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THE CROSS-HARBOUR (HOLDINGS) LIMITED

港通控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 32)

2010 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 2010. 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 2010 amounted to HK\$358.8 million, compared with HK\$291.3 million in 2009. The significant increase was primarily due to an increase in profit contribution from tunnel operations as compared to the previous year. Earnings per share were HK\$1.01 against HK\$0.82 for 2009.

DIVIDENDS

The first, second and third quarterly interim dividends each of HK\$0.06 per share (2009: HK\$0.06 per share) were paid on 5 July 2010, 27 September 2010 and 31 December 2010 respectively. The directors recommend the payment of a final dividend of HK\$0.12 per share (2009: HK\$0.12 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2010 of HK\$0.30 per share (2009: HK\$0.30 per share), representing a total distribution of approximately HK\$106.0 million (2009: HK\$106.0 million) for the year. Dividend warrants in respect of the proposed final dividend will be despatched on 26 May 2011 to shareholders registered on 17 May 2011 (subject to shareholder approval).

CLOSURE OF BOOKS

The register of members and transfer books of the Company will be closed from Friday, 13 May 2011 to Tuesday, 17 May 2011, both days inclusive, during which period no transfer of shares in the Company shall be effected. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration by 4:30 p.m., Thursday, 12 May 2011.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	<i>Note</i>	2010 HK\$'000	2009 HK\$'000
Turnover	3	227,099	217,518
Other revenue	4	2,209	3,917
Other net income	4	42,236	34,689
Direct costs and operating expenses		(108,726)	(98,360)
Selling and marketing expenses		(18,094)	(17,663)
Administrative and corporate expenses		(65,355)	(65,255)
Profit from operations		79,369	74,846
Finance costs	5(a)	(9,716)	(5,429)
Share of profits less losses of associates		305,824	235,355
Share of profits of a jointly controlled entity		8,664	9,709
Profit before taxation	5	384,141	314,481
Income tax	6(a)	(9,222)	(7,842)
Profit for the year		374,919	306,639
Attributable to:			
Equity shareholders of the Company		358,753	291,343
Non-controlling interests		16,166	15,296
Profit for the year		374,919	306,639
Earnings per share	7		
Basic		HK\$ 1.01	HK\$ 0.82
Diluted		HK\$ 0.98	HK\$ 0.80

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010 HK\$'000	2009 HK\$'000
Profit for the year	<u>374,919</u>	<u>306,639</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Available-for-sale securities: net movement in the investment revaluation reserve	47,223	16,798
Share of other comprehensive income of the associate and a jointly controlled entity:		
- Cash flow hedge: net movement in the hedging reserve	5,464	8,206
- Exchange differences on translation of financial statements of overseas subsidiary and jointly controlled entity	<u>89</u>	<u>—</u>
	<u>52,776</u>	<u>25,004</u>
Total comprehensive income for the year	<u><u>427,695</u></u>	<u><u>331,643</u></u>
Attributable to:		
Equity shareholders of the Company	411,502	316,347
Non-controlling interests	<u>16,193</u>	<u>15,296</u>
Total comprehensive income for the year	<u><u>427,695</u></u>	<u><u>331,643</u></u>

CONSOLIDATED BALANCE SHEET

as at 31 December 2010

	<i>Note</i>	2010		2009 (restated)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			125,947		46,531
- Interest in leasehold land held for own use			<u>26,619</u>		<u>27,348</u>
			152,566		73,879
Interest in associates			1,834,780		1,849,043
Interest in a jointly controlled entity			42,579		39,197
Available-for-sale securities			430,525		161,066
Deferred tax assets			<u>3,060</u>		<u>2,240</u>
			2,463,510		2,125,425
Current assets					
Trading securities		64,209		80,178	
Inventories		1,016		806	
Loan receivable		40,000		—	
Trade and other receivables	8	13,847		15,061	
Bank deposits and cash		<u>944,037</u>		<u>1,115,341</u>	
		1,063,109		1,211,386	
Current liabilities					
Trade and other payables	9	50,902		45,722	
Course fees received in advance		79,330		67,113	
Bank loans		208,333		479,166	
Taxation payable		9,920		13,097	
Interim dividends payable		<u>2,301</u>		<u>21,288</u>	
		350,786		626,386	
Net current assets					
			<u>712,323</u>		<u>585,000</u>

	2010		2009 (restated)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets less current liabilities		3,175,833		2,710,425
		-----		-----
Non-current liabilities				
Bank loans		156,250		—
Deferred tax liabilities		<u>200</u>		<u>150</u>
		156,450		150
		-----		-----
NET ASSETS		3,019,383		2,710,275
		=====		=====
 CAPITAL AND RESERVES				
Share capital		353,488		353,488
Reserves		<u>2,597,891</u>		<u>2,292,436</u>
Total equity attributable to equity shareholders of the Company		2,951,379		2,645,924
Non-controlling interests		<u>68,004</u>		<u>64,351</u>
TOTAL EQUITY		3,019,383		2,710,275
		=====		=====

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. 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 two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Improvements to HKFRSs (2009)
- HK (Int) 5, *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

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

The developments resulted in changes in accounting policy. Except HK (Int) 5, none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group’s financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

The amendment introduced by the *Improvements to HKFRSs (2009)* omnibus standard in respect of HKAS 17, *Leases*, resulted in a change of classification of certain of the Group's leasehold land interests located in the Hong Kong Special Administrative Region, but this has had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

Further details of these changes in accounting policy are as follows:

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in the HKFRS 3 (revised 2008). These include the following changes in accounting policies:

- Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
- If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
- Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:
 - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.
 - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, *Investments in associates*, and HKAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:

- If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
- If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statement are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.
- As a result of the amendment to HKAS 17, *Leases*, arising from the "*Improvements to HKFRSs (2009)*" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate, with the exception of those interests which are registered and transferable ownership interests in land located in the Hong Kong Special Administrative Region and subject to the Government's land policy of renewal without payment of additional land premium. These leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

In November 2010 the HKICPA issued Hong Kong Interpretation 5 - *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*. This Interpretation is effective immediately on issuance and sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time should be classified as a current liability in accordance with paragraph 69(d) of HKAS 1, *Presentation of Financial Statements*, irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Interpretation 5, the Group has changed its accounting policy on classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2010, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. No re-presentation of opening balances at 1 January 2009 is required, since there were no term loans as at 31 December 2008. The reclassification has no effect on reported profit or loss, total income and expense or net assets for any period presented.

	<i>As previously reported</i>	<i>Effect of adoption of Interpretation 5</i>	<i>As restated</i>
	HK\$'000	HK\$'000	HK\$'000
Effect on the Group's balance sheet as at 31 December 2009:			
Bank loans (Current)	114,583	364,583	479,166
Bank loans (Non-current)	364,583	(364,583)	—

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 a subsidiary which operates three driver training centres.
- Tunnel operations: this segment invests in associates which operate the Western Harbour Tunnel and Tate's Cairn Tunnel franchises and manage the Hunghom Cross-Harbour tunnel for the Government of the Hong Kong Special Administrative Region ("HKSAR").
- Electronic toll operations: this segment invests in a jointly controlled entity which operates an electronic toll collection system and provision of telematics services.
- Treasury: this segment operates investing and financing activities and receives dividend income and interest income.
- Other: this segment mainly operates leasing of fixed assets.

(a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current and non-current assets with the exception of other corporate assets. Segment liabilities include trade creditors attributable to the sales activities and the accruals of the individual segments and bank borrowings, dividend payable and taxation payable managed directly by the segments with exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

(i) Year ended 31 December 2010

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

(ii) Year ended 31 December 2009

	Motoring school operations 2009 HK\$'000	Tunnel operations 2009 HK\$'000	Electronic toll operations 2009 HK\$'000	Treasury 2009 HK\$'000	Other 2009 HK\$'000	Total 2009 HK\$'000
Revenue from external customers	174,532	2,800	12,600	19,565	1,183	210,680
Interest revenue	1,061	—	17	5,760	—	6,838
Inter-segment revenue	—	—	—	—	9,627	9,627
Reportable segment revenue	175,593	2,800	12,617	25,325	10,810	227,145
Reportable segment profit before tax	36,745	238,155	22,082	55,471	342	352,795
Interest income from bank deposits	1,061	—	17	1,843	—	2,921
Interest expenses	—	—	—	(4,671)	—	(4,671)
Depreciation and amortisation	(13,080)	—	—	—	(5,524)	(18,604)
Share of profits less losses of associates	—	235,355	—	—	—	235,355
Share of profits of a jointly controlled entity	—	—	9,709	—	—	9,709
Income tax	(5,805)	—	(2,037)	—	—	(7,842)
Reportable segment assets	255,557	1,849,043	54,577	1,150,074	32,151	3,341,402
Interest in a jointly controlled entity	—	—	39,197	—	—	39,197
Interest in associates	—	1,849,043	—	—	—	1,849,043
Additions to non-current segment assets	1,842	—	—	—	760	2,602
Reportable segment liabilities	94,137	6,945	1,216	500,896	352	603,546

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

	2010	2009
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	237,464	227,145
Elimination of inter-segment revenue	<u>(10,365)</u>	<u>(9,627)</u>
Consolidated turnover	<u>227,099</u>	<u>217,518</u>
Profit		
Reportable segment profit derived from Group's external customers	424,968	352,795
Other revenue	2,209	3,917
Unallocated head office and corporate expenses	<u>(43,036)</u>	<u>(42,231)</u>
Consolidated profit before taxation	<u>384,141</u>	<u>314,481</u>
Assets		
Reportable segment assets	3,531,504	3,341,402
Elimination of inter-segment receivables	(5,600)	(5,530)
Unallocated head office and corporate assets	<u>715</u>	<u>939</u>
Consolidated total assets	<u>3,526,619</u>	<u>3,336,811</u>
Liabilities		
Reportable segment liabilities	486,389	603,546
Elimination of inter-segment payables	(5,600)	(5,530)
Unallocated head office and corporate liabilities	<u>26,447</u>	<u>28,520</u>
Consolidated total liabilities	<u>507,236</u>	<u>626,536</u>

(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 income

	2010 HK\$'000	2009 HK\$'000
Other revenue		
Interest income from loan to an associate	<u>2,209</u>	<u>3,917</u>
Other net income		
Net gain on sale of available-for-sale securities	—	14,024
Net realised and unrealised gains on trading securities	29,724	18,590
Net realised gain on equity-linked notes	—	1,964
Net gains on sale of fixed assets	<u>12,512</u>	<u>111</u>
	<u>42,236</u>	<u>34,689</u>

5 Profit before taxation

	2010 HK\$'000	2009 HK\$'000
<i>Profit before taxation is arrived at after charging:</i>		
(a) Finance costs		
Interest on bank loans wholly repayable within five years	8,947	4,671
Other borrowing costs	<u>769</u>	<u>758</u>
	<u>9,716</u>	<u>5,429</u>
(b) Other items		
Amortisation of land lease premium	729	729
Depreciation	19,802	17,875
Auditor's remuneration		
- statutory audit services	1,657	1,641
- other services	300	285
Operating lease charges - land and buildings	12,712	11,999
Contributions to defined contribution retirement scheme	4,639	4,842
Salaries, wages and other benefits (excluding directors' emoluments)	105,858	96,206
Cost of inventories consumed	<u>7,970</u>	<u>6,869</u>
<i>and after crediting:</i>		
Dividend income from listed investments	4,824	23,547
Interest income from listed investments	10,147	126
Other interest income	7,842	6,712
Net foreign exchange gain	<u>1,163</u>	<u>1,061</u>

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2010 HK\$'000	2009 HK\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	9,981	9,272
Under-provision/ (over-provision) in respect of prior years	<u>11</u>	<u>(140)</u>
	----- 9,992	----- 9,132
Deferred tax		
Origination and reversal of temporary differences	<u>(770)</u>	<u>(1,290)</u>
	<u>9,222</u>	<u>7,842</u>

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

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

	2010 HK\$'000	2009 HK\$'000
Profit before tax	<u>384,141</u>	<u>314,481</u>
Notional tax on profit before tax calculated at 16.5% (2009: 16.5%)	63,383	51,889
Tax effect of non-deductible expenses	2,023	750
Tax effect on non-taxable revenue	(62,699)	(48,249)
Tax effect of unused tax losses not recognised	6,504	3,592
Under-provision/(over-provision) in prior years	<u>11</u>	<u>(140)</u>
Actual tax expense	<u>9,222</u>	<u>7,842</u>

7 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$358,753,000 (2009: HK\$291,343,000) and the weighted average of 353,488,000 ordinary shares (2009: 353,488,000) in issue during the year.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$358,753,000 (2009: HK\$291,343,000) and the weighted average number of ordinary shares of 365,652,000 shares (2009: 365,191,000 shares), calculated as follows:

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

	2010	2009
	HK\$'000	HK\$'000
Profit attributable to ordinary equity shareholders	<u>358,753</u>	<u>291,343</u>

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

	2010	2009
	'000	'000
Weighted average number of ordinary shares at 1 January	353,488	353,488
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>12,164</u>	<u>11,703</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>365,652</u>	<u>365,191</u>

8 Trade and other receivables

	2010	2009
	HK\$'000	HK\$'000
Trade receivables	3,260	2,680
Other receivables	185	174
Trade and other receivables	3,445	2,854
Deposits and prepayments	10,402	12,207
	13,847	15,061

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expenses after more than one year is HK\$1,406,000 (2009: HK\$1,482,000). Apart from these, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis as of the balance sheet date:

	2010	2009
	HK\$'000	HK\$'000
Current	1,288	1,635
Less than 1 month past due	732	382
1 to 3 months past due	1,172	628
More than 3 months but less than 12 months past due	68	35
Amounts past due	1,972	1,045
	3,260	2,680

Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within one month from the date of billing while further credit may be granted to individual customer when appropriate. Normally, the Group does not obtain collateral from customers.

9 Trade and other payables

	2010	2009
	HK\$'000	HK\$'000
Trade payables	1,657	1,204
Other payables and accruals	<u>49,245</u>	<u>44,518</u>
	<u><u>50,902</u></u>	<u><u>45,722</u></u>

All of the trade and other payables, are expected to be settled or recognised as income within one year or are repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date:

	2010	2009
	HK\$'000	HK\$'000
Due within 1 month or on demand	822	482
Due after 1 month but within 3 months	825	306
Due after 3 months but within 6 months	<u>10</u>	<u>416</u>
	<u><u>1,657</u></u>	<u><u>1,204</u></u>

10 Dividends

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

	2010 HK\$'000	2009 HK\$'000
Interim dividends declared of \$0.18 per share (2009: \$0.18 per share)	63,628	63,628
Final dividend proposed after the balance sheet date of \$0.12 per share (2009: \$0.12 per share)	<u>42,419</u>	<u>42,419</u>
	<u><u>106,047</u></u>	<u><u>106,047</u></u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2010 HK\$'000	2009 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.12 per share (2009: \$0.12 per share)	<u>42,419</u>	<u>42,419</u>

11 Comparative figures

As a result of the application of HK(Int) 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 2.

BUSINESS REVIEW AND OUTLOOK

Global financial conditions have improved since the second half of 2010, with robust growth in emerging economies but subpar recovery in the advanced countries. On one side, the US economy was again losing momentum as the effects of those unprecedented government stimulus and monetary easing measures faded. But on the other, the Mainland authorities were prompted to further tighten monetary policy to curb the stubbornly high home prices, surging inflation on the back of soaring food prices and soaring hot money inflow resulting from the second round of quantitative easing measures launched by the US Federal. The Hong Kong economy rebounded strongly with a robust GDP growth of 6.8% as witnessed by accelerated exports, strong retail sales and a near two-year low of 4% unemployment rate. Fuelled by the easy money globally, property prices recorded a double digit surge. However, the underlying inflation rate also climbed from less than 1% to 3.1% during the past year, as an aggregate result of higher global food and oil prices and weakness of the Hong Kong dollar.

Looking into 2011, key factors that shape the global economic scene remain very much intact. The contagion risk of the European sovereign debt crisis remains lingering concern on the strength of global recovery. Market volatility is expected to persist. Excess liquidity continues to flow to economic outperformers under a two-track global recovery while the recoveries of advanced economies remain fragile until improving business investment translates into higher employment growth. Mainland China's economic growth is expected to ease from 10.3% for 2010 to about 8.5% in 2011 due to the recent accelerated pace of monetary tightening. On the exchange rate front, a buoyant trade surplus, however, calls for a faster pace of renminbi appreciation and globalization. As an export-dependent economy, trade outlook for the local economy is overshadowed by the cooling global demand. However, the enormous purchasing power from the Mainland visitors should continue to support a vibrant domestic sector, notwithstanding the pressure for pay rise is expected to escalate alongside inflation.

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 revived business sentiment and increase in new car sales, a pleasing increase in tag subscribers was recorded during 2010.

For years, Autotoll strived to maintain its leading edge and stranglehold on the Global Positioning System ("GPS") market. The successful interface of the On-Board Trucker Information System (OBTIS) platform with the Road Cargo System (ROCARS) implemented by the Customs and Excise Department — a mandatory electronic cargo information submission system for all cross-border trucks in 2011, not only enhances the usage of GPS in the coming years, but also gives impetus to the launch of AutoTAXI service platform. AutoTAXI service (Autotoll Intelligent Taxi Calling Service) includes driver-centric services such as job dispatch and GPS navigation, as well as a multimedia platform providing coupons, news, entertainment and real time location for passengers. By integrating with VISA platform, AutoTAXI becomes the first taxi service that accepts credit card payments in Hong Kong and travelling will become more convenient for both local commuters and international tourists. With the addition of a new range of professional services, the new platform significantly raises the service quality in Hong Kong taxis by blending

the benefits of speed, convenience, security and professional customer service. At present, over 400 urban taxi have joined in the test phase.

After the delivery of Speed Map Panels for the New Territories in 2011, Autotoll will complete the implementation of three journey time indication systems. Together with its participation in the pilot version of the Driving Route Search Service (DRSS— a free web portal service provided by the Transport Department which allows motorists to search for an optimum driving route in terms of the shortest travel time, shortest distance or cheapest toll), Autotoll has further increased its penetration in the intelligent transport system market.

Motoring School Operation

Alpha Hero Group (“AHG”) (70% owned) operates driving training schools, recorded not only an almost 8% increase in the demand for driving lessons in the year under review as compared with the last corresponding year as a result of proactive and extensive sales and marketing efforts, but also a welcomed increase in income from motorcycle training courses. Further, in view of the persistently low interest rates and rising rentals of the sales outlets, three properties were acquired at strategic locations as a measure to improve the cost structure and enhance customer communications in the long run.

Despite an improved performance of AHG in 2010, the outlook on the driving training industry does not appear to be rosy in the future years, due to the continuing severe pricing competitions among driving school operators and the adverse effect of rising inflation on profit margin. Nevertheless, AHG will continue to strive for higher productivity through various quality enhancement programs in order to boost enrolments and spending per customer.

Tunnel Operations

(I) Western Harbour Tunnel Company Limited (“WHTCL”) –50% owned

The performance of WHTCL in 2010 was again remarked by a significant improvement in toll revenue as a result of improved economic sentiment and increased total cross harbour traffic. The daily throughput of the Western Harbour Tunnel for 2010 rose significantly to 53,600 vehicle journeys, representing an increase of 11% as compared with the last corresponding year despite the implementation of its fifth toll increase effective from 1 August 2010. It even attained a new record high single daily throughput since operation of over 71,600 vehicle journeys in December. In addition to the midnight empty taxi and midnight goods vehicle promotions, WHTCL also launched various promotional campaigns with other business partners such as distribution of gasoline coupons, to stimulate traffic and enhance corporate image.

Looking forward to 2011, we anticipate another year of steady return and enhanced cashflow from the franchise fuelled by renewed market optimism and ecstatic consumer sentiments. On the finance side, WHTCL will continue to benefit from the persistently low interest rates environment in view of the uncertainty in global economic recovery.

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

The performance of TCTCL in 2010 was pleasing though the threat of alternative routes on the market share of the Tate's Cairn Tunnel ("TCT") continues to exist. The daily throughput of the TCT increased by 4% to over 52,600 vehicle journeys, as compared with that of the previous year, and in particular during the fourth quarter of the year, the average daily throughput has rebounded to the level before the last toll increase implemented in late 2008. As a measure to compensate for the loss of revenue caused by the opening of Route 8 in 2008 and to enhance future cashflow, TCTCL has implemented its sixth toll increase effective from 25 December 2010 and raised its toll by HK\$1 for all categories of vehicles except public light buses.

Moreover, in order to realize its mission of providing a safe and smooth passage through the tunnel to the motoring public, TCTCL has upgraded both the manual toll and autotoll systems during the past year, and in the year ahead, will undertake more tunnel improvement works.

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2010 Results

The Group reported a profit attributable to shareholders of HK\$358.8 million for the year ended 31 December 2010, an increase of 23.2% compared with HK\$291.3 million in 2009. Earnings per share were HK\$1.01 compared to HK\$0.82 for the previous year. The improvement in 2010 result was primarily attributable to an increase in profit contribution from tunnel operations.

The Group's turnover for the year was HK\$227.1 million, increased by HK\$9.6 million or 4.4% as compared to HK\$217.5 million recorded in 2009. The improvement was attributable to an increase in turnover of the motoring school and interest income from fixed rate notes which offsets a reduction in dividend income from listed investments.

The motoring school operations recorded an increase in turnover of 7.1% to HK\$186.9 million as a result of increase in tuition fees income due to increase in both demand for driving lessons and income from motorcycle courses. Operating profit increased by 14.7% as compared to the HK\$36.7 million recorded in the previous year.

The Group's share of profits less losses of associates has increased by 29.9% to HK\$305.8 million as compared to HK\$235.4 million in 2009. The increase was primarily attributable to the significant improvement in the performance of Western Harbour Tunnel Company Limited ("WHTCL") as WHTCL recorded a 15.6% increase in toll revenue as compared to the previous year. After accounting for the amortization of fair value in excess of net book value of WHTCL and Tate's Cairn Tunnel Company Limited ("TCTCL") as at the completion dates of the acquisitions in 2008, profit contributions from WHTCL and TCTCL for the year were HK\$248.9 million and HK\$41.8 million respectively, as compared to HK\$199.4 million and HK\$36.7 million recorded in the previous year.

The Group's share of profit from a jointly controlled entity, Autotoll Limited, was HK\$8.7 million for the year against HK\$9.7 million recorded in the previous year, representing a reduction of 10.3% as a result of a decrease in project income.

The Group's financial costs incurred on bank loans drawn during the second half of 2009 for the year amounted to HK\$9.7 million, increased by HK\$4.3 million or 79.6% as compared to HK\$5.4 million recorded in 2009. The bank loans are variable interest rate loans with interest rate based on the HIBOR plus the predetermined spread.

(II) Investments

At 31 December 2010, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate market value of HK\$494.7 million. The increase in portfolio balance was primarily due to the acquisition of available-for-sale securities and fixed rate notes at a total amount of HK\$222.2 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. Dividend income received therefrom in 2010 amounted to HK\$4.8 million.

(III) Liquidity and Financial Resources

At 31 December 2010, the Group had bank balances and deposits in the amount of HK\$944.0 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. At 31 December 2010, the Group had outstanding bank loans of HK\$364.6 million (31 December 2009 : HK\$479.2 million). The bank loans are denominated in Hong Kong dollars and secured by corporate guarantees issued by the Company and two indirect wholly-owned subsidiaries. Gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was negative as cash and cash equivalents of the Group could cover the total debt (31 December 2009 restated : negative). Net debt includes interest-bearing bank borrowings and other payables, net of cash and cash equivalents.

The following is the maturing profile of the Group's bank borrowings as of 31 December 2010 :

Within 1 year	57.1%
After 1 year but within 2 years	42.9%
	<u>100.0%</u>

The sum of term loan instalment payments repayable within one year is HK\$208.3 million.

Except for the Group's investment in trading securities denominated in foreign currencies other than the United States dollars, the Group's major sources of income, major assets and borrowings are denominated in Hong Kong dollars.

(IV) Employees

The Group has 476 employees. Employees are remunerated according to the job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from provident fund schemes and medical insurance, discretionary bonuses and employee share options are awarded to employees of the Group at the discretion of the directors, depending upon the financial performance of the Group. Total staff costs for the year amounted to HK\$110.5 million. The Company also operates a Share Option Scheme.

(V) Contingent Liabilities

At 31 December 2010, the Company and the Group had the following contingent liabilities:

(a) *In respect of the Company*

At 31 December 2010, the Company has given a letter of undertaking to a bank for general banking facilities totalling HK\$50 million (2009: HK\$50 million) granted to the Company. The banking facilities granted are also secured by a negative pledge of certain listed investments and shareholding in certain subsidiaries held by the Group. At 31 December 2010, these facilities were not utilised by the Company.

Also, there was contingent liability in respect of a guarantee given by the Company on behalf of a subsidiary relating to a bank loan of up to HK\$250 million (2009: HK\$250 million). The Company has not recognised any deferred income for the guarantee given in respect of the banking facility for the subsidiary as their fair value cannot be reliably measured and the transaction cost was \$Nil.

(b) *In respect of Hong Kong Transport, Logistics and Management Company Limited (“HKTLMCL”)*

At 31 December 2010, the Group has given a guarantee to the extent of HK\$38.5 million (2009: HK\$38.5 million) to a bank in return for it providing a guarantee in favour of the Government of the HKSAR on behalf of HKTLMCL to secure the performance of an agreement in relation to the operation and management of the Cross-Harbour Tunnel and the operation and maintenance of the tunnel equipment by HKTLMCL and the guarantee will expire on 31 May 2011.

CORPORATE GOVERNANCE

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

DIRECTORS' DEALINGS

The Company has adopted a code (the "Securities Code") for directors' securities dealings (of which the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules as amended from time to time (the "Model Code") forms part) at least as exacting as the Model Code.

All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out within the Model Code and the Securities Code throughout the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares in the Company during the year.

On behalf of the board
Yeung Hin Chung, John
Managing Director

Hong Kong, 29 March 2011

As at the date of this announcement, the board of directors of the Company comprises Cheung Chung Kiu, Yeung Hin Chung, John, Yuen Wing Shing, Wong Chi Keung, Leung Wai Fai and Tung Wai Lan, Iris who are executive directors; Lee Ka Sze, Carmelo and Wong Yat Fai who are non-executive directors; and Ng Kwok Fu, Luk Yu King, James and Leung Yu Ming, Steven who are independent non-executive directors.