turnover	**217,518**	244,401
Profit		
Reportable segment profit derived from Group's external customers	**352,795**	198,560
Other revenue	**3,917**	5,883
Unallocated head office and corporate expenses	**(42,231)**	(37,382)
Consolidated profit before taxation	**314,481**	167,061
Assets		
Reportable segment assets	**3,341,402**	2,638,887
Elimination of inter-segment receivables	**(5,530)**	—
Unallocated head office and corporate assets	**939**	708
Consolidated total assets	**3,336,811**	2,639,595
Liabilities		
Reportable segment liabilities	**603,546**	106,818
Elimination of inter-segment payables	**(5,530)**	—
Unallocated head office and corporate liabilities	**28,520**	28,868
Consolidated total liabilities	**626,536**	135,686

(c) Geographical information

No additional information has been disclosed in respect of the Group's geographical information as the Group operates only in one geographical location which is Hong Kong.

4 Other revenue and other net gains/(losses)

	2009	2008
	HK$'000	HK$'000
Other revenue		
Interest income from loan to an associate	**3,917**	4,369
Interest income from other loan	–	1,514
	3,917	5,883
Other net gains/(losses)		
Net gain on sale of available-for-sale securities	**14,024**	71,139
Impairment on available-for-sale securities	–	(4,297)
Net realised and unrealised gains/(losses) on trading securities	**18,590**	(132,712)
Net realised and unrealised gains on derivative financial instruments	–	7,583
Net realised and unrealised gains/(losses) on equity-linked notes	**1,964**	(11,102)
Net gain on sale of fixed assets	**111**	869
	34,689	(68,520)

5 Profit before taxation

	2009 HK$'000	2008 HK$'000
Profit before taxation is arrived at after charging:		
(a) Finance costs		
Other borrowing costs	**758**	442
Interest on bank loans wholly repayable within five years	**4,671**	–
	5,429	442
(b) Other items		
Amortisation of land lease premium	**729**	729
Depreciation	**17,875**	24,160
Auditors' remuneration		
- statutory audit services	**1,641**	1,185
- other services	**285**	210
Operating lease charges - land and buildings	**11,999**	11,260
Contributions to defined contribution retirement scheme	**4,842**	4,558
Salaries, wages and other benefits (excluding directors' emoluments)	**96,206**	107,361
Cost of inventories consumed	**6,869**	8,847
Net foreign exchange loss	**–**	4,514
and after crediting:		
Dividend income from listed investments	**23,547**	8,188
Interest income	**6,838**	28,571
Net foreign exchange gain	**1,061**	–

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2009	2008
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**9,272**	11,117
Over-provision in respect of prior years	**(140)**	(43)
	9,132	11,074
Deferred tax		
Origination and reversal of temporary differences	**(1,290)**	(1,941)
Effect of deferred tax balances at 1 January resulting from a change in tax rate	**–**	(69)
	(1,290)	(2,010)
	7,842	9,064

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2009	2008
	HK$'000	HK$'000
Profit before tax	**314,481**	167,061
Notional tax on profit before tax calculated at 16.5% (2008 : 16.5%)	**51,889**	27,565
Tax effect of non-deductible expenses	**750**	23,999
Tax effect on non-taxable revenue	**(48,249)**	(54,023)
Tax effect of current year's tax losses not recognised	**3,592**	11,635
Effect of deferred tax balances at 1 January resulting from a change in tax rate	**–**	(69)
Over-provision in prior years	**(140)**	(43)
Actual tax expense	**7,842**	9,064

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$291,343,000 (2008: HK$140,266,000) and the weighted average of 353,488,000 ordinary shares (2008: 353,488,000) in issue during the year, calculated as follows:

	2009	2008
	'000	'000
Weighted average number of ordinary shares at 31 December	**353,488**	353,488

(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$291,343,000 (2008: HK$140,266,000) and the weighted average number of ordinary shares of 365,191,000 shares (2008: 365,902,000 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted):

	2009	2008
	HK$'000	HK$'000
Profit attributable to ordinary equity shareholders (diluted)	**291,343**	140,266

(ii) Weighted average number of ordinary shares (diluted)

	2009	2008
	'000	'000
Weighted average number of ordinary shares at 1 January	**353,488**	353,488
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**11,703**	12,414
Weighted average number of ordinary shares (diluted) at 31 December	**365,191**	365,902

8 Trade and other receivables

	2009	2008
	HK$'000	HK$'000
Trade receivables	**2,680**	3,008
Other receivables	**174**	97
Trade and other receivables	**2,854**	3,105
Deposits and prepayments	**12,207**	9,044
	15,061	12,149

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expenses after more than one year is HK$1,482,000 (2008: HK$1,011,000). Apart from these, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis as of the balance sheet date:

	2009	2008
	HK$'000	HK$'000
Current	**1,635**	2,469
Less than 1 month past due	**382**	294
1 to 3 months past due	**628**	188
More than 3 months but less than 12 months past due	**35**	57
Amounts past due	**1,045**	539
	2,680	3,008

Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within one month from the date of billing while further credit may be granted to individual customer when appropriate. Normally, the Group does not obtain collateral from customers.

9 Trade and other payables

	2009	2008
	HK$'000	HK$'000
Trade payables	**1,204**	1,667
Other payables and accruals	**44,518**	43,668
	45,722	45,335

All of the trade and other payables, are expected to be settled or recognised as income within one year or are repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date:

	2009	2008
	HK$'000	HK$'000
Due within 1 month or on demand	**482**	1,053
Due after 1 month but within 3 months	**306**	229
Due after 3 months but within 6 months	**416**	385
	1,204	1,667

10 Dividends

(a) Dividends payable to equity shareholders attributable to the year:

	2009	2008
	HK$'000	*HK$'000*
Interim dividends declared of \$0.18 per share (2008: \$0.18 per share)	**63,628**	63,628
Final dividend proposed after the balance sheet date of \$0.12 per share (2008: \$0.12 per share)	**42,419**	42,419
	106,047	106,047

The final dividend proposed after the balance sheet date 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 year:

	2009	2008
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year of \$0.12 per share (2008: \$0.12 per share)	**42,419**	42,419

11 Comparative figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

BUSINESS REVIEW AND OUTLOOK

Despite extreme pessimism at the beginning of the year, the global economy has seen a great turnaround in 2009 with various leading economic indicators turning up. The pace of rebound was, however, tepid under the weak economic fundamentals. The adoption of unprecedented quantitative easing measures in the aftermath of the global financial crisis not only helped stabilize financial markets and restore the major economies to growth, but also led to rising risks of asset price bubbles. Moreover, the Dubai World's debt crisis in November reminded us that the nascent global economic recovery remains fragile.

After four consecutive quarters of contraction, Hong Kong also staged a rebound in the second quarter stemming from resilience in private consumption supported by better business prospects though limited by sluggish export trade, revival in financial market activities, rebound in inbound tourism and improving labour market. Unemployment rate fell slightly to 5.3% in the third quarter, the first decline since the onset of the global financial crisis. The property market recouped most of the losses suffered since Lehman's collapse and luxury property prices kept scaling new heights.

Stepping into 2010, the advanced economies are expected to rebound sluggishly with subdued inflation and high unemployment rate, while the emerging and developing economies, led by a resurgence in Asia, are already further ahead on the road to recovery. Buoyed by massive fiscal and monetary stimulus, the Mainland achieved a GDP growth of over 8% in 2009 with a consensus projection of 9.5% for 2010. The acceleration of economic growth in the Mainland certainly helps steering the local economy onto a positive growth path, following a contraction in 2009. Moreover, the potential appreciation of the renminbi continues to attract inflow of funds. As liquidity is likely to remain high for an extended period, local interest rates will stay low as long as the US monetary policy stays accommodative. Nevertheless, support from accommodative monetary and fiscal policies will have to be withdrawn eventually in the long run, but the timing and pace of those exit strategies are crucial to a sustainable recovery.

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

Autotoll Limited, 50% owned by Autopass, 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. Despite the uncertain economic condition and a decrease in new car sales, there was still a slight increase in tag subscribers during 2009. The telematics business was however adversely affected by the shrinking of the logistic market since cross-border truckers are the target customers of the On-Board Trucker Information System ("OBTIS") project. In view of revived business sentiment, the prospects of Autotoll are expected to improve in the coming year.

Following the successful launch of OBTIS, Autotoll is prepared to integrate this data exchange platform with a newly developed electronic advance cargo information system 一 Road Cargo System (ROCAS). The new system is designed for customs clearance of road cargoes and is scheduled to roll out in the first half of 2010 by the Customs and Excise Department. The importance of smooth cross-border traffic is already well recognized and the need to keep abreast with global, regional and national developments in electronic customs clearance is undeniable. With the electronic submission system, Customs officers are able to conduct risk profiling on every cargo consignment in advance so that the quality of risk assessment can be enhanced. All cross-border trucks, except those selected for inspection, can enjoy seamless customs clearance at the land border.

In the past year, Autotoll has well demonstrated its technology capability in the intelligent transport system activities through winning several government tenders. Following the implementation and integration of the two journey time indication systems — JTIS Hong Kong and JTIS Kowloon, Autotoll was further awarded the tender for the construction of Speed Map Panels ("SMP") for Kowloon-bound traffic in the New Territories in January 2010. The SMPs will be installed on roads with high traffic flows and will enable motorists travelling on the highway network from the New Territories to Kowloon to be provided with real-time traffic information to facilitate them to make informed route choices.

For years, Autotoll has been striving to expand its service network in the Mainland China. After the set up of a GPS joint venture in Guangdong province in 2009, Autotoll has eventually gained a foothold in a market with huge potential for telematics business. Further, system upgrade and product revamp are in progress with the aim of expanding customer size and making way for new products launching in the coming years.

The Hong Kong School of Motoring Limited ("HKSM") – 70% owned

In the wake of the continuously shrinking market size and uncertain employment prospects, HKSM recorded a further deteriorated demand for driving lessons in the year under review. The performance of HKSM was dampened by low throughput in spite of higher lesson income unit rate and various cost saving measures. Though the economy is expected to display strength, the outlook on the driving training industry, however, remains pessimistic in the coming year. The competitiveness of HKSM will continue be threatened by the intensified cut-throat pricing competitions among driving school operators. Further, given the declining market size and low entry barrier, sales intake of motorcycle training is expected to continue its downtrend. Nevertheless, HKSM will continue to deploy more efforts in product development and diversification in order to defend its market share. For years, HKSM has been relying on its strong brand image to support premium pricing. The expansion of the well received "One-to-One" driving training course not only helps to enhance brand image and service quality, but is also conducive to cost structure improvement in the long run.

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

Due to the poor economic environment and reduced total cross harbour traffic, the daily throughput of the Western Harbour Tunnel ("WHT") for the first three quarters of 2009 was slightly below 47,000 vehicle journeys, representing a 1.2% decrease as compared with the last corresponding period. However, the daily traffic in September has rebounded significantly to over 50,000 vehicle journeys which was also the level before the implementation of toll increase in January 2008, and continued its uptrend for the remaining period of the year along with an improvement in the total cross harbour traffic. The performance of WHTCL in 2009 was really encouraging as there was an unexpected positive growth in throughput for the full year even after a contraction during the first half year. On the finance side, WHTCL increased interest rate hedgings for its outstanding bank loan so as to take advantage of the favourable swap rates offered under the low interest rates environment as well as to prepare for the anticipated interest rate hikes in the second half of 2010.

For years, the management of WHTCL maintained close liaison with the Transport Department on the improvement of accessibility to and from the WHT. As a result of their prolonged efforts, the traffic congestion during peak periods at the Hong Kong Island egress of the WHT has been alleviated by recently implemented lane re-arrangement. Looking ahead, we expect both traffic growth and revenue growth of the WHT to remain solid in the coming year fuelled by buoyant consumer sentiments alongside gradual wage increase.

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

Despite a reduction in traffic volume of almost 7% during the year under review resulting from a diversion of traffic caused by the opening of Route 8 in 2008 and the sluggish performance of logistic industry as reflected by an significant drop in tunnel usage by goods vehicles, the Tate's Cairn Tunnel ("TCT") recorded an increase in toll revenue after its fifth toll increment effective from 30 November 2008 as compared with the previous year. Following a rebound in private consumption during the last quarter of 2009, the TCT experienced a moderate recovery in throughput. However, the threat of alternative routes on TCT's market share will continue to exist and the average daily throughput of the TCT in the new financial year is expected to maintain at the current level of around 52,000 vehicle journeys. In the years ahead, the steady cashflow generated by the franchise will continue to provide sustainable return for the Group.

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

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 commencing 1 September 2006 and extension has been granted by the Government for a further twenty-four months up to 31 October 2010.

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2009 Results

The Group reported a profit attributable to shareholders of HK$291.3 million for the year ended 31 December 2009, an increase of 107.6% compared with HK$140.3 million in 2008. Earnings per share were HK$0.82 compared to HK$0.40 for the previous year. The significant improvement in 2009 result was attributable to an increase in profit contribution from tunnel operations, gain from disposal of listed shares and an increase in fair value changes in securities investment as opposed to the significant losses on trading securities recorded in the last corresponding year.

The Group's turnover for the year was HK$217.5 million, decreased by HK$26.9 million or 11.0% as compared to HK$244.4 million recorded in 2008. The decrease was the aggregate result of a reduction in the turnover of the motoring school and a decrease in interest income on bank deposits which offsets an increase in dividend income from listed investments.

The Hong Kong School of Motoring Limited recorded a reduction in turnover of 11.4% to HK$174.5 million as a result of decrease in tuition fees income due to decline in both demand for driving lessons and income from motorcycle courses despite increase in the lesson income unit rate. Operating profit decreased by 14.8% as compared to the HK$43.1 million recorded in the previous year.

The Group's share of net profits less losses of associates has increased by 43.4% to HK$235.4 million as compared to HK$164.1 million in 2008. The significant increase was primarily due to the full year result effect of acquiring an additional 13% interest in Western Harbour Tunnel Company Limited ("WHTCL") and a 39.5% effective interest in Tate's Cairn Tunnel Company Limited ("TCTCL") in the second half of 2008. After accounting for the amortization of fair value in excess of net book value of TCTCL and WHTCL as at the completion dates of the acquisitions in 2008, profit contribution from WHTCL for the year was HK$199.4 million as compared to HK$161.3 million recorded in the previous year and contribution from TCTCL for the year was HK$36.7 million against HK$1.4 million in the previous year.

The Group's share of net profit from a jointly controlled entity, Autotoll Limited, was HK$9.7 million for the year against HK$10.3 million recorded in the previous year, representing a reduction of 5.8% as a result of a decrease in interest income on bank deposits.

The Group's financial costs for the year amounted to HK$5.4 million and were primarily due to a new drawdown of HK$500 million bank loans during the second half of 2009. The bank loans are variable interest rate loans with interest rate based on the HIBOR plus the predetermined spread.

(II) Investments

At 31 December 2009, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate market value of HK$241.2 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 2009 amounted to HK$23.5 million.

(III) Liquidity and Financial Resources

At 31 December 2009, the Group had bank balances and deposits in the amount of HK$1,115.3 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. At 31 December 2009, the Group had outstanding bank loans of HK$479.2 million (31 December 2008 : HK$Nil). 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 18.1% as at 31 December 2009 (31 December 2008 : Nil).

The following is the maturing profile of the group's bank borrowings as of 31 December 2009 :

Within 1 year	23.9%
After 1 year but within 2 years	43.5%
After 2 years but within 5 years	32.6%
	100.0%

The sum of term loan instalment payments repayable within one year is HK$114.6 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 514 employees. Employees are remunerated according to the 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 year amounted to HK$101.0 million. The Company also operates a Share Option Scheme.

(V) Contingent Liabilities

At 31 December 2009, 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 (2008: HK$50 million) granted to the Company. The banking facilities granted are also secured by a negative pledge of certain listed investments and shareholding in certain subsidiaries held by the Group. At 31 December 2009, these facilities were not utilised by the Company.

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

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 (2008: HK$0.4 million).

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

At 31 December 2009, the Group has given a guarantee to the extent of HK$38.5 million (2008: 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

Throughout the accounting period covered by the annual report, the Company has met the code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code (the "Securities Code") for directors' dealing in its securities (of which the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules as amended from time to time (the "Model Code") forms part) at least as exacting as the Model Code.

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 Securities Code throughout the year.

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 year.

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

Hong Kong, 26 March 2010

As at the date of this announcement, 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.