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

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

2014 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 2014. 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 2014 amounted to HK$472.2 million, compared with HK$440.2 million in 2013. 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$1.27 against HK$1.18 for 2013.

DIVIDENDS

The first, second and third quarterly interim dividends each of HK$0.06 per share (2013: HK$0.06 per share) were paid on 11 July 2014, 23 September 2014 and 30 December 2014 respectively. The directors recommend the payment of a final dividend of HK$0.15 per share (2013: HK$0.12 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2014 of HK$0.33 per share (2013: HK$0.30 per share), representing a total distribution of approximately HK$123.0 million (2013: HK$111.8 million) for the year. Dividend warrants in respect of the proposed final dividend will be despatched on Wednesday, 10 June 2015 to shareholders registered on Wednesday, 3 June 2015 (subject to shareholder approval).

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Monday, 1 June 2015 to Wednesday, 3 June 2015, 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 for registration with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Friday, 29 May 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2014

	Note	**2014**	2013
		HK$'000	HK$'000
Turnover	3	**337,456**	290,480
Other revenue	4	**25**	384
Other net losses	4	**(29,438)**	(41,025)
Direct costs and operating expenses		**(133,770)**	(116,228)
Selling and marketing expenses		**(20,103)**	(14,153)
Administrative and corporate expenses		**(93,484)**	(78,253)
Profit from operations		**60,686**	41,205
Finance costs		**(19)**	(123)
Share of profits less losses of associates		**457,408**	433,782
Share of profits of a joint venture		**14,703**	14,711
Profit before taxation	5	**532,778**	489,575
Income tax	6(a)	**(22,078)**	(13,389)
Profit for the year		**510,700**	476,186
Attributable to:			
Equity shareholders of the Company		**472,214**	440,178
Non-controlling interests		**38,486**	36,008
Profit for the year		**510,700**	476,186
Earnings per share	7		
Basic and diluted		**HK$ 1.27**	HK$ 1.18

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 2014

	2014	2013
	HK$'000	HK$'000
Profit for the year	**510,700**	476,186
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	**22,161**	(6,851)
Share of other comprehensive income of a joint venture:		
- Exchange differences on translation of financial statements of overseas subsidiary and joint venture	**–**	26
	22,161	(6,825)
Total comprehensive income for the year	**532,861**	469,361
Attributable to:		
Equity shareholders of the Company	**494,375**	433,345
Non-controlling interests	**38,486**	36,016
Total comprehensive income for the year	**532,861**	469,361

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2014

	Note	**2014**		2013	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**127,148**		126,734
- Interest in leasehold land held for own use			**23,703**		24,432
			150,851		151,166
Interest in associates			**1,985,945**		2,227,405
Interest in a joint venture			**66,137**		56,434
Available-for-sale securities			**533,203**		459,867
Deferred tax assets			**2,490**		2,750
			2,738,626		2,897,622
Current assets					
Trading securities		**116,295**		180,098	
Inventories		**1,093**		1,026	
Trade and other receivables	8	**19,321**		21,940	
Taxation recoverable		**204**		2,108	
Dividend receivable		**49,000**		–	
Bank deposits and cash		**1,794,322**		1,174,732	
		1,980,235		1,379,904	
Current liabilities					
Trade and other payables	9	**59,408**		53,374	
Course fees received in advance		**184,570**		156,014	
Taxation payable		**8,392**		13,515	
Interim dividends payable		**2,235**		2,240	
		254,605		225,143	
Net current assets			**1,725,630**		1,154,761

	Note	**2014**		2013	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Total assets less current liabilities			**4,464,256**		4,052,383
Non-current liabilities					
Loan from an associate			**228,981**		205,518
Deferred tax liabilities			**1,602**		332
			230,583		205,850
NET ASSETS			**4,233,673**		3,846,533
CAPITAL AND RESERVES					
Share capital: nominal value			–		372,688
Other statutory capital reserves			–		1,256,773
Share capital and other statutory capital reserves			**1,629,461**		1,629,461
Other reserves			**2,496,323**		2,113,754
Total equity attributable to equity shareholders of the Company			**4,125,784**		3,743,215
Non-controlling interests			**107,889**		103,318
TOTAL EQUITY			**4,233,673**		3,846,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2014 but are extracted from those financial statements.

Statement of compliance

The 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") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The 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 the financial statements.

2 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

However, none of these developments 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.

3 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). 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.

(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 2014 and 2013 is set out below.

(i) Year ended 31 December 2014

	Motoring school operations 2014 HK$'000	Tunnel operations 2014 HK$'000	Electronic toll operations 2014 HK$'000	Treasury 2014 HK$'000	Total 2014 HK$'000
Revenue from external customers	282,616	2,500	13,800	3,881	302,797
Interest revenue	4,936	—	1	27,722	32,659
Reportable segment revenue	287,552	2,500	13,801	31,603	335,456
Reportable segment profit before tax	123,277	459,908	28,288	(3,040)	608,433
Interest income from bank deposits	4,936	—	1	12,708	17,645
Finance costs	—	—	—	(19)	(19)
Depreciation	(4,358)	—	—	—	(4,358)
Share of profits less losses of associates	—	457,408	—	—	457,408
Share of profits of a joint venture	—	—	14,703	—	14,703
Income tax	(20,045)	—	(2,033)	—	(22,078)
Reportable segment assets	501,250	1,985,945	81,484	2,048,103	4,616,782
Interest in a joint venture	—	—	66,137	—	66,137
Interest in associates	—	1,985,945	—	—	1,985,945
Additions to non-current segment assets	14,803	—	—	—	14,803
Reportable segment liabilities	221,897	228,981	1,199	2,235	454,312

(ii) 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	Total 2013 HK$'000
Revenue from external customers	245,991	2,500	13,800	2,570	264,861
Interest revenue	3,284	–	1	20,334	23,619
Reportable segment revenue	249,275	2,500	13,801	22,904	288,480
Reportable segment profit before tax	113,156	436,282	28,287	(17,868)	559,857
Interest income from bank deposits	3,284	–	1	4,825	8,110
Finance costs	–	–	–	(123)	(123)
Depreciation	(3,671)	–	–	–	(3,671)
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	(13,390)
Reportable segment assets	468,339	2,227,405	71,772	1,397,709	4,165,225
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	–	–	–	1,695
Reportable segment liabilities	194,517	205,518	1,193	2,240	403,468

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

	2014	2013
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**335,456**	288,480
Unallocated head office and corporate revenue	**2,000**	2,000
Consolidated turnover	**337,456**	290,480
Profit		
Reportable segment profit derived from Group's external customers	**608,433**	559,857
Other revenue	**25**	384
Unallocated head office and corporate income and expenses	**(75,680)**	(70,666)
Consolidated profit before taxation	**532,778**	489,575
Assets		
Reportable segment assets	**4,616,782**	4,165,225
Unallocated head office and corporate assets	**102,079**	112,301
Consolidated total assets	**4,718,861**	4,277,526
Liabilities		
Reportable segment liabilities	**454,312**	403,468
Unallocated head office and corporate liabilities	**30,876**	27,525
Consolidated total liabilities	**485,188**	430,993

The Group previously reported a separate "Others" segment. In accordance with the way in which the information is now reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, such financial results, assets and liabilities previously reported under that segment are now reported under "Unallocated head office and corporate revenue", "Unallocated head office and corporate income and expenses" and "Unallocated head office and corporate assets and liabilities". Comparative figures have been reclassified in conformity with current year's presentation.

(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

	2014 HK$'000	2013 HK$'000
Other revenue		
Interest income from loan to an associate	**25**	384
Other net losses		
Net realised and unrealised gains on trading securities	**5,694**	9,391
Available-for-sale securities : reclassified from equity		
- On disposal	**(45)**	–
- On impairment	**(35,534)**	(51,119)
Net gains on sale of fixed assets	**447**	703
	(29,438)	(41,025)

5 Profit before taxation

	2014 HK$'000	2013 HK$'000
Profit before taxation is arrived at after charging:		
Depreciation	**21,306**	20,581
Auditor's remuneration		
- statutory audit services	**2,130**	2,012
- other services	**385**	358
Operating lease charges - land and buildings	**13,892**	8,810
Contributions to defined contribution retirement scheme	**5,084**	4,489
Salaries, wages and other benefits (excluding directors' emoluments)	**128,800**	105,587
Cost of inventories consumed	**7,852**	7,538
and after crediting/(charging):		
Dividend income from listed investments	**3,760**	2,377
Interest income from listed investments	**15,014**	15,509
Other interest income	**17,645**	8,110
Net foreign exchange (losses)/gains	**(4,264)**	1,250

6 Income tax in the consolidated statement of profit or loss

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

	2014	2013
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**20,723**	20,200
Over-provision in respect of prior years	**(175)**	(6,944)
	20,548	13,256
Deferred tax		
Origination and reversal of temporary differences	**1,530**	133
	22,078	13,389

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2013-14 subject to a maximum reduction of HK$10,000 for each business (2013: the same statutory concession was granted for the year of assessment 2012-13 and was taken into account in calculating the provision for 2013).

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

	2014	2013
	HK$'000	HK$'000
Profit before taxation	**532,778**	489,575
Notional tax on profit before tax calculated at 16.5% (2013: 16.5%)	**87,908**	80,780
Tax effect of non-deductible expenses	**17,588**	18,951
Tax effect on non-taxable income	**(85,541)**	(83,065)
Tax effect of unused tax losses not recognised	**2,298**	3,667
Over-provision in prior years	**(175)**	(6,944)
Actual tax expense	**22,078**	13,389

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$472,214,000 (2013: HK$440,178,000) and the weighted average of 372,688,000 ordinary shares (2013: 372,688,000) in issue during the year.

8 Trade and other receivables

	2014	2013
	HK$'000	HK$'000
Trade receivables	**5,069**	5,246
Other receivables	**3,064**	2,874
	8,133	8,120
Deposits and prepayments	**11,188**	13,820
	19,321	21,940

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$2,215,000 (2013: HK$2,026,000). Apart from these, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

	2014	2013
	HK$'000	HK$'000
Within 1 month	**3,929**	3,958
1 to 2 months	**736**	726
2 to 3 months	**40**	146
Over 3 months	**364**	416
	5,069	5,246

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**2,991**	4,113
Less than 1 month past due	**938**	625
1 to 3 months past due	**904**	453
More than 3 months but less than 12 months past due	**236**	55
Amounts past due	**2,078**	1,133
	5,069	5,246

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

	2014	2013
	HK$'000	HK$'000
Trade payables	**2,829**	2,049
Other payables and accruals	**56,579**	51,325
	59,408	53,374

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:

	2014	2013
	HK$'000	HK$'000
Within 1 month	**555**	406
1 to 3 months	**446**	373
Over 3 months but within 6 months	**1,828**	1,270
	2,829	2,049

10 Dividends

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

	2014	2013
	HK$'000	HK$'000
Interim dividends declared of HK$0.18 per share (2013: HK$0.18 per share)	**67,084**	67,084
Final dividend proposed after the end of the reporting period of HK$0.15 per share (2013: HK$0.12 per share)	**55,903**	44,722
	122,987	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) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2014	2013
	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 (2013: HK$0.12 per share)	**44,722**	44,722

BUSINESS REVIEW AND OUTLOOK

After a moderate growth of 2.9% in 2013, the Hong Kong economy decelerated and concluded its 2014 GDP growth at only 2.3% as a result of sluggish local and tourist consumption — the main engine of economic growth of the territory, notwithstanding a favourable labour market and the low interest rate environment with ample liquidity. Further, the Occupy Central Movement in the fourth quarter severely affected the territory's retail, tourism and transport industries. Nevertheless, Hong Kong's residential property price, being supported by strong pent-up demand from end-users, hit record high again in 2014. Consumer prices increased 4.4% year-on-year. The launch of Shanghai-Hong Kong Stock Connect in late 2014, a significant breakthrough in the opening of China's capital markets for both domestic and international investors as well as a landmark in the internationalisation of Renminbi, has illustrated Hong Kong's strategic position in China's economic and financial reforms. Nevertheless, mainland China's economy grew only 7.4 per cent in 2014, the slowest expansion in 24 years as it missed the annual growth target for the first time since 1998 despite its effort in fast modernization and rapid urbanization which temporarily lifted growth.

Heading into 2015, economic decoupling remains a prominent theme around the globe. Growth divergence between the US and much of the rest of the world is getting wider, with deflationary headwinds coming out of the Eurozone and emerging markets failing to re-accelerate, making the US the primary driver of growth. The US Fed remains on course to begin tightening policy around mid-2015 but is expected to raise interest rates in a very pragmatic and cautious manner. Nevertheless, there is lingering concern that the US economy is not yet resilient enough to sustain acceleration in global trade. Moreover, plunging oil prices further dampened inflation expectations, but lower energy costs helps to boost disposable household income. On the other side, China will continue performing a balancing act between growth and reform. Targeted stimulus policies and measured interest rate cuts will be implemented, aiming at protecting against the risk of a hard landing rather than re-accelerating the economy. In view of the increasing downside risks in the form of geopolitical tensions in recent years and the tepid as well as unbalanced global recovery, Hong Kong's near-term growth prospects continue to be anemic as the demand from major economies remains subdued.

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. In the wake of uncertain business sentiment ahead, the growth in tag subscribers for 2015 is expected to slow down despite the pleasing increase in the past year. In response to the increasing competition from other electronic payment systems as well as the need to increase market penetration in the near future, Autotoll is preparing to launch a mobile application specially designed for motorists. The app not only provides real time information on road traffic, car parking, fuel station locations and restaurants, but also includes additional functions such as navigation and Near Field Communication Payment System. This service is not positioned to compete with other e-payment methods in general retail business, but is rather aiming at recruiting more motorists by providing convenience in specific markets, such as fuel payments.

On telematics service, Autotoll was recently awarded contracts from the Hospital Authority, Hong Kong Airport Authority, New Lantao Bus Company (1973) Limited and Hong Kong Society of Rehabilitation for offering comprehensive telematics services from fleet management to mobile application. The E-Track System developed for the Hong Kong Society of Rehabilitation is technically a combination of GPS, BeiDou Navigation System and mobile application, offering an effective solution to enhance their operation by significantly reducing passenger waiting time. In view of the business potential in this sector, Autotoll is poised to extend this service to other non-profit making organizations. Furthermore, Autotoll has developed a solution for the construction sector for equipment tracking and usage monitoring by integrating RFID card reader with tracking device as a means to maintaining its leading edge in the market.

On top of the above, the award of a government project in early 2014 to design and install a traffic control and surveillance system for the Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road, has further consolidated its expertise and competitive advantage in the intelligent transportation system market, and Autotoll is well prepared for further market penetration and meeting the challenges of new business opportunities ahead.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) maintained a stable performance in the year under review amid the slowing down of the driving training market since mid-2014. Both enrolments and driving training lessons conducted for vehicles and motorcycles have increased as compared with that of the previous year.

For years, AHG strived to achieve higher productivity and staff competence as it fully recognized the importance of a strong premium brand with high brand equity to secure its market share and support its pricing strategy. To meet this end, AHG has conducted a series of training workshops for both frontline sales staff and driving instructors. In response to increasing expectations from potential customers, other service and quality enhancement programs including extensive fleet replacement, brand rejuvenation and products development are being implemented.

Though the market outlook for the driving training industry in the coming year does not appear to be pessimistic and the market size is expected to grow at a moderate pace, price competitions from those non-designated driving schools and emerging groups of private driving instructor alliances, however, remain fierce. Moreover, operating margins will be more vulnerable to severe price competitions as consumers will keep a tight rein on spending under the worsening economic sentiment.

Tunnel Operations

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

Due to the blockage of certain trunk routes during the Occupy Central Movement in the fourth quarter, The Western Harbour Tunnel ("WHT") recorded only a 1.7% increase in throughput in 2014 as compared with the last corresponding year. The average daily throughput of the WHT rose to 63,031 vehicle journeys and a new record high single daily throughput of 83,328 vehicle journeys was registered in December 2014. The market share of the WHT continued to account for over one quarter of the total cross-harbour traffic.

The impact of the MTR West Island Line, which opened in December 2014, is anticipated to be negative on the demand for cross-harbour tunnel traffic as well as the throughput of the WHT in the near term. On the other hand, the railway project under construction — the Guangzhou-Shenzhen-Hong Kong Express Rail Link, however, will be conducive to both cross-harbour traffic and WHT's throughput in the long run as the Hong Kong section of the Express Rail Link will run from the Terminus located to the north of the West Kowloon Cultural District. 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 seventh toll increase with effect from 22 February 2015. Barring any unforeseen economic and social issues that may arise in the territory, we expect the revenue growth of WHTCL to remain solid in the coming year under the new tolls.

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

The Tate's Cairn Tunnel ("TCT") recorded a slight increase in throughput despite its last toll increase implemented in August 2013 and its average daily throughput rose to 57,044 vehicle journeys, representing an increase of 2% as compared with the last corresponding year. As a result, TCTCL recorded an increase of over 8% in toll revenue for 2014. Moreover, we expect the TCT to benefit in the near future from additional traffic induced by the opening of the Kai Tak Cruise Terminal in late 2013. Looking forward, we anticipate the utilization of the TCT can be further enhanced and TCTCL to continue to generate steady cashflow and deliver sustainable return for the Group during the remaining years of the franchise. In the year ahead, TCTCL will undertake more tunnel improvement and renovation works such as tunnel approach road resurfacing to enhance tunnel users' safety and ease of driving.

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2014 Results

The Group reported a profit attributable to shareholders of HK$472.2 million for the year ended 31 December 2014, an increase of 7.3% compared with HK$440.2 million in 2013. Earnings per share were HK$1.27 compared to HK$1.18 for the previous year. The increase in 2014 was 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 losses on fair value changes in securities investment.

The Group's turnover for the year was HK$337.5 million, increased by HK$47.0 million or 16.2% as compared to HK$290.5 million recorded in 2013. The improvement was mainly attributable to an increase in turnover of the motoring school operations.

The motoring school operations recorded an increase in turnover of 14.9% to HK$282.6 million as an aggregate result of improvement in tuition fees income due to an increase in both demand for driving lessons and lesson income unit rate, and a pleasing increase in income from motorcycle courses. Profit before tax increased by 8.9% as compared to the HK$113.2 million recorded in the previous year.

The Group's share of profits less losses of associates has increased by 5.4% to HK$457.4 million as compared to HK$433.8 million in 2013 due to improved performance of both Western Harbour Tunnel Company Limited ("WHTCL") and Tate's Cairn Tunnel Company Limited ("TCTCL"). WHTCL recorded a 2.2% increase in toll revenue whereas TCTCL registered a 8.4% increase in toll income as a result of new tolls implemented in the second half of 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$397.6 million and HK$59.7 million respectively, as compared to HK$383.8 million and HK$50.0 million recorded in the previous year.

The Group's share of profits of a joint venture, Autotoll Limited, for the year under review was HK$14.7 million, the same as for the previous year.

The Group's treasury investment recorded a net realised and unrealised gain of HK$5.7 million on trading securities for the year under review as compared to HK$9.4 million recorded in 2013. Revaluation deficits arising on certain available-for-sale securities, totalling HK$35.5 million, as compared to HK$51.1 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 2014.

(II) Investments

As at 31 December 2014, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate fair value of HK$649.5 million (31 December 2013: HK$640.0 million). Certain securities were pledged to the financial institution to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. As at 31 December 2014, these facilities were not utilized by the Group. Dividend and interest income received therefrom in 2014 amounted to HK$18.8 million.

(III) Liquidity and Financial Resources

As at 31 December 2014, the Group had bank balances and deposits in the amount of HK$1,794.3 million. The Group did not have any debts outstanding as at 31 December 2014 and 2013. 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 467 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$133.9 million. The Company also operates a Share Option Scheme.

SCOPE OF WORK OF KPMG

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2014, the Company complied with the 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (within the meaning of the CG Code) no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out within Appendix 10 to the Listing Rules.

All directors confirmed that they had complied with the required standard set out within the Model Code and the Company's code of conduct regarding directors' securities transactions 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 2015

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.