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

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

2017 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 2017. 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 2017 amounted to HK$1,180.0 million, compared with HK$410.4 million in 2016. The significant increase was primarily attributable to the favourable performance of the treasury segment resulting from a substantial fair value gain in securities investment as compared to the previous year. Earnings per share were HK$3.17 against HK$1.10 for 2016.

DIVIDENDS

The first, second and third quarterly interim dividends each of HK$0.06 per share (2016: HK$0.06 per share) were paid on 30 June 2017, 20 September 2017 and 29 December 2017 respectively. The directors recommend the payment of a final dividend of HK$0.20 per share (2016: HK$0.17 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2017 of HK$0.38 per share (2016: HK$0.35 per share), representing a total distribution of approximately HK$141.6 million (2016: HK$130.4 million) for the year.

Subject to the approval of shareholders of the final dividend being obtained in the forthcoming annual general meeting on 21 May 2018 (the "AGM"), (i) the dividend warrants will be despatched on Tuesday, 12 June 2018 to shareholders registered at the close of business on Wednesday, 30 May 2018 and (ii) the register of members and transfer books of the Company will be closed from Monday, 28 May 2018 to Wednesday, 30 May 2018, both days inclusive, during which period no transfer of shares in the Company will be registered. 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, 25 May 2018.

LAST SHARE REGISTRATION DATE FOR AGM

For determining the right of shareholders to attend the AGM and to vote at the AGM, the deadline for share registration will be Monday, 14 May 2018. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are 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., Monday, 14 May 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	3	**461,591**	431,005
Other revenue	4	**25**	25
Other net gains/(losses)	4	**605,306**	(186,301)
Direct costs and operating expenses		**(178,142)**	(166,835)
Selling and marketing expenses		**(30,655)**	(26,856)
Administrative and corporate expenses		**(152,634)**	(133,266)
Profit/(loss) from operations		**705,491**	(82,228)
Finance costs		**(40)**	(31)
Share of profits of associates		**596,244**	546,140
Share of profits of a joint venture		**13,429**	17,663
Profit before taxation	5	**1,315,124**	481,544
Income tax	6(a)	**(87,882)**	(25,981)
Profit for the year		**1,227,242**	455,563
Attributable to:			
Equity shareholders of the Company		**1,180,048**	410,426
Non-controlling interests		**47,194**	45,137
Profit for the year		**1,227,242**	455,563
Earnings per share	7		
Basic and diluted		**HK$ 3.17**	HK$ 1.10

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 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**1,227,242**	455,563
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	**295,903**	(103,826)
Share of other comprehensive income of a joint venture:		
- Exchange differences on translation of financial statements of overseas subsidiary in joint venture	**293**	(436)
	296,196	(104,262)
Total comprehensive income for the year	**1,523,438**	351,301
Attributable to:		
Equity shareholders of the Company	**1,476,156**	306,295
Non-controlling interests	**47,282**	45,006
Total comprehensive income for the year	**1,523,438**	351,301

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2017

	Note	**2017**		2016	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment			**143,293**		151,108
Interest in leasehold land held for own use			**21,516**		22,245
			164,809		173,353
Interest in associates			**1,355,539**		1,566,234
Interest in a joint venture			**98,326**		89,604
Available-for-sale securities			**1,177,266**		676,116
Deposits for acquisition of tangible assets			**11,776**		1,176
Deferred tax assets			**2,030**		1,810
			2,809,746		2,508,293
Current assets					
Trading securities		**988,187**		365,578	
Inventories		**808**		699	
Trade and other receivables	8	**55,195**		21,182	
Taxation recoverable		**1,095**		2,483	
Dividend receivable		**79,000**		77,000	
Bank deposits and cash		**3,284,932**		2,786,817	
		4,409,217		3,253,759	
Current liabilities					
Trade and other payables	9	**100,382**		87,522	
Course fees received in advance		**299,976**		272,552	
Taxation payable		**9,019**		5,302	
Dividends payable		**3,601**		2,243	
		412,978		367,619	
Net current assets			**3,996,239**		2,886,140

	Note	**2017**		2016	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Total assets less current liabilities			**6,805,985**		5,394,433
Non-current liabilities					
Loan from an associate			**272,866**		279,384
Deferred tax liabilities			**66,153**		5,770
			339,019		285,154
NET ASSETS			**6,466,966**		5,109,279
CAPITAL AND RESERVES					
Share capital			**1,629,461**		1,629,461
Reserves			**4,695,964**		3,350,249
Total equity attributable to equity shareholders of the Company			**6,325,425**		4,979,710
Non-controlling interests			**141,541**		129,569
TOTAL EQUITY			**6,466,966**		5,109,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies and basis of preparation

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on those consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies 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. 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 2017 and 2016 is set out below.

(i) Year ended 31 December 2017

	Motoring school operations HK$'000	Tunnel operations HK$'000	Electronic toll operations HK$'000	Treasury HK$'000	Total HK$'000
Revenue from external customers	398,084	2,500	13,800	15,498	429,882
Net gain from disposal of available-for-sale securities	–	–	–	217	217
Interest revenue	4,630	–	1	25,061	29,692
Reportable segment revenue	402,714	2,500	13,801	40,776	459,791
Reportable segment profit before tax	158,452	598,744	27,003	645,923	1,430,122
Interest income from bank deposits	4,630	–	1	25,061	29,692
Finance costs	–	–	–	(40)	(40)
Depreciation	(22,249)	–	–	–	(22,249)
Share of profits of associates	–	596,244	–	–	596,244
Share of profits of a joint venture	–	–	13,429	–	13,429
Income tax	(24,918)	–	(2,020)	(60,944)	(87,882)
Reportable segment assets	712,418	1,355,539	113,142	4,987,448	7,168,547
Interest in a joint venture	–	–	98,326	–	98,326
Interest in associates	–	1,355,539	–	–	1,355,539
Additions to non-current segment assets	29,940	–	–	–	29,940
Reportable segment liabilities	353,056	272,866	692	64,546	691,160

(ii) Year ended 31 December 2016

	Motoring school operations HK$'000	Tunnel operations HK$'000	Electronic toll operations HK$'000	Treasury HK$'000	Total HK$'000
Revenue from external customers	348,540	2,500	13,800	31,010	395,850
Net gain from disposal of available-for-sale securities	–	–	–	21,105	21,105
Interest revenue	3,262	–	1	8,787	12,050
Reportable segment revenue	351,802	2,500	13,801	60,902	429,005
Reportable segment profit / (loss) before tax	146,398	548,640	31,238	(139,741)	586,535
Interest income from bank deposits	3,262	–	1	8,787	12,050
Finance costs	–	–	–	(31)	(31)
Depreciation	(17,356)	–	–	–	(17,356)
Share of profits of associates	–	546,140	–	–	546,140
Share of profits of a joint venture	–	–	17,663	–	17,663
Income tax	(23,959)	–	(2,022)	–	(25,981)
Reportable segment assets	647,677	1,566,234	104,469	3,377,404	5,695,784
Interest in a joint venture	–	–	89,604	–	89,604
Interest in associates	–	1,566,234	–	–	1,566,234
Additions to non-current segment assets	32,858	–	–	–	32,858
Reportable segment liabilities	319,549	279,384	692	2,243	601,868

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

	2017	2016
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**459,791**	429,005
Unallocated head office and corporate revenue	**1,800**	2,000
Consolidated revenue	**461,591**	431,005
Profit		
Reportable segment profit derived from the Group's external customers	**1,430,122**	586,535
Other revenue	**25**	25
Unallocated head office and corporate income and expenses	**(115,023)**	(105,016)
Consolidated profit before taxation	**1,315,124**	481,544
Assets		
Reportable segment assets	**7,168,547**	5,695,784
Unallocated head office and corporate assets	**50,416**	66,268
Consolidated total assets	**7,218,963**	5,762,052
Liabilities		
Reportable segment liabilities	**691,160**	601,868
Unallocated head office and corporate liabilities	**60,837**	50,905
Consolidated total liabilities	**751,997**	652,773

(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 gains/(losses)

	2017 HK$'000	2016 HK$'000
Other revenue		
Interest income from loan to an associate	**25**	25
Other net gains/(losses)		
Net unrealised gains/(losses) on trading securities	**622,609**	(141,371)
Available-for-sale securities reclassified from equity on impairment	**(17,775)**	(58,602)
Net gains on sale of property, plant and equipment	**472**	13,672
	605,306	(186,301)

5 Profit before taxation

	2017 HK$'000	2016 HK$'000
Profit before taxation is arrived at after charging:		
Auditor's remuneration		
- audit services	**2,404**	2,238
- other services	**433**	393
Contributions to defined contribution retirement scheme	**6,402**	6,188
Cost of inventories consumed	**8,844**	7,962
Depreciation	**39,312**	36,021
Net foreign exchange losses	**--**	132
Operating lease charges - land and buildings	**15,597**	15,124
Salaries, wages and other benefits (excluding directors' emoluments)	**181,625**	160,225
and after crediting:		
Dividend income from listed investments	**6,534**	21,677
Profit distribution from unlisted investments	**8,858**	9,166
Interest income from listed investments	**8,726**	--
Interest income from loan to an associate	**25**	25
Other interest income	**20,966**	12,050
Net foreign exchange gains	**747**	--

6 Income tax in the consolidated statement of profit or loss

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

	2017	2016
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**28,293**	24,394
Over-provision in respect of prior years	**(574)**	(376)
	27,719	24,018
Deferred tax		
Origination and reversal of temporary differences	**60,163**	1,963
	87,882	25,981

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

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

	2017	2016
	HK$'000	HK$'000
Profit before taxation	**1,315,124**	481,544
Notional tax on profit before tax calculated at 16.5% (2016: 16.5%)	**216,995**	79,455
Tax effect of non-deductible expenses	**12,485**	28,426
Tax effect of non-taxable income	**(108,740)**	(103,542)
Tax effect of unused tax losses not recognised	**1,638**	22,018
Tax effect of recognition of unused tax losses previously not recognised	**(33,922)**	--
Over-provision in prior years	**(574)**	(376)
Actual tax expense	**87,882**	25,981

7 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$1,180,048,000 (2016: HK$410,426,000) and the weighted average of 372,688,000 (2016: 372,688,000) ordinary shares in issue during the year.

Basic earnings per share are the same as diluted earnings per share as the Company has no dilutive potential shares.

8 Trade and other receivables

	2017 HK$'000	2016 HK$'000
Trade receivables	**4,865**	3,673
Other receivables	**4,705**	4,492
	9,570	8,165
Deposits and prepayments	**45,625**	13,017
	55,195	21,182

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$16,848,000 (2016: HK$1,555,000). 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:

	2017 HK$'000	2016 HK$'000
Within 1 month	**3,059**	3,458
1 to 2 months	**304**	103
2 to 3 months	**294**	42
Over 3 months	**1,208**	70
	4,865	3,673

(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:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**2,796**	3,154
Less than 1 month past due	**263**	304
1 to 3 months past due	**598**	147
More than 3 months but less than 12 months past due	**1,208**	68
Amounts past due	**2,069**	519
	4,865	3,673

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

	2017	2016
	HK$'000	HK$'000
Trade payables	**3,400**	3,879
Other payables and accruals	**96,982**	83,643
	100,382	87,522

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:

	2017	2016
	HK$'000	HK$'000
Within 1 month	**946**	475
1 to 3 months	**208**	771
Over 3 months but within 6 months	**2,246**	2,633
	3,400	3,879

10 Dividends

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

	2017 HK$'000	2016 HK$'000
Interim dividends declared of HK$0.18 per share (2016: HK$0.18 per share)	**67,084**	67,084
Final dividend proposed after the end of the reporting period of HK$0.20 per share (2016: HK$0.17 per share)	**74,538**	63,357
	141,622	130,441

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:

	2017 HK$'000	2016 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.17 per share (2016: HK$0.17 per share)	**63,357**	63,357

11 Review of financial statements in annoucement

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited 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 audit, review or other 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

BUSINESS REVIEW AND OUTLOOK

2017 was a bonanza year for the global economy which experienced a cyclical recovery against the backdrop of benign global financing conditions, accommodative policies as well as rising confidence in market performance. This synchronous and investment-led recovery has provided a substantial boost to global exports and imports. Despite subdued inflation, the U.S. Federal Reserve continued to normalise monetary policy by raising interest rates for three times by a cumulative 125 basis points since the start of its tightening cycle and starting to shrink its balance sheet orderly. This positive momentum of accelerated global growth in 2017 is likely to stabilise into 2018 with benign inflationary pressure. Despite continuous monetary policy normalisation, the US economy is expected to maintain moderate growth with the implementation of tax reform, whereas the Eurozone will continue to grow solidly. Nonetheless, there remain important downside risks to global growth which could trigger financial turbulence and potentially derail the expansion, such as the possibility of financial stress, escalating trade protectionism, uncertainty on Brexit negotiation and heightened geopolitical tensions.

After reaching 6.9% GDP growth in 2017, the first annual acceleration for the economy since 2010, the China economy will continue to be modest in the coming year despite headwinds from further monetary and regulatory tightening as well as U.S. trade protectionism. Amid the global recovery and robust Mainland China growth, Hong Kong economy expanded remarkably in 2017 with the fastest pace since 2011 and concluded at 3.5% GDP growth with the support of buoyant financial market performance, a rebound in tourist arrivals and solid employment. The labor market remained tight with the unemployment rate edging down to 2.9%, the first time below 3% in nearly 20 years. The property prices have also hit a record high level under a low interest rate environment. Going into 2018, Hong Kong economy is expected to maintain a relatively fast growth, driven by the relatively fast global recovery. With the implementation of the belt and road initiative and the development of Guangdong-Hong Kong-Macau Bay Area, the financial sector of Hong Kong is likely to maintain solid performance in the near term. Domestic consumption, supported by a tight labor market, is expected to remain strong. Inflation remains subdued amid modest global inflationary pressure but is expected to ladder up due to lower US dollar exchange rate and increase in property rental. However, interest rate in Hong Kong is likely to continue in tandem with the US rate hikes ahead, therefore, any substantial correction to the booming and overvalued property market will, in no doubt, pose significant macro-financial risks and negative impact on the economy.

Electronic Toll Operation

Autotoll Limited (“Autotoll”), 50% owned by The Autopass Company Limited (a 70% owned subsidiary), provides electronic toll clearing (“ETC”) facilities in Hong Kong covering eleven different toll roads and tunnels. There are fifty-three auto-toll lanes in operation at present. With the support of revived business sentiment and aggressive marketing strategies, a pleasing net growth in tag subscription was recorded during the year under review despite increasing difficulty in acquiring new subscribers. However, as there are more alternatives of electronic payment facility available in the market, the growth in tag subscribers is expected to plateau or even decrease in the coming years. In view of this, extensive acquisition programs as well as retention programs will be continued as marketing strategies to acquire new tag users in the coming years. Furthermore, with the aim of achieving a high standard of information security, Autotoll is prepared to apply for ISO 27000 accreditation for its information system in the near term.

During the year under review, the "stop-and-go" (“SNG”) e-payment system was first introduced at the manual toll lanes of the Shing Mun Tunnel, Aberdeen Tunnel, Cross-Harbour Tunnel and

Lantau Link (Tsing Ma control area) to provide motorists with the choice of an alternative payment method by using contactless smart cards. The implementation of SNG is expected to complete and will cover all government tunnels and roads by mid-2018. This will remain as an immediate threat to Autotoll's ETC service in the coming year.

For years, the government considers the Electronic Road Pricing ("ERP") is a measure to relieve traffic congestion and is prepared to proceed with the ERP pilot scheme in the near future by applying Free-flow Tolling ("FFT") technology for ERP implementation at the new Tseung Kwan O - Lam Tin Tunnel ("TKO-LTT") when it is commissioned in 2022 and eventually extend this payment platform to all government tunnels. In August 2017, Autotoll was awarded the government tender for the trial installation and evaluation of FFT System at the TKO-LTT and this tender paves the way for Autotoll's ETC business in the new era of FFTS.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools and again delivered a pleasing result for the year under review. The higher throughput as compared with the previous year was the aggregate result of better sales intake and higher productivity as a result of a series of quality enhancement programs.

The availability of sizeable training sites remains a pivotal and indispensable factor for the operation of designated driving school in addition to the supply of qualified driving instructors. The operations of the driving centres at Siu Lek Yuen and Apleichau, in particular, are subject to the availability of the government land due to the extensive land requirement for off-street driving training. The tenancy for operating the Siu Lek Yuen Driving School will expire in May 2018 and AHG succeeded in renewing the tenancy till February 2023 under an open tender. Further, in view of the persistently low interest rates and continuous surge in shop rentals, a property was acquired during the year under review as a measure to improve the cost structure in the long run.

Though the economy is expected to continue to display strength, the outlook on the driving training industry, however, does not appear to be ecstatic in the coming year as the market size is expected to shrink after the continued upward trend in the last ten years and price competition among driving school operators remains vigorous. In the light of keener competition ahead, AHG will continue to adopt proactive sales strategy and to deploy continuous efforts in market segmentation and penetration to defend its market share as well as to increase customer spending. In view of the increasing demand on application of new technology, the computerized simulator system for pre-in-car training was enhanced to meet customer needs and expectations. Moreover, being the pioneer in the fleet training industry in Hong Kong, AHG's professionalism was further evidenced by the well-received fleet training program tailor-made for the Airport Authority during the year under review.

Tunnel Operations

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

The performance of the WHTCL in 2017 was again remarked by a significant improvement in toll revenue. As a measure to improve cashflow for the coming years, WHTCL implemented its eighth toll increase with effect from 1 January 2017 and the average toll per vehicle increased from HK$65.06 in the last corresponding year to HK$70.51. The average daily throughput of the Western Harbour Tunnel ("WHT") maintained at 67,580 vehicle journeys as compared with the last corresponding year, and a new record high single daily throughput of 91,507 vehicle journeys was registered in December 2017 despite its toll increase. WHT's market share, however, was maintained at 26% for the year under review.

Though the construction of the Central-Wanchai Bypass, the Hong Kong/Macau/Zhuhai Bridge as well as the Guangzhou-Shenzhen-HongKong Express Rail Link are expected to be conducive to WHT's throughput in the long run, WHTCL might not benefit from it in the coming year due to the delays in the completion of these projects. On the other side, the Xiqu Centre and the new museum for visual culture, M+, are scheduled for completion in late 2018 and 2019 respectively. The opening of these two iconic buildings in the West Kowloon Cultural District will in no doubt create additional vehicular traffic as well as demand for cross harbour services in the long run.

Nevertheless, the increased supply of rail transport and toll differentials between the WHT and the other two government-owned cross-harbour tunnels remain the principal risks and uncertainties facing WHTCL in the remaining years of the franchise. Moreover, the Government's proposal of toll rationalization of the three cross-harbour tunnels as a solution to balance the traffic among these tunnels will continue to be a controversial issue in the coming year. Barring any unforeseen economic and social issues that may arise in the territory, we anticipate the revenue growth of WHTCL to remain solid in the coming year fueled by renewed market optimism and rebound in cross-border traffic.

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

The performance of TCTCL in 2017 was pleasing as the average daily throughput of the Tate's Cairn Tunnel ("TCT") rose to 60,817 vehicle journeys, representing an increase of 2.7% as compared with the last corresponding year. The 30 years' BOT (Build, Operate and Transfer) franchise of the TCT will expire on 11 July 2018. On expiration, the ownership of the TCT will vest in the Government and TCTCL's contribution to the Group therefore will reduce significantly in the coming year.

Treasury Management Business

During the year under review, the rebound in global investment was supported by favorable financing costs and improved business sentiment. Equity markets, buoyed by synchronized global economic growth and modest inflation that propelled robust corporate earnings growth, made its 15th consecutive month of gains in December with the Asian equities market wrapped up its best year since 2009. Hong Kong equities have been underpinned by a cyclical recovery with abundant market liquidity as well as southbound capital flow from the Mainland. The Hang Seng Index rose by nearly 36 percent to close 2017 at 29,919 points, after touching the highest level in 10 years at 30,003 in November. It was the best performance among major global markets and also the first time the Hong Kong stock market outperformed its American and European peers since the global financial crisis. As a result of the stock boom, a significant unrealized fair value gain on the Group's portfolio of securities investment was recorded at the end of the year under review.

Heading into 2018, earnings momentum is expected to remain positive to support market sentiment. The Hang Seng Index scaled one height after another and broke its historical closing record of 31,638 points set in 2007 by rising to over 33,000 points at the beginning of the year. The Hong Kong stock market is expected to continue its upward trend in 2018 supported by further improvement in corporate earnings, weakening U.S. dollar and continuous inflow of capital from Mainland China. Nevertheless, the highly accommodative monetary environment around the world is reversing gradually. The magnitude and pace of U.S. rate hikes will be the major risk factor leading to financial market volatilities, in particular the major financial markets have already hit record highs, and Hong Kong is compelled to follow in lockstep. On the other hand, the increase in US interest rates will lead to a sell-off in US Treasury bonds and liquidity from the bond market will go into the equity markets. The Hong Kong stock market may benefit in the short term as its valuation is still not excessive as compared with other major markets.

As global equities have rallied to new record highs, the risk of short term pullbacks is rising despite supportive fundamentals are likely to limit the magnitude and duration of any corrections. In view of this, we remain cautious about the performance of the Hong Kong stock market as well as the prospects of the Group's portfolio of listed securities and unlisted investments in the near term. The Group will maintain a cautious investment strategy and will assess the performance of its portfolio of investments from time to time.

The Group is aware of the continuity issue. For years, its strong financial position paved the way for future development of the Group. Our policy is to act prudently, hence the need to maintain liquidity for suitable investment opportunities.

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2017 Results

The Group reported a profit attributable to shareholders of HK$1,180.0 million for the year ended 31 December 2017, an increase of 187.5% compared with HK$410.4 million in 2016. Earnings per share were HK$3.17 compared to HK$1.10 for the previous year. The increase in 2017 was primarily attributable to the favourable performance of the treasury segment resulting from a substantial fair value gain in securities investment as well as an increase in contributions from both tunnel operations and motoring school operations.

The revenue of the Group was HK$461.6 million for the year, increased by HK$30.6 million or 7.1% as compared to HK$431.0 million recorded in 2016. The increase was mainly attributable to the improved performance of motoring school operations, despite there was a decrease in gain from disposal of securities investment. The motoring school operations recorded an increase in revenue of 14.2% to HK$398.1 million as a result of improvement in tuition fees income due to an increase in demand for driving lessons and higher lesson income unit rate. Profit before tax therefrom increased by 8.3% to HK$158.5 million as compared to the HK$146.4 million recorded in the previous year. Treasury investment, being one of the core businesses, recorded a realised net gain of HK$0.2 million on disposal of available-for-sale securities during the year under review as compared to HK$21.1 million recorded in 2016. Profit distribution from an unlisted investment in 2017 amounted to HK$8.9 million as compared to HK$9.2 million recorded in the previous year. Dividend income and interest income received from listed investments for the year amounted to HK$15.3 million whereas HK$21.7 million was recorded in the last corresponding year.

In addition, as compared to a loss of HK$141.4 million recorded in 2016, the Group's treasury segment recorded a significant unrealised fair value gain on trading securities in the amount of HK$622.6 million as well as a deferred tax provision of HK$60.9 million arising therefrom during the year under review. Revaluation deficit arising on certain available-for-sale securities of HK$17.8 million, as compared to HK$58.6 million recorded in the previous year, was 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 2017.

The Group's share of profits of associates has increased by 9.2% to HK$596.2 million as compared to HK$546.1 million in 2016 due to improved performance of WHTCL. An increase in contribution from WHTCL during the year under review was attributable to a 8.3% increase in toll revenue after the implementation of toll increase in January 2017, whereas TCTCL also registered a 2.6% increase in toll income as a result of an increase in throughput. After accounting for the amortisation 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$514.9 million and HK$81.3 million respectively, as compared to HK$462.9 million and HK$83.2 million recorded in the previous year.

The Group's share of profits of a joint venture, Autotoll Limited, which operates an electronic toll collection system, was HK$13.4 million for the year under review against HK$17.7 million recorded in the previous year, representing a decrease of HK$4.3 million or 24.3% as a result of an increase in operating expenses incurred for coping with increasing competitions with other store value facilities service providers.

(II) Treasury Investments and Significant Investments Held

As at 31 December 2017, the Group maintained a portfolio of investments in different categories of companies with an aggregate fair value of HK$2,165.5 million (31 December 2016: HK$1,041.7 million). The portfolio composed of HK$1,757.2 million listed investments and HK$408.3 million unlisted investment funds managed by financial institutions. During the year under review, HK$193.1 million listed bonds and HK$49.8 million unlisted investment funds were purchased. The substantial increase in the aggregate fair value of the investment portfolio was primarily attributable to positive fair value changes of HK$622.6 million in certain trading securities as well as a significant increase in the investment revaluation reserve in the amount of HK$295.9 million after adjusted for impairment losses recognised on certain available-for-sale securities.

Of the portfolio of investments held by the Group as at 31 December 2017, a significant portion comprises a portfolio of investments in the property category of listed companies with an aggregate fair value of HK$1,084.3 million accounting for 50% of the aggregate fair value of the Group's portfolio of investments. In terms of performance, total dividend and interest income derived from such portion of investments for the year amounted to HK$8.8 million. Further, a significant unrealised fair value gain of HK$647.3 million and an increase in the investment revaluation reserve in the amount of HK$32.3 million on such portion of investments were recorded as at year end date. As to the future prospects of such portion of investments, their performance will be subject to various factors including the development trend of the property market as well as the investor sentiments in Hong Kong and the Mainland.

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 2017, these facilities were not utilized by the Group.

III) Liquidity and Financial Resources

As at 31 December 2017, the Group had bank balances and deposits in the amount of HK$3,284.9 million. The Group did not have any debts outstanding as at 31 December 2017 and 2016. Except for the Group's 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 538 employees. Employees are remunerated according to 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 excluding directors' emoluments for the year amounted to HK$188.0 million. The Company also operates a Share Option Scheme.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2017, 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, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified in the Company's articles of association, applicable laws and the Listing Rules. 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, 23 March 2018

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.