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

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

2013 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 2013. 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 2013 amounted to HK$440.2 million, compared with HK$403.8 million in 2012. The improvement was primarily attributable to an increase in profit contribution from tunnel operations as compared to the previous year. Earnings per share were HK$1.18 against HK$1.08 for 2012.

DIVIDENDS

The first, second and third quarterly interim dividends each of HK$0.06 per share (2012: HK$0.06 per share) were paid on 12 July 2013, 19 September 2013 and 30 December 2013 respectively. The directors recommend the payment of a final dividend of HK$0.12 per share (2012: HK$0.12 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2013 of HK$0.30 per share (2012: HK$0.30 per share), representing a total distribution of approximately HK$111.8 million (2012: HK$111.8 million) for the year. Dividend warrants in respect of the proposed final dividend will be despatched on Wednesday, 18 June 2014 to shareholders registered on Wednesday, 11 June 2014 (subject to shareholder approval).

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Monday, 9 June 2014 to Wednesday, 11 June 2014, 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 transfer documents and accompanying share certificates must be lodged with the Company's registrar, Tricor Tengis Limited (address: 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong) for registration by 4:30 p.m., Friday, 6 June 2014. Please note that the Company's registrar and transfer office will be moved to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014. The telephone and facsimile numbers will remain unchanged.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2013

	Note	**2013**	2012
		HK$'000	HK$'000
Turnover	3	**290,480**	283,941
Other revenue	4	**384**	765
Other net losses	4	**(41,025)**	(10,865)
Direct costs and operating expenses		**(116,228)**	(115,779)
Selling and marketing expenses		**(14,153)**	(19,347)
Administrative and corporate expenses		**(78,253)**	(76,215)
Profit from operations		**41,205**	62,500
Finance costs	5(a)	**(123)**	(1,517)
Share of profits less losses of associates		**433,782**	395,138
Share of profits of a joint venture		**14,711**	12,371
Profit before taxation	5	**489,575**	468,492
Income tax	6(a)	**(13,389)**	(23,981)
Profit for the year		**476,186**	444,511
Attributable to:			
Equity shareholders of the Company		**440,178**	403,825
Non-controlling interests		**36,008**	40,686
Profit for the year		**476,186**	444,511
Earnings per share	7		
Basic and diluted		**HK$ 1.18**	HK$ 1.08

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**476,186**	444,511
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale securities: net movement in the investment revaluation reserve	**(6,851)**	116,093
Share of other comprehensive income of an associate and a joint venture:		
- Cash flow hedge: net movement in the hedging reserve	–	1,706
- Exchange differences on translation of financial statements of overseas subsidiary and joint venture	**26**	–
	(6,825)	117,799
Total comprehensive income for the year	**469,361**	562,310
Attributable to:		
Equity shareholders of the Company	**433,345**	521,624
Non-controlling interests	**36,016**	40,686
Total comprehensive income for the year	**469,361**	562,310

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2013

	Note	**2013**		2012	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**126,734**		143,525
- Interest in leasehold land held for own use			**24,432**		25,161
			151,166		168,686
Interest in associates			**2,227,405**		2,282,586
Interest in a joint venture			**56,434**		46,697
Available-for-sale securities			**459,867**		508,284
Deferred tax assets			**2,750**		2,830
			2,897,622		3,009,083
Current assets					
Trading securities		**180,098**		172,258	
Inventories		**1,026**		1,179	
Trade and other receivables	8	**21,940**		16,363	
Taxation recoverable		**2,108**		-	
Bank deposits and cash		**1,174,732**		707,067	
		1,379,904		896,867	
Current liabilities					
Trade and other payables	9	**53,374**		62,215	
Course fees received in advance		**156,014**		116,987	
Taxation payable		**13,515**		18,038	
Interim dividends payable		**2,240**		2,240	
		225,143		199,480	
Net current assets			**1,154,761**		697,387

	Note	2013		2012	
		HK$'000	HK$'000	HK$'000	HK$'000
Total assets less current liabilities			**4,052,383**		3,706,470
Non-current liabilities					
Loan from an associate			**205,518**		184,228
Deferred tax liabilities			**332**		279
			205,850		184,507
NET ASSETS			**3,846,533**		3,521,963
CAPITAL AND RESERVES					
Share capital			**372,688**		372,688
Reserves			**3,370,527**		3,048,988
Total equity attributable to equity shareholders of the Company			**3,743,215**		3,421,676
Non-controlling interests			**103,318**		100,287
TOTAL EQUITY			**3,846,533**		3,521,963

NOTES TO THE CONSOLIDATED 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 new HKFRSs and amendments to HKFRSs 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:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*

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

Impacts of the adoption of new or amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, ***Consolidated financial statements***

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities.* It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, ***Joint arrangements***

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures,* divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, ***Disclosure of interests in other entities***

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, ***Fair value measurement***

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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 joint venture 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 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 2013 and 2012 is set out below.

(i) Year ended 31 December 2013

	Motoring school operations 2013 HK$'000	Tunnel operations 2013 HK$'000	Electronic toll operations 2013 HK$'000	Treasury 2013 HK$'000	Others 2013 HK$'000	Total 2013 HK$'000
Revenue from external customers	**245,991**	**2,500**	**13,800**	**2,570**	**2,000**	**266,861**
Interest revenue	**3,284**	–	**1**	**20,334**	–	**23,619**
Inter-segment revenue	–	–	–	–	**12,867**	**12,867**
Reportable segment revenue	**249,275**	**2,500**	**13,801**	**22,904**	**14,867**	**303,347**
Reportable segment profit before tax	**113,156**	**436,282**	**28,287**	**(17,868)**	**(9,878)**	**549,979**
Interest income from bank deposits	**3,284**	–	**1**	**4,825**	–	**8,110**
Finance costs	–	–	–	**(123)**	–	**(123)**
Depreciation	**(3,671)**	–	–	–	**(16,910)**	**(20,581)**
Share of profits less losses of associates	–	**433,782**	–	–	–	**433,782**
Share of profits of a joint venture	–	–	**14,711**	–	–	**14,711**
Income tax	**(18,183)**	–	**(2,031)**	**6,824**	**1**	**(13,389)**
Reportable segment assets	**468,339**	**2,227,405**	**71,772**	**1,397,709**	**111,875**	**4,277,100**
Interest in a joint venture	–	–	**56,434**	–	–	**56,434**
Interest in associates	–	**2,227,405**	–	–	–	**2,227,405**
Additions to non-current segment assets	**1,695**	–	–	–	**1,381**	**3,076**
Reportable segment liabilities	**194,517**	**205,518**	**1,193**	**2,240**	**215**	**403,683**

(ii) 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
Finance costs	–	–	–	(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 joint venture	–	–	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 joint venture	–	–	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

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

	2013 **HK$'000**	2012 HK$'000
Revenue		
Reportable segment revenue	**303,347**	295,096
Elimination of inter-segment revenue	**(12,867)**	(11,155)
Consolidated turnover	**290,480**	283,941
Profit		
Reportable segment profit derived from Group's external customers	**549,979**	526,878
Other revenue	**384**	765
Unallocated head office and corporate income and expenses	**(60,788)**	(59,151)
Consolidated profit before taxation	**489,575**	468,492
Assets		
Reportable segment assets	**4,277,100**	3,905,546
Unallocated head office and corporate assets	**426**	404
Consolidated total assets	**4,277,526**	3,905,950
Liabilities		
Reportable segment liabilities	**403,683**	350,905
Unallocated head office and corporate liabilities	**27,310**	33,082
Consolidated total liabilities	**430,993**	383,987

(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

	2013 HK$'000	2012 HK$'000
Other revenue		
Interest income from loan to an associate	**384**	765
Other net losses		
Net realised and unrealised gains on trading securities	**9,391**	21,866
Available-for-sale securities : reclassified from equity		
- On disposal	–	1,411
- On impairment	**(51,119)**	(72,313)
Net gains on sale of fixed assets	**703**	38,171
	(41,025)	(10,865)

5 Profit before taxation

	2013 HK$'000	2012 HK$'000
Profit before taxation is arrived at after charging:		
(a) Finance costs		
Interest on bank loans wholly repayable within five years	–	997
Other borrowing costs	**123**	520
	123	1,517
(b) Other items		
Depreciation	**20,581**	18,400
Auditor's remuneration		
- statutory audit services	**2,012**	1,939
- other services	**358**	565
Operating lease charges - land and buildings	**8,810**	14,292
Contributions to defined contribution retirement scheme	**4,489**	4,350
Salaries, wages and other benefits (excluding directors' emoluments)	**105,587**	105,747
Cost of inventories consumed	**7,538**	7,228
and after crediting:		
Dividend income from listed investments	**2,377**	2,356
Interest income from listed investments	**15,509**	18,995
Other interest income	**8,110**	8,342
Net foreign exchange gains	**1,250**	750

6 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2013	2012
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**20,200**	24,065
Over-provision in respect of prior years	**(6,944)**	(62)
	13,256	24,003
Deferred tax		
Origination and reversal of temporary differences	**133**	(22)
	13,389	23,981

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2012-13 subject to a ceiling of HK$10,000 allowed by the Hong Kong SAR Government for each business.

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

	2013	2012
	HK$'000	HK$'000
Profit before taxation	**489,575**	468,492
Notional tax on profit before tax calculated at 16.5% (2012: 16.5%)	**80,780**	77,301
Tax effect of non-deductible expenses	**18,951**	22,036
Tax effect on non-taxable income	**(83,065)**	(78,313)
Tax effect of unused tax losses not recognised	**3,667**	3,019
Over-provision in prior years	**(6,944)**	(62)
Actual tax expense	**13,389**	23,981

7 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$440,178,000 (2012: HK$403,825,000) and the weighted average of 372,688,000 ordinary shares (2012: 372,688,000) in issue during the year.

8 Trade and other receivables

	2013	2012
	HK$'000	HK$'000
Trade receivables	**5,246**	4,727
Other receivables	**2,874**	2,369
	8,120	7,096
Deposits and prepayments	**13,820**	9,267
	21,940	16,363

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$2,026,000 (2012: HK$1,245,000). 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 end of the reporting period:

	2013	2012
	HK$'000	HK$'000
Current	**4,113**	1,657
Less than 1 month past due	**625**	1,191
1 to 3 months past due	**453**	1,494
More than 3 months but less than 12 months past due	**55**	385
Amounts past due	**1,133**	3,070
	5,246	4,727

Trade receivables are due within one month from the date of billing while further credit may be granted to individual customers when appropriate.

9 Trade and other payables

	2013 **HK$'000**	2012 HK$'000
Trade payables	**2,049**	2,634
Other payables and accruals	**51,325**	59,581
	53,374	62,215

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 end of the reporting period:

	2013 **HK$'000**	2012 HK$'000
Within 1 month	**406**	1,109
1 month to 3 months	**373**	295
Over 3 months but within 6 months	**1,270**	1,230
	2,049	2,634

10 Dividends

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

	2013	2012
	HK$'000	HK$'000
Interim dividends declared of HK$0.18 per share (2012: HK$0.18 per share)	**67,084**	67,084
Final dividend proposed after the end of the reporting period of HK$0.12 per share (2012: HK$0.12 per share)	**44,722**	44,722
	111,806	111,806

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2013	2012
	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 (2012: HK$0.12 per share)	**44,722**	44,722

BUSINESS REVIEW AND OUTLOOK

The Hong Kong economy continued to expand at a moderate pace in 2013 and concluded its full year GDP growth at 2.9% after growing by 1.5% in 2012, notwithstanding the notable external headwinds and uncertainty over the withdrawal of monetary stimulus in the US. For China, its economic growth decelerated to 7.7%, the lowest since 1999 amid weak global demand and domestic structural problems. Domestic demand, benefited from acceleration in household's income and positive wealth effect due to surge in asset prices, continued to render the key impetus to local growth. Property rent and food prices contributed much to higher inflation of over 4% amid the stable income and employment conditions.

The US Federal Reserve's tapering announcement in last December along with its commitment to keep interest rates low for an extended period has ended months of market speculation. The global economic environment was poised to become more sanguine in 2014, with the re-emergence of the US as the key growth driver. The Eurozone moved out of recession and is showing tentative signs of recovery under its ultra-loose monetary policies. The emerging economies will also fare better, despite an outflow of capital due to worries of tapering US monetary stimulus.

Looking forward, the China economy will no longer sustain high growth rate. The new leadership has implemented a sequence of broad-based and intensive reform measures after the latest Third Plenum in order to pursue a steady and quality growth. Acceleration in economic reform and structural balancing process in Mainland China not only allow market power to take the decisive role in resources allocation but will also generate enormous business opportunities for the majority of Hong Kong exporters in the medium to long term. Moreover, by raising the degree of RMB convertibility in cross-border capital and financial transactions and promoting outward investment by enterprises and individuals, the demand for services provided by Hong Kong as an international financial centre, offshore RMB settlement centre and wealth management centre can be expanded. Against such backdrop, we are more optimistic about the outlook for the Hong Kong economy relative to its Asian peers. A GDP growth of 3% to 4% is projected for 2014 and unemployment rate will remain steady but slightly increase to 3.5% by the end of year. Amid concerns that the US tapering policy will soak liquidity and push up interest rate as well as expectation of an increase in housing supply, the local property market is unlikely to see robust growth in 2014. The property price is under moderate downward pressure and expected to decline by 10% to 15%. The positive wealth effect related to rising house prices, which boosted consumption over the past few years, should dissipate. The performance of the US economy determines the pace of tapering which in turn leads the interest rate movements in the coming years. Recovery is without doubt on a firm footing, however, the risk of sudden reversal in capital flows remains the key threat in early 2014.

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. Against the backdrop of favourable business sentiment, the increase in tag subscribers recorded in 2013 is anticipated to continue for 2014 despite the saturation of the market.

On telematics service, the successful interface of the On-Board Trucker Information System (OBTIS) platform with the Road Cargo System (ROCARS) – a mandatory electronic cargo information submission system for all cross-border trucks, gives impetus to the launch of electronic seal (e-seal) service, an extension to the implementation of the ROCARS and jointly endorsed by the Customs Departments of Mainland China and Hong Kong. The e-seal is a radio frequency device with anti-forgery features that can monitor tampering and can provide evidence of authenticity and integrity for the containers. By teaming up with an electronic lock supplier, Autotoll was appointed as the sole agent and service provider in Hong Kong. For years, Autotoll strived to increase its penetration in the market of logistic management.

After years of unrelenting drive for improvement, Autotoll is well placed to capture the huge potential of the intelligent transport system ("ITS") market with its expertise and competitive advantage in this area. The success in the implementation of the three journey time indication systems has paved way for Autotoll's participation in new ITS projects sponsored by the Government. In November 2013 and January 2014, Autotoll and its business partners were awarded the tender for two projects in respect of the supply and installation of (i) traveller information kiosks at various designated locations and (ii) traffic control and surveillance system at the open road and tunnel sections for the "Hong Kong-Zhuhai-Macao Bridge" project.

In view of the increasing popularity of the smart phone, Autotoll is preparing to roll out mobile application software as a means to enhance both competitive edge and customers' satisfaction. Features of the application software include real-time information on road traffic conditions, fuel station and speed camera locations, as well as accounts management for individual Autotoll subscribers. In addition, the apps users can also get updated news on privileges exclusively offered to Autotoll Club members.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) maintained a stable performance in the year under review amid shrinking market size and competitive business environment. Though both enrolments and driving lessons conducted for vehicles have slightly decreased as compared with the previous year, income from motorcycle training courses, however, has increased. Moreover, the performance of the Driving Improvement School has improved and turned from making loss to profit for the past three years due to better sales response.

Though the outlook for the driving training industry has improved in the light of resilient economic growth, competitions, however, escalated as new non-designated driving school operators mushroomed during the past few years. For years, AHG recognized the importance of enhancing brand attributes of professionalism and excellence in securing its market share and supporting its pricing strategy. In view of this, AHG has prepared to implement a series of service and quality enhancement programs including extensive fleet replacement, brand rejuvenation as well as intensive training workshops for frontline staff and driving instructors.

Tunnel Operations

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

Fuelled by improved economic sentiment and increasing commercial activities on the West Kowloon Reclamation, the Western Harbour Tunnel ("WHT") recorded a moderate growth of 2.5% in throughput as compared with the last corresponding year and outperformed the minimal growth of the total cross-harbour traffic in the same year despite the implementation of its sixth toll increase effective from 1 January 2013. The average daily throughput of the WHT for 2013 rose to 61,957 vehicle journeys and a new record high single daily throughput of 82,426 vehicle journeys was registered in December. The market share of the WHT continued to improve and already accounted for over one quarter of the total cross-harbour traffic. The performance of WHTCL in 2013 was remarked by a significant improvement in toll revenue resulting from a 10% increase in average net toll per vehicle.

For years, the management of WHTCL maintained close liaison with the Government on the improvement of accessibility to and from the WHT. The construction of an elevated single lane carriageway connecting the elevated Nga Cheung Road to the WHT southbound toll plaza, expected to be completed in 2015, will certainly improve the traffic in West Kowloon area. Other projects under construction that will be conducive to both cross-harbour traffic and WHT's throughput in the long run include the Guangzhou-Shenzhen-Hong Kong Express Rail Link Project, the West Kowloon Cultural District, the Hong Kong/Macau/Zhuhai Bridge, the Central-Wanchai Bypass, as well as the Central Kowloon Route. On the other hand, the target opening of the MTR West Island Line in 2014 might have a negative impact on the demand for cross-harbour tunnel traffic. Looking forward to 2014, we expect the growth in both traffic and revenue of the WHT to remain solid against the backdrop of renewed market optimism. In the long run, we anticipate WHTCL will continue to enhance its return and cashflow for the shareholders.

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

As a measure to improve cashflow for the coming years, TCTCL has implemented its seventh toll increase effective from 1 August 2013. The average toll per vehicle increased from HK$19.6 in the last corresponding year to HK$20.3 and the average daily throughput for the whole year maintained at 55,895 vehicle journeys. As a result, TCTCL recorded an increase of 3.7% in toll revenue for 2013. Moreover, after the introduction of new lane configuration at toll plaza in the past year, the smoothness of the traffic flow during the peak hours has been greatly improved and traffic safety was enhanced. In the years ahead, the steady cashflow generated by the franchise will 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 2013 Results

The Group reported a profit attributable to shareholders of HK$440.2 million for the year ended 31 December 2013, an increase of 9.0% compared with HK$403.8 million in 2012. Earnings per share were HK$1.18 compared to HK$1.08 for the previous year. The increase in 2013 was primarily attributable to an increase in contributions from both tunnel operations and motoring school operations, mitigating the negative performance of the treasury segment resulting from impairment loss on fair value changes in securities investment.

The Group's turnover for the year was HK$290.5 million, increased by HK$6.6 million or 2.3% as compared to HK$283.9 million recorded in 2012. The improvement was attributable to an increase in turnover of the motoring school.

The motoring school operations recorded an increase in turnover of 4.1% to HK$246.0 million as an aggregate result of an increase in tuition fees income due to higher lesson income unit rate despite a decline in demand for driving lessons, and a welcomed increase in income from motorcycle courses. After excluding a gain of HK$36.1 million on disposal of certain properties recorded in 2012, profit before tax for 2013 increased by 14.7% as compared to the HK$98.7 million recorded in the previous year.

The Group's share of profits less losses of associates has increased by 9.8% to HK$433.8 million as compared to HK$395.1 million in 2012 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 12.3% increase in toll revenue after the implementation of toll increase in January 2013 and a decrease in finance costs after the full repayment of outstanding bank loan in December 2012, but partially offset by an increase in profit tax due to an adjustment on deferred tax provision in 2012. TCTCL also registered a 3.8% increase in toll income as a result of a toll increase effective from August 2013. 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$383.8 million and HK$50.0 million respectively, as compared to HK$344.4 million and HK$50.6 million recorded in the previous year.

The Group's share of profit from a joint venture, Autotoll Limited, was HK$14.7 million for the year against HK$12.4 million recorded in the previous year, representing an increase of HK$2.3 million or 18.5% as a result of increase in both project income and administration fee income.

The Group's treasury investment recorded a net realised and unrealised gain of HK$9.4 million on trading securities for the year under review as compared to HK$21.9 million recorded in 2012. Revaluation deficits arising on certain available-for-sale securities, totalling HK$51.1 million, as compared to HK$72.3 million recorded in the previous year, were transferred from the investment revaluation reserve to the consolidated statement of profit or loss as a result of impairment losses on those securities at 30 June and 31 December 2013.

(II) Investments

At 31 December 2013, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate fair value of HK$640.0 million (31 December 2012: HK$680.5 million). The decrease in portfolio balance was primarily due to negative fair value changes of certain available-for-sale securities as at the end of 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 2013 amounted to HK$17.9 million.

(III) Liquidity and Financial Resources

As at 31 December 2013, the Group had bank balances and deposits in the amount of HK$1,174.7 million. The Group did not have any debts outstanding as at 31 December 2013 and 2012. Except for the Group's investment in available-for-sale and trading securities and bank deposits denominated in foreign currencies other than the United States dollars, the Group's major sources of income and major assets are denominated in Hong Kong dollars.

(IV) Employees

The Group has 454 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$110.0 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 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. These facilities were not utilised by the Company and expired during the year.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2013, the Company complied with the relevant code provisions of the Corporate Governance Code (the "CG Code") set out within Appendix 14 to the Main Board Listing Rules (the "Listing Rules") save that 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 Code. 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, 25 March 2014

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.