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

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

2011 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 2011. 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 2011 amounted to HK$238.5 million, compared with HK$358.8 million in 2010. The decrease was primarily attributable to the negative performance of the treasury segment as opposed to the gain from disposal of listed shares in the previous year. Earnings per share were HK$0.65 against HK$1.01 for 2010.

DIVIDENDS

The first, second and third quarterly interim dividends each of HK$0.06 per share (2010: HK$0.06 per share) were paid on 5 July 2011, 23 September 2011 and 30 December 2011 respectively. The directors recommend the payment of a final dividend of HK$0.12 per share (2010: HK$0.12 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2011 of HK$0.30 per share (2010: HK$0.30 per share), representing a total distribution of approximately HK$111.8 million (2010: HK$106.0 million) for the year. Dividend warrants in respect of the proposed final dividend will be despatched on 31 May 2012 to shareholders registered on 29 May 2012 (subject to shareholder approval).

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Friday, 25 May 2012 to Tuesday, 29 May 2012, 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., Thursday, 24 May 2012.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Turnover	3	**247,406**	227,099
Other revenue	4	**755**	2,209
Other net (losses)/income	4	**(112,026)**	42,236
Direct costs and operating expenses		**(110,585)**	(108,726)
Selling and marketing expenses		**(13,613)**	(18,094)
Administrative and corporate expenses		**(68,465)**	(65,355)
(Loss)/profit from operations		**(56,528)**	79,369
Finance costs	5(a)	**(5,934)**	(9,716)
Share of profits of associates		**321,154**	305,824
Share of profits of a jointly controlled entity		**11,499**	8,664
Profit before taxation	5	**270,191**	384,141
Income tax	6(a)	**(11,068)**	(9,222)
Profit for the year		**259,123**	374,919
Attributable to:			
Equity shareholders of the Company		**238,515**	358,753
Non-controlling interests		**20,608**	16,166
Profit for the year		**259,123**	374,919
Earnings per share	7		
Basic		**HK$ 0.65**	HK$ 1.01
Diluted		**HK$ 0.64**	HK$ 0.98

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	2011	2010
	HK$'000	HK$'000
Profit for the year	**259,123**	374,919
Other comprehensive income for the year (after tax and reclassification adjustments)		
Available-for-sale securities:		
net movement in the investment revaluation reserve	**(124,232)**	47,223
Share of other comprehensive income of an associate and a jointly controlled entity:		
- Cash flow hedge:		
net movement in the hedging reserve	**9,982**	5,464
- Exchange differences on translation of financial statements of overseas subsidiary and jointly controlled entity	**248**	89
	(114,002)	52,776
Total comprehensive income for the year	**145,121**	427,695
Attributable to:		
Equity shareholders of the Company	**124,439**	411,502
Non-controlling interests	**20,682**	16,193
Total comprehensive income for the year	**145,121**	427,695

CONSOLIDATED BALANCE SHEET
as at 31 December 2011

	Note	**2011**		2010	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**131,014**		125,947
- Interest in leasehold land held for own use			**25,890**		26,619
			156,904		152,566
Interest in associates			**1,812,393**		1,834,780
Interest in a jointly controlled entity			**49,326**		42,579
Available-for-sale securities			**326,562**		430,525
Deferred tax assets			**3,060**		3,060
			2,348,245		2,463,510
Current assets					
Trading securities		**235,413**		64,209	
Inventories		**1,023**		1,016	
Loan receivable		**-**		40,000	
Trade and other receivables	8	**16,404**		13,847	
Bank deposits and cash		**806,355**		944,037	
		1,059,195		1,063,109	
Current liabilities					
Trade and other payables	9	**43,577**		50,902	
Course fees received in advance		**103,820**		79,330	
Bank loans		**156,250**		208,333	
Taxation payable		**10,262**		9,920	
Interim dividends payable		**2,296**		2,301	
		316,205		350,786	
Net current assets			**742,990**		712,323

	2011		2010	
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets less current liabilities		**3,091,235**		3,175,833
Non-current liabilities				
Bank loans		**-**		156,250
Deferred tax liabilities		**531**		200
		531		156,450
NET ASSETS		**3,090,704**		3,019,383
CAPITAL AND RESERVES				
Share capital		**372,688**		353,488
Reserves		**2,639,170**		2,597,891
Total equity attributable to equity shareholders of the Company		**3,011,858**		2,951,379
Non-controlling interests		**78,846**		68,004
TOTAL EQUITY		**3,090,704**		3,019,383

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 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

The impact of the developments is discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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 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 services.
- 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, 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 the exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue 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 2011

	Motoring school operations 2011 HK$'000	Tunnel operations 2011 HK$'000	Electronic toll operations 2011 HK$'000	Treasury 2011 HK$'000	Others 2011 HK$'000	Total 2011 HK$'000
Revenue from external customers	193,195	2,500	13,800	3,725	1,041	214,261
Interest revenue	1,992	–	1	31,152	–	33,145
Inter-segment revenue	–	–	–	–	12,082	12,082
Reportable segment revenue	195,187	2,500	13,801	34,877	13,123	259,488
Reportable segment profit before tax	55,856	323,654	25,093	(90,572)	(3,785)	310,246
Interest income from bank deposits	1,992	–	1	4,503	–	6,496
Interest expenses	–	–	–	(5,934)	–	(5,934)
Depreciation	(6,818)	–	–	–	(10,377)	(17,195)
Share of profits of associates	–	321,154	–	–	–	321,154
Share of profits of a jointly controlled entity	–	–	11,499	–	–	11,499
Income tax	(9,012)	–	(2,044)	(10)	(2)	(11,068)
Reportable segment assets	326,998	1,812,392	64,660	1,115,209	87,696	3,406,955
Interest in a jointly controlled entity	–	–	49,326	–	–	49,326
Interest in associates	–	1,812,393	–	–	–	1,812,393
Additions to non-current segment assets	20,888	–	–	–	704	21,592
Reportable segment liabilities	127,644	–	1,195	165,550	122	294,511

(ii) Year ended 31 December 2010

	Motoring school operations 2010 HK$'000	Tunnel operations 2010 HK$'000	Electronic toll operations 2010 HK$'000	Treasury 2010 HK$'000	Others 2010 HK$'000	Total 2010 HK$'000
Revenue from external customers	186,900	2,750	13,500	4,781	1,179	209,110
Interest revenue	583	—	1	17,405	—	17,989
Inter-segment revenue	—	—	—	—	10,365	10,365
Reportable segment revenue	187,483	2,750	13,501	22,186	11,544	237,464
Reportable segment profit before tax	42,051	308,574	21,969	43,097	9,277	424,968
Interest income from bank deposits	583	—	1	2,378	—	2,962
Interest expenses	—	—	—	(9,716)	—	(9,716)
Depreciation	(10,915)	—	—	—	(9,616)	(20,531)
Share of profits of associates	—	305,824	—	—	—	305,824
Share of profits of a jointly controlled entity	—	—	8,664	—	—	8,664
Income tax	(7,191)	—	(2,031)	—	—	(9,222)
Reportable segment assets	280,341	1,834,780	58,271	1,260,763	97,349	3,531,504
Interest in a jointly controlled entity	—	—	42,579	—	—	42,579
Interest in associates	—	1,834,780	—	—	—	1,834,780
Additions to non-current segment assets	24,456	—	—	—	92,225	116,681
Reportable segment liabilities	110,730	6,937	1,203	367,296	223	486,389

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

	2011 **HK$'000**	2010 HK$'000
Revenue		
Reportable segment revenue	**259,488**	237,464
Elimination of inter-segment revenue	**(12,082)**	(10,365)
Consolidated turnover	**247,406**	227,099
Profit		
Reportable segment profit derived from Group's external customers	**310,246**	424,968
Other revenue	**755**	2,209
Unallocated head office and corporate income and expenses	**(40,810)**	(43,036)
Consolidated profit before taxation	**270,191**	384,141
Assets		
Reportable segment assets	**3,406,955**	3,531,504
Elimination of inter-segment receivables	**-**	(5,600)
Unallocated head office and corporate assets	**485**	715
Consolidated total assets	**3,407,440**	3,526,619
Liabilities		
Reportable segment liabilities	**294,511**	486,389
Elimination of inter-segment payables	**-**	(5,600)
Unallocated head office and corporate liabilities	**22,225**	26,447
Consolidated total liabilities	**316,736**	507,236

(c) Geographical information

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

4 Other revenue and other net (losses)/income

	2011	2010
	HK$'000	HK$'000
Other revenue		
Interest income from loan to an associate	**755**	2,209
Other net(losses)/income		
Net realised and unrealised (losses)/gains on trading securities	**(47,576)**	29,724
Reclassification from equity on impairment of available-for-sale securities	**(71,697)**	-
Write back of trade and other payables	**6,933**	-
Net gains on sale of fixed assets	**314**	12,512
	(112,026)	42,236

5 Profit before taxation

	2011	2010
	HK$'000	HK$'000
Profit before taxation is arrived at after charging:		
(a) Finance costs		
Interest on bank loans wholly repayable within five years	**5,187**	8,947
Other borrowing costs	**747**	769
	5,934	9,716
(b) Other items		
Depreciation	**17,195**	20,531
Auditor's remuneration		
- statutory audit services	**1,867**	1,657
- other services	**324**	300
Operating lease charges - land and buildings	**12,128**	12,712
Contributions to defined contribution retirement scheme	**4,452**	4,639
Salaries, wages and other benefits (excluding directors' emoluments)	**101,356**	105,858
Cost of inventories consumed	**9,254**	7,970
and after crediting:		
Dividend income from listed investments	**3,659**	4,824
Interest income from listed investments	**23,829**	10,147
Other interest income	**9,316**	7,842
Net foreign exchange gains	**288**	1,163

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2011 **HK$'000**	2010 HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**10,741**	9,981
(Over) / under-provision in respect of prior years	**(4)**	11
	10,737	9,992
Deferred tax		
Origination and reversal of temporary differences	**331**	(770)
	11,068	9,222

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

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

	2011 **HK$'000**	2010 HK$'000
Profit before taxation	**270,191**	384,141
Notional tax on profit before tax calculated at 16.5% (2010: 16.5%)	**44,582**	63,383
Tax effect of non-deductible expenses	**17,617**	2,023
Tax effect on non-taxable revenue	**(60,630)**	(62,699)
Tax effect of unused tax losses not recognised	**9,503**	6,504
(Over) / under-provision in prior years	**(4)**	11
Actual tax expense	**11,068**	9,222

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$238,515,000 (2010: HK$358,753,000) and the weighted average of 366,113,000 ordinary shares (2010: 353,488,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011	2010
	'000	'000
Issued ordinary shares at 1 January	**353,488**	353,488
Effect of share options exercised	**12,625**	-
Weighted average number of ordinary shares at 31 December	**366,113**	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$238,515,000 (2010: HK$358,753,000) and the weighted average number of ordinary shares of 370,299,000 shares (2010: 365,652,000 shares), calculated as follows:

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

	2011	2010
	HK$'000	HK$'000
Profit attributable to ordinary equity shareholders	**238,515**	358,753

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

	2011	2010
	'000	'000
Weighted average number of ordinary shares at 31 December	**366,113**	353,488
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**4,186**	12,164
Weighted average number of ordinary shares (diluted) at 31 December	**370,299**	365,652

8 Trade and other receivables

	2011 HK$'000	2010 HK$'000
Trade receivables	**3,859**	3,260
Other receivables	**3,029**	185
Trade and other receivables	**6,888**	3,445
Deposits and prepayments	**9,516**	10,402
	16,404	13,847

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$1,320,000 (2010: HK$1,406,000). 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:

	2011 HK$'000	2010 HK$'000
Current	**1,896**	1,288
Less than 1 month past due	**1,085**	732
1 to 3 months past due	**595**	1,172
More than 3 months but less than 12 months past due	**283**	68
Amounts past due	**1,963**	1,972
	3,859	3,260

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

	2011	2010
	HK$'000	HK$'000
Trade payables	**1,825**	1,657
Other payables and accruals	**41,752**	49,245
	43,577	50,902

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:

	2011	2010
	HK$'000	HK$'000
Due within 1 month or on demand	**728**	822
Due after 1 month but within 3 months	**343**	825
Due after 3 months but within 6 months	**754**	10
	1,825	1,657

10 Dividends

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

	2011	2010
	HK$'000	HK$'000
Interim dividends declared of HK$0.18 per share (2010: HK$0.18 per share)	**67,084**	63,628
Final dividend proposed after the balance sheet date of HK$0.12 per share (2010: HK$0.12 per share)	**44,722**	42,419
	111,806	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 of the Company attributable to the previous financial year, approved and paid during the year:

	2011	2010
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.12 per share (2010: HK$0.12 per share)	**44,722**	42,419

BUSINESS REVIEW AND OUTLOOK

2011 was indisputably a turbulent year for the global economy. The financial markets were choppy with huge volatility as the European debt crisis spread from the peripheral countries to the core of the Euro zone. China, being the world's second-largest economy, was characterized by overheating housing market, booming credit activity and high inflation rates. However, as a result of persistent monetary tightening measures and faltering export growth in the past year, the Mainland economy has shown signs of moderating with easing inflation on the back of downward pressure on home and food prices. Instead of the usual double-digit growth, Mainland China only achieved a 9.2% GDP growth over the past year. Amid the weakness in the export sector, the enormous spending power of the Mainland tourists was indeed the pivotal force for private consumption — the main engine of economic growth of the territory. Moreover, the persistent strengthening of the Renminbi against the Hong Kong Dollars was another crucial factor not only buttressing retail sales but also pushing inflation up to 5.3%. The local labour market also fared exceptionally well with unemployment rate dropped to a cyclical low of 3.2% in the third quarter. However, as a result of continued deterioration in the external environment during the second half year, the overall annual GDP growth edged down to 5% despite an admirable performance during the first half year.

Looking forward, 2012 will be a year of slowing global growth but still be Asia-led. The euro area is falling back into recession as the European debt predicament is expected to intensify and the resulting fiscal tightening accelerates. Moreover, the fragility of the US economic recovery and persistent instability in the financial markets will continue to dampen the outlook of both Mainland and the territory. Nevertheless, China remains to account for a huge share of global growth though with a decline in potential growth resulting from the lagged effect of past domestic tightening and slowing export growth. The immediate outlook for the external-oriented Hong Kong economy in 2012 turns more challenging. Unemployment rate, which may have bottomed out, is expected to increase moderately amid rising wages. Private consumption and capital investments are expected to contract due to undermined consumer and investor confidence. There is no imminent risk of recession, but a subpar GDP growth of 3% to 4% is projected. Inflation, after last year's strong surge, is likely to remain stable in the near term due to the lagged effect of elevated property rentals in the past year, however, the recent retreat of global food and commodity prices will soon help ease 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. A pleasing increase in tag subscribers was recorded during 2011 with the support of a favourable business environment and increased new car sales. Moreover, those value-added services delivered by Autotoll with the aim of maintaining customer loyalty, such as AutoPark service and Autotoll Club membership program have been well received in the past few years. However, in the wake of the uncertain economic condition in the coming year, new tag subscriptions are likely to moderate, though enrolments in Autotoll-Unitoll service will continue to increase.

On Global Positioning System ("GPS") service, the implementation of the Road Cargo System (ROCARS) by the Customs and Excise Department in 2011 has enhanced demand for both GPS fleet management service and On-Board Trucker Information System (OBTIS). As a measure to increase market penetration, the joint venture company in China, which provides fleet management service in Guangdong, has launched a new service platform for the driving training industry in Zhangjiang City. This platform provides training vehicles management, tracking and safety monitoring services as well as service quality assessment on both driving schools and individual driving instructors. Through the successful implementation of this platform, the objective of reliable and paperless data recording was achieved and over 700 training vehicles had already registered for the service.

Turning to the AutoTAXI service (Autotoll Intelligent Taxi Calling Service). Over 900 urban taxis had been recruited after a successful launch in last year and this project is expected to bring in additional revenue from advertising income generated in the coming year. Autotoll is exploring the viability of developing a navigation service with Real Time Traffic Information and hotline support for the private car market.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools, again delivered a pleasing result in the year under review. The higher throughput as compared with the previous year was primarily the result of better sales intake under more proactive marketing strategies. Nevertheless, despite an improved performance of AHG in the past year, 2012 is likely to be a difficult year for the driving training industry in the light of worsening economic sentiment and customer spending. Moreover, we also envisage that the unfavourable operating environment at the Apleichau Driving Centre resulting from the construction work of the MTR South Island Line (East), which commenced in May 2011, will inevitably dampen the enrolments and market share of AHG in the coming years.

In view of the even tougher business environment ahead and the urge to defend its market share under the escalating competitions among driving school operators, AHG will continue to deploy more efforts in market segmentation and penetration, product innovation as well as service quality improvement.

Tunnel Operations

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

The performance of WHTCL in 2011 was again amazing on the back of sanguine consumer and business sentiments fuelled by surging tourist arrivals. The significant increase in toll revenue was indeed the aggregate result of increased daily throughput and the full year effect of toll increase implemented on 1 August 2010. The average daily throughput of the Western Harbour Tunnel ("WHT") for 2011 rose significantly to 57,000 vehicle journeys, representing an increase of 6% (out of which, over 50% was contributed by a remarkable increase in taxi traffic) as compared with the last corresponding year and outperformed the 2% growth of the total cross-harbour traffic in the same year. In December, the WHT not only recorded a market share of over 24% but also attained a new record high single daily throughput of almost 76,300 vehicle journeys since operation. In addition, higher utilization of the WHT during the year under review was also induced by the completion of International Commerce Centre situated above the Kowloon Station and the opening of new access road link to the Union Square.

Stepping into 2012, we still look forward to a steady return and sustainable cashflow from the franchise. Moreover, we anticipate that the WHT will continue to benefit from the additional traffic induced by the development in West Kowloon and the increasing cross-border traffic in the long run. On the finance side, WHTCL will continue to benefit from the persistently low interest rates environment in view of the fragile economic recovery in US.

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

The performance of TCTCL in 2011 was pleasing though the threat of alternative routes on the market share of the Tate's Cairn Tunnel ("TCT") continues to exist. The average daily throughput of the TCT remained around 53,000 vehicle journeys, despite its last toll increase implemented in late 2010. Amid the conservative economic outlook, we still anticipate TCTCL to continue to deliver sustainable return for the Group during the remaining years of franchise. Nevertheless, the immediate impacts of inflation and wage rise demand on operating margin in the new financial year should not be neglected.

Moreover, in order to enhance tunnel users' safety and comfort, TCTCL has upgraded the radio rebroadcasting system inside the tunnel tubes during the past year, and in the year ahead, will undertake more tunnel improvement and renovation works such as road resurfacing and road marking.

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2011 Results

The Group reported a profit attributable to shareholders of HK$238.5 million for the year ended 31 December 2011, a decrease of 33.5% compared with HK$358.8 million in 2010. Earnings per share were HK$0.65 compared to HK$1.01 for the previous year. The decrease was primarily attributable to the loss on fair value changes in securities investment in 2011 as opposed to the gain from disposal of listed shares in the last corresponding year. The negative performance of the treasury segment has overwhelmed the increase in profit contributions from the other business segments of the Group.

The Group's turnover for the year was HK$247.4 million, increased by HK$20.3 million or 8.9% as compared to HK$227.1 million recorded in 2010. The improvement was primarily attributable to an increase in both turnover of the motoring school and interest income from fixed rate notes.

The motoring school operations recorded an increase in turnover of 3.4% to HK$193.2 million as a result of improvement in tuition fees income due to higher demand for driving lessons. The increase was however partially offset by the decline in income from motorcycle courses. Profit before tax increased by 32.8% as compared to the HK$42.1 million recorded in the previous year.

The Group's share of profits of associates has increased by 5.0% to HK$321.2 million as compared to HK$305.8 million in 2010 due to improved performance of both Western Harbour Tunnel Company Limited ("WHTCL") and Tate's Cairn Tunnel Company Limited ("TCTCL") as a result of new tolls implemented in the second half of 2010. WHTCL recorded a 11.7% increase in toll revenue which was however, partially offset by an additional tax provision as compared to the previous year, whereas TCTCL also recorded an increase of 7.0% in toll revenue. 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 year were HK$272.5 million and HK$48.5 million respectively, as compared to HK$248.9 million and HK$41.8 million recorded in the previous year.

The Group's share of profit from a jointly controlled entity, Autotoll Limited, was HK$11.5 million for the year against HK$8.7 million recorded in the previous year, representing an increase of 32.2% as a result of increase in both project income and administration fee income.

The Group's financial costs incurred on bank loans for the year amounted to HK$5.9 million, reduced by HK$3.8 million or 39.2% as compared to HK$9.7 million recorded in 2010. The bank loans are variable interest rate loans with interest rate based on HIBOR plus the predetermined spread.

The Group's treasury investment recorded an unrealised fair value loss of HK$46.4 million on trading securities and a realised loss of HK$1.2 million on disposal of trading securities for the year as compared to the gain of HK$29.7 million recorded in 2010. Revaluation deficits arising on certain available-for-sale securities, totalling HK$71.7 million, were transferred from the investment revaluation reserve to the consolidated income statement as a result of an impairment loss on those securities at 31 December 2011.

(II) Investments

At 31 December 2011, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate fair value of HK$562.0 million (31 December 2010: HK$494.7 million). The increase in portfolio balance before adjustment for fair value changes and movements in the investment revaluation reserve, was primarily attributable to the additional HK$239.5 million listed shares and HK$70.0 million unlisted investment purchased during the year under review. 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 2011 amounted to HK$3.7 million.

(III) Liquidity and Financial Resources

At 31 December 2011, the Group had bank balances and deposits in the amount of HK$806.4 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. At 31 December 2011, the Group had outstanding bank loans of HK$156.3 million (31 December 2010: HK$364.6 million) repayable in full during 2012. 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 2010: 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 460 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$105.8 million. The Company also operates a Share Option Scheme.

(V) Contingent Liabilities

At 31 December 2011, the Company had the following contingent liabilities:

(a) The Company has given a letter of undertaking to a bank for general banking facilities totalling HK$50 million (2010: 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 2011, these facilities were not utilised by the Company.

(b) The Company has given a guarantee on behalf of a subsidiary relating to a bank loan of up to HK$250 million (2010: HK$250 million). The Company has not recognised any deferred income for the guarantee given in respect of the banking facility for the subsidiary as their fair value cannot be reliably measured and no transaction cost was incurred.

CORPORATE GOVERNANCE

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

DIRECTORS' DEALINGS

The Company has adopted a code (the "Securities Code") for directors' securities dealings (of which the Model Code for Securities Transactions by Directors of Listed Issuers set out within 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 within 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, 28 March 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.