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

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

2012 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 2012. 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 2012 amounted to HK$403.8 million, compared with HK$238.5 million in 2011. The improvement was primarily attributable to an increase in profit contributions from both tunnel operations and motoring school operations as compared to the previous year. Earnings per share were HK$1.08 against HK$0.65 for 2011.

DIVIDENDS

The first, second and third quarterly interim dividends each of HK$0.06 per share (2011: HK$0.06 per share) were paid on 5 July 2012, 21 September 2012 and 31 December 2012 respectively. The directors recommend the payment of a final dividend of HK$0.12 per share (2011: HK$0.12 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2012 of HK$0.30 per share (2011: HK$0.30 per share), representing a total distribution of approximately HK$111.8 million (2011: HK$111.8 million) for the year. Dividend warrants in respect of the proposed final dividend will be despatched on Wednesday, 5 June 2013 to shareholders registered on Wednesday, 29 May 2013 (subject to shareholder approval).

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Monday, 27 May 2013 to Wednesday, 29 May 2013, 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., Friday, 24 May 2013.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Turnover	3	**283,941**	247,406
Other revenue	4	**765**	755
Other net losses	4	**(10,865)**	(112,026)
Direct costs and operating expenses		**(115,779)**	(110,585)
Selling and marketing expenses		**(19,347)**	(13,613)
Administrative and corporate expenses		**(76,215)**	(68,465)
Profit/(loss) from operations		**62,500**	(56,528)
Finance costs	5(a)	**(1,517)**	(5,934)
Share of profits less losses of associates		**395,138**	321,154
Share of profits of a jointly controlled entity		**12,371**	11,499
Profit before taxation	5	**468,492**	270,191
Income tax	6(a)	**(23,981)**	(11,068)
Profit for the year		**444,511**	259,123
Attributable to:			
Equity shareholders of the Company		**403,825**	238,515
Non-controlling interests		**40,686**	20,608
Profit for the year		**444,511**	259,123
Earnings per share	7		
Basic		**HK$ 1.08**	HK$ 0.65
Diluted		**HK$ 1.08**	HK$ 0.64

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 2012

	2012 **HK$'000**	2011 HK$'000
Profit for the year	**444,511**	259,123
Other comprehensive income for the year (after tax and reclassification adjustments)		
Available-for-sale securities: net movement in the investment revaluation reserve	**116,093**	(124,232)
Share of other comprehensive income of an associate and a jointly controlled entity:		
- Cash flow hedge: net movement in the hedging reserve	**1,706**	9,982
- Exchange differences on translation of financial statements of overseas subsidiary and jointly controlled entity	**–**	248
	117,799	(114,002)
Total comprehensive income for the year	**562,310**	145,121
Attributable to:		
Equity shareholders of the Company	**521,624**	124,439
Non-controlling interests	**40,686**	20,682
Total comprehensive income for the year	**562,310**	145,121

CONSOLIDATED BALANCE SHEET
as at 31 December 2012

	Note	**2012** HK$'000	**2012** HK$'000	2011 HK$'000	2011 HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**143,525**		131,014
- Interest in leasehold land held for own use			**25,161**		25,890
			168,686		156,904
Interest in associates			**2,282,586**		1,974,833
Interest in a jointly controlled entity			**46,697**		49,326
Available-for-sale securities			**508,284**		326,562
Deferred tax assets			**2,830**		3,060
			3,009,083		2,510,685
Current assets					
Trading securities		**172,258**		235,413	
Inventories		**1,179**		1,023	
Trade and other receivables	8	**16,363**		16,404	
Bank deposits and cash		**707,067**		806,355	
		896,867		1,059,195	
Current liabilities					
Trade and other payables	9	**62,215**		43,947	
Course fees received in advance		**116,987**		103,820	
Bank loans		–		156,250	
Taxation payable		**18,038**		10,262	
Interim dividends payable		**2,240**		2,296	
		199,480		316,575	
Net current assets			**697,387**		742,620

	Note	**2012** HK$'000	**2012** HK$'000	2011 HK$'000	2011 HK$'000
Total assets less current liabilities			**3,706,470**		3,253,305
Non-current liabilities					
Loan from an associate			**184,228**		162,070
Deferred tax liabilities			**279**		531
			184,507		162,601
NET ASSETS			**3,521,963**		3,090,704
CAPITAL AND RESERVES					
Share capital			**372,688**		372,688
Reserves			**3,048,988**		2,639,170
Total equity attributable to equity shareholders of the Company			**3,421,676**		3,011,858
Non-controlling interests			**100,287**		78,846
TOTAL EQUITY			**3,521,963**		3,090,704

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 several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the amendments to HKFRS 7, *Financial instruments: Disclosures - Transfers of financial assets* are relevant to the Group's financial statements.

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

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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 years ended 31 December 2012 and 2011 is set out below.

(i) Year ended 31 December 2012

	Motoring school operations 2012 HK$'000	Tunnel operations 2012 HK$'000	Electronic toll operations 2012 HK$'000	Treasury 2012 HK$'000	Others 2012 HK$'000	Total 2012 HK$'000
Revenue from external customers	236,185	2,500	13,800	2,843	1,276	256,604
Interest revenue	3,486	–	1	23,850	–	27,337
Inter-segment revenue	–	–	–	–	11,155	11,155
Reportable segment revenue	239,671	2,500	13,801	26,693	12,431	295,096
Reportable segment profit before tax	134,841	397,638	25,959	(23,801)	(7,759)	526,878
Interest income from bank deposits	3,486	–	1	4,855	–	8,342
Interest expenses	–	–	–	(1,517)	–	(1,517)
Depreciation	(4,409)	–	–	–	(13,991)	(18,400)
Share of profits less losses of associates	–	395,138	–	–	–	395,138
Share of profits of a jointly controlled entity	–	–	12,371	–	–	12,371
Income tax	(21,946)	–	(2,035)	–	–	(23,981)
Reportable segment assets	419,471	2,282,586	72,044	1,004,041	127,404	3,905,546
Interest in a jointly controlled entity	–	–	46,697	–	–	46,697
Interest in associates	–	2,282,586	–	–	–	2,282,586
Additions to non-current segment assets	2,197	–	–	–	124,405	126,602
Reportable segment liabilities	156,022	184,228	1,204	9,054	397	350,905

(ii) 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 less losses 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	1,974,833	64,660	1,115,209	87,695	3,569,395
Interest in a jointly controlled entity	–	–	49,326	–	–	49,326
Interest in associates	–	1,974,833	–	–	–	1,974,833
Additions to non-current segment assets	20,888	–	–	–	704	21,592
Reportable segment liabilities	127,644	162,440	1,195	165,550	122	456,951

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

	2012 **HK$'000**	2011 HK$'000
Revenue		
Reportable segment revenue	**295,096**	259,488
Elimination of inter-segment revenue	**(11,155)**	(12,082)
Consolidated turnover	**283,941**	247,406
Profit		
Reportable segment profit derived from Group's external customers	**526,878**	310,246
Other revenue	**765**	755
Unallocated head office and corporate income and expenses	**(59,151)**	(40,810)
Consolidated profit before taxation	**468,492**	270,191
Assets		
Reportable segment assets	**3,905,546**	3,569,395
Unallocated head office and corporate assets	**404**	485
Consolidated total assets	**3,905,950**	3,569,880
Liabilities		
Reportable segment liabilities	**350,905**	456,951
Unallocated head office and corporate liabilities	**33,082**	22,225
Consolidated total liabilities	**383,987**	479,176

(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

	2012	2011
	HK$'000	HK$'000
Other revenue		
Interest income from loan to an associate	**765**	755
Other net losses		
Net realised and unrealised gains/(losses) on trading securities	**21,866**	(47,576)
Available-for-sale securities : reclassified from equity		
- On disposal	**1,411**	-
- On impairment	**(72,313)**	(71,697)
Write back of trade and other payables	−	6,933
Net gains on sale of fixed assets	**38,171**	314
	(10,865)	(112,026)

5 Profit before taxation

	2012	2011
	HK$'000	HK$'000
Profit before taxation is arrived at after charging:		
(a) Finance costs		
Interest on bank loans wholly repayable within five years	**997**	5,187
Other borrowing costs	**520**	747
	1,517	5,934
(b) Other items		
Depreciation	**18,400**	17,195
Auditor's remuneration		
- statutory audit services	**1,939**	1,867
- other services	**565**	324
Operating lease charges - land and buildings	**14,292**	12,128
Contributions to defined contribution retirement scheme	**4,350**	4,452
Salaries, wages and other benefits (excluding directors' emoluments)	**105,747**	101,356
Cost of inventories consumed	**7,228**	9,254
and after crediting:		
Dividend income from listed investments	**2,356**	3,659
Interest income from listed investments	**18,995**	23,829
Other interest income	**8,342**	9,316
Net foreign exchange gains	**750**	288

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2012 **HK$'000**	2011 HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**24,065**	10,741
Over-provision in respect of prior years	**(62)**	(4)
	24,003	10,737
Deferred tax		
Origination and reversal of temporary differences	**(22)**	331
	23,981	11,068

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

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

	2012 **HK$'000**	2011 HK$'000
Profit before taxation	**468,492**	270,191
Notional tax on profit before tax calculated at 16.5% (2011: 16.5%)	**77,301**	44,582
Tax effect of non-deductible expenses	**22,036**	17,617
Tax effect on non-taxable income	**(78,313)**	(60,630)
Tax effect of unused tax losses not recognised	**3,019**	9,503
Over-provision in prior years	**(62)**	(4)
Actual tax expense	**23,981**	11,068

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$403,825,000 (2011: HK$238,515,000) and the weighted average of 372,688,000 ordinary shares (2011: 366,113,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012	2011
	’000	’000
Issued ordinary shares at 1 January	**372,688**	353,488
Effect of share options exercised	–	12,625
Weighted average number of ordinary shares for the year ended 31 December	**372,688**	366,113

(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$403,825,000 (2011: HK$238,515,000) and the weighted average number of ordinary shares of 372,688,000 shares (2011: 370,299,000 shares), calculated as follows:

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

	2012	2011
	HK$’000	HK$’000
Profit attributable to ordinary equity shareholders	**403,825**	238,515

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

	2012	2011
	’000	’000
Weighted average number of ordinary shares for the year ended 31 December	**372,688**	366,113
Effect of deemed issue of shares under the Company’s share option scheme for nil consideration	–	4,186
Weighted average number of ordinary shares (diluted) for the year ended 31 December	**372,688**	370,299

8 Trade and other receivables

	2012	2011
	HK$'000	HK$'000
Trade receivables	**4,727**	3,859
Other receivables	**2,369**	3,029
	7,096	6,888
Deposits and prepayments	**9,267**	9,516
	16,363	16,404

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$1,245,000 (2011: HK$1,320,000). 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, based on the invoice date, as of the balance sheet date:

	2012	2011
	HK$'000	HK$'000
Current	**1,657**	1,896
Less than 1 month past due	**1,191**	1,085
1 to 3 months past due	**1,494**	595
More than 3 months but less than 12 months past due	**385**	283
Amounts past due	**3,070**	1,963
	4,727	3,859

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

	2012	2011
	HK$'000	HK$'000
Trade payables	**2,634**	1,825
Other payables and accruals	**59,581**	41,752
Amounts due to associates	–	370
	62,215	43,947

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, based on the invoice date, as of the balance sheet date:

	2012	2011
	HK$'000	HK$'000
Within 1 month	**1,109**	728
1 month to 3 months	**295**	343
Over 3 months but within 6 months	**1,230**	754
	2,634	1,825

10 Dividends

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

	2012	2011
	HK$'000	HK$'000
Interim dividends declared of HK$0.18 per share (2011: HK$0.18 per share)	**67,084**	67,084
Final dividend proposed after the balance sheet date of HK$0.12 per share (2011: HK$0.12 per share)	**44,722**	44,722
	111,806	111,806

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:

	2012	2011
	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 (2011: HK$0.12 per share)	**44,722**	44,722

BUSINESS REVIEW AND OUTLOOK

The debt crisis in the recession-hit Eurozone remained the greatest threat to the global economy in 2012. The launch of the third round of US quantitative easing (QE3) in September resulted in a global liquidity glut, which not only triggered greater volatility in cross-border fund flows, but also heightened the risks of overheating in asset market and inflation in economies with relatively sound fundamentals. Mainland China, after seven quarters of slowdown, turned the corner in the last quarter and concluded its full year GDP growth at 7.8%. Facing continued external headwinds, the export growth of the territory remained in the doldrums. The cautious spending of visitors weakened tourism related activities. However, despite the lackluster performance of the global economy, Hong Kong still managed to have a positive GDP growth of 1.4%. The pickup was primarily attributable to a nascent recovery in domestic demand. Private consumption remained the primary engine of growth, underpinned by favourable labour market conditions and positive wealth effects from elevated property prices which have surpassed their 1997 peak in the midst of super-low interest rate environment. In addition, the local stock market was also on a recovery path when market sentiments revived in the second half year.

Looking into 2013, the immediate outlook of the global economy remains challenging. Fiscal tightening and the fragile Eurozone fundamentals continue to cast a pall. Nevertheless, as uncertainties under the US fiscal cliff gradually dissipate, the overall investment climate is expected to improve amid continued monetary easing. On the other side of the world, Asia economy is expected to recover more swiftly and forcefully. Against the backdrop of sluggish global growth, Hong Kong's economic rebound in the coming year will be largely driven by China's economic recovery. China has called for a doubling of GDP by 2020 which implies a 9% annual growth between now and then. The next phase of China's urbanization is anticipated to be a comprehensive strategy to spearhead investment growth and boost domestic demand. The Renminbi, however, is forecast to strengthen slightly against the US Dollar as the currency is no longer significantly undervalued with export growth moderating. Investment spending in the local economy however remains strong, on the back of the on-going intensive large-scale infrastructure projects as well as a further surge in private sector building activity. A sustainable recovery is expected to prevail and a 3% to 4% GDP growth is anticipated. Unemployment rate is likely to trek up slowly and stay below 4% throughout the year. Headline inflation is bottoming out and continues to be driven by food and housing prices.

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 moderate growth in tag subscribers was again recorded for 2012 with the adoption of aggressive marketing strategies despite the saturation of the market.

On Global Positioning System ("GPS") service, following the interface of the Road Cargo System (ROCARS) and the On-Board Trucker Information System (OBTIS) platform in 2011, a notable increase in the number of GPS subscribers was recorded in the year under review and the uptrend is expected to continue in the coming years. Moreover, Autotoll also made a big stride in the Mainland GPS market after the successful launch of a service platform in Zhangjiang City last year. Increase market penetration however remains the paramount objective and Autotoll will continue to explore new business opportunities in the Mainland.

In the past years, Autotoll has well demonstrated its technology capability in the intelligent transport system ("ITS") activities by being appointed as the system contractor of the two journey time indication systems (JTIS Hong Kong and JTIS Kowloon) commissioned in 2009 and 2010 respectively. Moreover, the construction of the Speed Map Panel System ("SMP") for Kowloon-bound traffic in the New Territories, being awarded to Autotoll in 2010, was also completed in late 2012. The system came into operation in January 2013 with five sets of Speed Map Panel installed at critical diversion points on major routes with high traffic flows. Each panel consists of a series of speed map display and journey time indicators to facilitate motorist to make appropriate route choices by providing them with real-time traffic information and estimated journey time. With the delivery of the SMP, Autotoll has already completed the implementation of three journey time indication systems. With its expertise and competitive advantage in this area, Autotoll is well placed to capture the huge potential of the ITS market in the future.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) made notable progress in the year under review. A welcomed increase in enrolments as compared with the previous year was primarily attributed to the resilient performance of the driving training industry, evidenced by an increase in customer spending. However, hard on the heels will be more severe competitions among driving school operators in the coming year from non-designated driving school operators and private instructors induced by the low entry barrier.

In addition to the professionalism and competence of the driving instructors, the operating environment of a driving school with respect to its location and configuration is also a major consideration for the new learners who choose to have off-street driving training. Given the constraints of the Apleichau Driving Centre, AHG will continue to deploy more efforts in product diversification, such as designing new training features for driving skills improvement, with the aim to retaining customers who demand for higher quality of service and to maintain its brand image in the driving school business. The immediate outlook for the driving training industry remains positive but yet continues to be characterized by stiff competition. Moreover, AHG continues to be affected by surge in shop rental and the tightening of the labour market.

Tunnel Operations

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

The performance of WHTCL in 2012 was encouraging. Despite a contracted GDP growth of the economy, the Western Harbour Tunnel ("WHT") again recorded a 6% growth in throughput as compared with the last corresponding year and outperformed the minimal growth of the total cross-harbour traffic in the same year. Over 50% of the increase in the WHT's throughput was contributed by a remarkable increase in private car and taxi traffic. The market share of the WHT continued to improve and accounted for almost one quarter of the total cross-harbour traffic. The average daily throughput of the WHT for 2012 rose to 60,452 vehicle journeys and a new record high single daily throughput of 79,341 vehicle journeys since operation was registered in December. On the finance side, in view of the low deposit rate on the surplus cash, WHTCL has advanced the final repayment of the outstanding bank loan balance in December.

Despite improved cashflow in the past years, maximizing revenue for the remaining period of the franchise remains of the utmost importance for WHTCL. To this end, WHTCL has implemented its sixth toll increase with effect from 1 January 2013. However, the actual tolls charged are still below the tolls gazetted in July 2012. In addition to the extension of the midnight empty taxi and midnight goods vehicle promotions, various promotional campaigns such as distribution of gasoline coupons, car care services coupons and tunnel coupons will be continued, not only to stimulate traffic but also to promote value-added services and ultimately enhance corporate image. Looking ahead, we expect the revenue growth of WHTCL to remain solid in the coming year under the new tolls.

In the long run, the utilization of the WHT can be further enhanced as an aggregate result of improved accessibility of WHT upon the completion of the Central-Wanchai Bypass which is designed to alleviate traffic congestion at Central, and additional demand generated from the increasing cross-border traffic, in particular after the completion of Hong Kong, Macau & Zhuhai Bridge in 2016. On the other hand, the target opening of the MTR West Island Line in 2014 might have a negative impact on the demand of cross-harbour traffic.

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

Despite the sluggish economic performance, the Tate's Cairn Tunnel ("TCT") experienced a moderate recovery in throughput which has rebounded to the level before its fifth toll increase and the opening of Route 8 in 2008. The average daily throughput of the TCT rose significantly to 55,768 vehicle journeys, representing an increase of 5% as compared with the last corresponding year. Surge in inflation and wage rise demand in the new financial year will inevitably bring negative impacts on the operating margin. However, TCTCL pledges to maintain quality and reliable service to enhance efficiency and safety for tunnel users. Moreover, we still anticipate TCTCL to continue to deliver sustainable return for the Group during the remaining years of the franchise as the threat of alternative routes on the market share of the Tate's Cairn Tunnel ("TCT") has gradually subsided over the past years.

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2012 Results

The Group reported a profit attributable to shareholders of HK$403.8 million for the year ended 31 December 2012, an increase of 69.3% compared with HK$238.5 million in 2011. Earnings per share were HK$1.08 compared to HK$0.65 for the previous year. The increase in 2012 was primarily attributable to a significant increase in contributions from both tunnel operations and motoring school operations, mitigating the negative performance of the treasury segment resulting from loss on fair value changes in securities investment.

The Group's turnover for the year was HK$283.9 million, increased by HK$36.5 million or 14.8% as compared to HK$247.4 million recorded in 2011. The improvement was attributable to an increase in turnover of the motoring school.

The motoring school operations recorded an increase in turnover of 22.3% to HK$236.2 million as an aggregate result of improvement in tuition fees income due to higher lesson income unit rate despite a slight decrease in demand for driving lessons, and a welcomed increase in income from motorcycle courses. In addition, certain properties were disposed during the year under review as a result of a management decision to reposition all the sales outlets; and a gain amounted to HK$36.1 million was recorded. Operating profit before the gain on disposal of fixed assets and tax increased by 76.6% as compared to the HK$55.9 million recorded in the previous year.

The Group's share of profits of associates has increased significantly by 23.0% to HK$395.1 million as compared to HK$321.2 million in 2011 due to improved performance of both Western Harbour Tunnel Company Limited ("WHTCL") and Tate's Cairn Tunnel Company Limited ("TCTCL"). An increase in contribution from WHTCL was attributable to a 5.7% increase in toll revenue, a decrease in finance costs as a result of reduced bank loan outstanding during the period under review, and a decrease in profit tax provision as compared with the additional deferred tax provision in the previous year. TCTCL also registered a 5.3% increase in toll income as a result of an increase in throughput. After accounting for the amortization of fair value in excess of net book value of WHTCL and TCTCL as at the completion dates of the acquisitions in 2008, profit contributions from WHTCL and TCTCL for the year were HK$344.4 million and HK$50.6 million respectively, as compared to HK$272.5 million and HK$48.5 million recorded in the previous year.

The Group's share of profit from a jointly controlled entity, Autotoll Limited, was HK$12.4 million for the year against HK$11.5 million recorded in the previous year, representing an increase of 7.8% 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$1.5 million, reduced by HK$4.4 million or 74.6% as compared to HK$5.9 million recorded in 2011 as a result of full repayment of outstanding bank loans during the year. The bank loans are variable interest rate loans with interest rate based on HIBOR plus the predetermined spread.

The Group's treasury investment recorded a net realised and unrealised gain of HK$21.9 million on trading securities for the year under review as compared to a loss of HK$47.6 million recorded in 2011. Revaluation deficits arising on certain available-for-sale securities, totalling HK$72.3 million, as compared to HK$71.7 million recorded in the previous year, 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 2012.

(II) Investments

At 31 December 2012, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate fair value of HK$680.5 million (31 December 2011: HK$562.0 million). The increase in portfolio balance before adjustments for fair value changes and movements in the investment revaluation reserve, was primarily attributable to the additional HK$175.3 million listed shares and 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 and interest income received therefrom in 2012 amounted to HK$21.4 million.

(III) Liquidity and Financial Resources

As at 31 December 2012, the Group had bank balances and deposits in the amount of HK$707.1 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. The Group had repaid in full the outstanding bank loans during the year under review and did not have any debts outstanding as at 31 December 2012 (31 December 2011: HK$156.3 million). Except for the Group's investment in trading and available-for-sale 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 493 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 board of directors, depending upon the financial performance of the Group. Total staff costs for the year amounted to HK$110.1 million. The Company also operates a Share Option Scheme.

(V) Contingent Liabilities

At 31 December 2012, the Company has given a letter of undertaking to a bank for general banking facilities totalling HK$50 million (2011: 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 2012, these facilities were not utilised by the Company.

At 31 December 2011, the Company had given a guarantee on behalf of a subsidiary relating to a bank loan up to HK$250 million. The bank loan was fully repaid during the year.

CORPORATE GOVERNANCE

Throughout the accounting period covered by the annual report, the Company has met the code provisions, in the year to 31 March 2012, of the Code on Corporate Governance Practices and, from 1 April 2012 to 31 December 2012, of the Corporate Governance Code (together with the Code on Corporate Governance Practices, the "CG Codes") set out within Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") save for the deviation described below.

The Company has no formal letters of appointment for directors except the managing director setting out the key terms and conditions of their appointment, and has therefore deviated from D.1.4 of the CG Codes. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of 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 confirmed that they had 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, 26 March 2013

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; and Ng Kwok Fu, Luk Yu King, James and Leung Yu Ming, Steven who are independent non-executive directors.