2011 ANNUAL REPORT

The Cross-Harbour (Holdings) Limited

(Stock Code : 32)

Contents

Corporate Information

(as of 28 March 2012)

Board of Directors

Executive Director

Cheung Chung Kiu *(Chairman)*
Yeung Hin Chung, John, SBS, OBE, JP *(Managing Director)*
Yuen Wing Shing
Wong Chi Keung
Leung Wai Fai
Tung Wai Lan, Iris

Non-executive Director

Lee Ka Sze, Carmelo
Wong Yat Fai

Independent Non-executive Director

Ng Kwok Fu
Luk Yu King, James
Leung Yu Ming, Steven

Audit Committee

Luk Yu King, James *(Chairman)*
Lee Ka Sze, Carmelo
Ng Kwok Fu
Leung Yu Ming, Steven

Remuneration Committee

Cheung Chung Kiu *(Chairman)*
Ng Kwok Fu
Leung Yu Ming, Steven

Authorised Representative

Yeung Hin Chung, John
Leung Wai Fai *(Alternate to Yeung Hin Chung, John)*
Yuen Wing Shing
Wong Chi Keung *(Alternate to Yuen Wing Shing)*

Secretary

Leung Shuk Mun, Phyllis Sylvia

Legal Adviser

Woo, Kwan, Lee & Lo

Registered Office

3301-07, China Resources Building
26 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2161 1888
Fax: (852) 2802 2080
Website: www.crossharbour.com.hk

External Auditor

KPMG

Registrar & Transfer Office

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 32

Performance

The Group reported a net profit of HK$238.5 million for the year ended 31 December 2011, representing a decrease of 33.5 percent as compared with HK$358.8 million in 2010. The decrease was primarily attributable to the negative performance of the treasury segment as opposed to the gain from disposal of listed shares in the previous year. Earnings per share were HK$0.65 against HK$1.01 for 2010.

Final Dividend

A fourth and final dividend of HK$0.12 per share has been proposed and, if approved by the Shareholders, will result in total dividends of HK$0.30 per share for the year, the same as for 2010. Total dividends paid and proposed for the year will be HK$111.8 million.

Business Review and Outlook

2011 was indisputably a turbulent year for the global economy. The financial markets were choppy with huge volatility as the European debt crisis spread from the peripheral countries to the core of the Euro zone. China, being the world's second-largest economy, was characterized by overheating housing market, booming credit activity and high inflation rates. However, as a result of persistent monetary tightening measures and faltering export growth in the past year, the Mainland economy has shown signs of moderating with easing inflation on the back of downward pressure on home and food prices. Instead of the usual double-digit growth, Mainland China only achieved a 9.2% GDP growth over the past year. Amid the weakness in the export sector, the enormous spending power of the Mainland tourists was indeed the pivotal force for private consumption – the main engine of economic growth of the territory. Moreover, the persistent strengthening of the Renminbi against the Hong Kong Dollars was another crucial factor not only buttressing retail sales but also pushing inflation up to 5.3%. The local labour market also fared exceptionally well with unemployment rate dropped to a cyclical low of 3.2% in the third quarter. However, as a result of continued deterioration in the external environment during the second half year, the overall annual GDP growth edged down to 5% despite an admirable performance during the first half year.

Looking forward, 2012 will be a year of slowing global growth but still be Asia-led. The euro area is falling back into recession as the European debt predicament is expected to intensify and the resulting fiscal tightening accelerates. Moreover, the fragility of the US economic recovery and persistent instability in the financial markets will continue to dampen the outlook of both Mainland and the territory. Nevertheless, China remains to account for a huge share of global growth though with a decline in potential growth resulting from the lagged effect of past domestic tightening and slowing export growth. The immediate outlook for the external-oriented Hong Kong economy in 2012 turns more challenging. Unemployment rate, which may have bottomed out, is expected to increase moderately amid rising wages. Private consumption and capital investments are expected to contract due to undermined consumer and investor confidence. There is no imminent risk of recession, but a subpar GDP growth of 3% to 4% is projected. Inflation, after last year's strong surge, is likely to remain stable in the near term due to the lagged effect of elevated property rentals in the past year, however, the recent retreat of global food and commodity prices will soon help ease price pressure.

Chairman's Statement

Electronic Toll Operation

Autotoll Limited ("Autotoll"), 50% owned by The Autopass Company Limited (a 70% owned subsidiary), provides electronic toll clearing facilities in Hong Kong covering eleven different toll roads and tunnels. There are fifty-three auto-toll lanes in operation at present. A pleasing increase in tag subscribers was recorded during 2011 with the support of a favourable business environment and increased new car sales. Moreover, those value-added services delivered by Autotoll with the aim of maintaining customer loyalty, such as AutoPark service and Autotoll Club membership program have been well received in the past few years. However, in the wake of the uncertain economic condition in the coming year, new tag subscriptions are likely to moderate, though enrolments in Autotoll-Unitoll service will continue to increase.

On Global Positioning System ("GPS") service, the implementation of the Road Cargo System (ROCARS) by the Customs and Excise Department in 2011 has enhanced demand for both GPS fleet management service and On-Board Trucker Information System (OBTIS). As a measure to increase market penetration, the joint venture company in China, which provides fleet management service in Guangdong, has launched a new service platform for the driving training industry in Zhangjiang City. This platform provides training vehicles management, tracking and safety monitoring services as well as service quality assessment on both driving schools and individual driving instructors. Through the successful implementation of this platform, the objective of reliable and paperless data recording was achieved and over 700 training vehicles had already registered for the service.

Turning to the AutoTAXI service (Autotoll Intelligent Taxi Calling Service). Over 900 urban taxis had been recruited after a successful launch in last year and this project is expected to bring in additional revenue from advertising income generated in the coming year. Autotoll is exploring the viability of developing a navigation service with Real Time Traffic Information and hotline support for the private car market.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools, again delivered a pleasing result in the year under review. The higher throughput as compared with the previous year was primarily the result of better sales intake under more proactive marketing strategies. Nevertheless, despite an improved performance of AHG in the past year, 2012 is likely to be a difficult year for the driving training industry in the light of worsening economic sentiment and customer spending. Moreover, we also envisage that the unfavourable operating environment at the Apleichau Driving Centre resulting from the construction work of the MTR South Island Line (East), which commenced in May 2011, will inevitably dampen the enrolments and market share of AHG in the coming years.

In view of the even tougher business environment ahead and the urge to defend its market share under the escalating competitions among driving school operators, AHG will continue to deploy more efforts in market segmentation and penetration, product innovation as well as service quality improvement.

Tunnel Operations

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

The performance of WHTCL in 2011 was again amazing on the back of sanguine consumer and business sentiments fuelled by surging tourist arrivals. The significant increase in toll revenue was indeed the aggregate result of increased daily throughput and the full year effect of toll increase implemented on 1 August 2010. The average daily throughput of the Western Harbour Tunnel ("WHT") for 2011 rose significantly to 57,000 vehicle journeys, representing an increase of 6% (out of which, over 50% was contributed by a remarkable increase in taxi traffic) as compared with the last corresponding year and outperformed the 2% growth of the total cross-harbour traffic in the same year. In December, the WHT not only recorded a market share of over 24% but also attained a new record high single daily throughput of almost 76,300 vehicle journeys since operation. In addition, higher utilization of the WHT during the year under review was also induced by the completion of International Commerce Centre situated above the Kowloon Station and the opening of new access road link to the Union Square.

Stepping into 2012, we still look forward to a steady return and sustainable cashflow from the franchise. Moreover, we anticipate that the WHT will continue to benefit from the additional traffic induced by the development in West Kowloon and the increasing cross-border traffic in the long run. On the finance side, WHTCL will continue to benefit from the persistently low interest rates environment in view of the fragile economic recovery in US.

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

The performance of TCTCL in 2011 was pleasing though the threat of alternative routes on the market share of the Tate's Cairn Tunnel ("TCT") continues to exist. The average daily throughput of the TCT remained around 53,000 vehicle journeys, despite its last toll increase implemented in late 2010. Amid the conservative economic outlook, we still anticipate TCTCL to continue to deliver sustainable return for the Group during the remaining years of franchise. Nevertheless, the immediate impacts of inflation and wage rise demand on operating margin in the new financial year should not be neglected.

Moreover, in order to enhance tunnel users' safety and comfort, TCTCL has upgraded the radio rebroadcasting system inside the tunnel tubes during the past year, and in the year ahead, will undertake more tunnel improvement and renovation works such as road resurfacing and road marking.

Looking Forward

The year of the Dragon will likely be a year of uncertainty for business given current precarious global economic conditions. Despite the volatility in the financial markets, the prospect of the Group's core business is expected to stay positive. Nevertheless, we remain vigilant against risks of market adversity and their impacts on the Group's performance in the near term.

Acknowledgement

I would like to take this opportunity to extend my sincere appreciation to my fellow directors for their wise counsel and to all the staff for their concerted efforts and continued dedication. Last but not least, I would like to express my gratitude to our shareholders for their support to the Group in the past years.

Cheung Chung Kiu
Chairman

Hong Kong, 28 March 2012

Electronic Toll Operation

The total number of tags in circulation was around 258,000 as on 31 December 2011, representing an increase of 4.2% from the year before. Autotoll's penetration rate on licensed vehicles was about 40% on average. The overall usage of auto-toll facilities in all eleven toll roads and tunnels remained about 50% with the highest usage at the Tai Lam Tunnel at around 60%. The daily transactions handled by Autotoll were about 360,000 with toll amount of approximately HK$8.0 million. The number of subscribers for the Global Positioning System at the end of the year under review was about 8,100, representing an increase of almost 40% as compared with the previous year.

Motoring School Operation

In spite of a reduction in the income from motorcycle training courses, tuition fees income increased moderately as compared with the previous year as a result of a 9% growth in the demand for driving lessons. In addition, the contributions from the Driving Improvement schools for the year under review improved significantly due to increase in market share.

Tunnel Operations

Tate's Cairn Tunnel ("TCT")

The dual two-lane TCT was constructed at a total cost of HK$2 billion with a designed capacity of 78,500 vehicle journeys. TCT opened for traffic in June 1991 and is the longest road tunnel in Hong Kong. Competition mainly comes from the lower tolls at the Lion Rock Tunnel, Shing Mun Tunnels and the Eagle's Nest Tunnel (part of Route 8) which connects Cheung Sha Wan and Shatin Valley.

Toll

Toll remained unchanged since 25 December 2010.

Tunnel Usage

Throughput for the year was 19,394,570 vehicle journeys, representing an increase of 0.9% from 2010. The average daily throughput stood at 53,136 vehicle journeys and the market share of TCT decreased from 30.8% in 2010 to 30.0% in 2011.

	Traffic Mix	
	2011	2010
Private Cars/Taxis and Motorcycles	73.6%	73.4%
Goods Vehicles	17.3%	17.5%
Buses	9.1%	9.1%
	100.0%	100.0%

In terms of vehicle mix profile and as compared to last year, the private cars category (i.e. private cars, taxis and motorcycles) increased from 73.4% to 73.6%, while the goods vehicles category decreased from 17.5% to 17.3% and usage by buses remained unchanged. The average net toll per vehicle was increased from HK$18.43 in 2010 to HK$19.55 in 2011 due to toll increase effective 25 December 2010.

Accidents

The traffic accident occurrence rate decreased by 1.8% during 2011.

	Occurrence Rate Per million vehicle trips	
	2011	2010
Fatal Accidents	**0.00**	0.00
Traffic Accidents (Personal Injury)	**0.52**	0.47
Traffic Accidents (Damage Only)	**4.85**	5.00
TOTAL:	**5.37**	5.47

Breakdowns

The occurrence rate of breakdowns in 2011 decreased by 9.1% and the average time taken to attend the scene was maintained at within two minutes.

	2011	2010
Total Breakdowns (occurrence rate per million vehicle trips)	**30.42**	33.46
Daily Average Breakdowns	**1.62**	1.76

Infringements

The number of infringements per million vehicle trips decreased by 3.7% in 2011. The number of prosecutions per million vehicle trips increased by 19.5%.

	Number of Events Per million vehicle trips	
	2011	2010
Total Infringements Reported	**412**	428
Prosecutions	**49**	41

Maintenance

To ensure smooth operation of the tunnel, maintenance work on all tunnel service installations, civil constructions and buildings were carried out according to the Master Maintenance Program as well as the maintenance check sheets. No major defects causing adverse effect on the normal tunnel operation were found.

During the year, road resurfacing of Shatin exit road towards Siu Lek Yuen was implemented. Radio rebroadcasting system upgrade was completed.

Quarterly and Yearly Maintenance reports were prepared and submitted to the Highways Department and Transport Department for review. Monthly air quality reports were submitted to Environmental Protection Department and Transport Department.

Staff

Staff turnover for the year was 9.8% (2010: 3.9%) with 20 members having departed.

Western Harbour Tunnel ("WHT")

The construction of the WHT was completed in April 1997 at a total cost of HK$7 billion. The dual three-lane tunnel has been under-utilised due to the lower tolls at the other cross-harbour tunnels and poor connecting roads leading to and from the WHT. The company will continue to work with the Government to improve the overall traffic flow of Hong Kong through better usage of the WHT.

Toll

The tenth toll gazettal took effect on 31 July 2011 due to the performance of the tunnel being below the target set in the Western Harbour Crossing Ordinance ("WHC Ordinance"). Although this permits the tunnel tolls to be raised, the actual tolls remained unchanged since 1 August 2010 and the average toll is very much lower than the anticipated toll level as per the WHC Ordinance.

Tunnel Usage

Throughput for the year was 20,786,819 vehicle journeys, representing an increase of 6.3% from 2010. The average daily throughput stood at 56,950 vehicle journeys and the market share of WHT increased from 22.1% in 2010 to 23.1% in 2011.

	Traffic Mix	
	2011	2010
Private Cars/Taxis and Motorcycles	76.8%	76.0%
Goods Vehicles	11.7%	11.5%
Buses	11.5%	12.5%
	100.0%	100.0%

In terms of vehicle mix profile and as compared to last year, the private cars category (i.e. private cars, taxis and motorcycles) increased from 76.0% to 76.8% and goods vehicles category increased from 11.5% to 11.7%, while usage by buses decreased from 12.5% to 11.5%. The average net toll per vehicle was increased from HK$52.04 in 2010 to HK$54.70 in 2011 due to toll increase since 1 August 2010 and change in traffic mix.

Accidents

The traffic accident occurrence rate decreased by 38.7% during 2011 due to enhancement of traffic safety measures implemented by the tunnel management.

	Occurrence Rate per million vehicle trips	
	2011	2010
Fatal Accidents	0.00	0.00
Traffic Accidents (Personal Injury)	0.29	0.41
Traffic Accidents (Damage Only)	1.15	1.94
TOTAL:	1.44	2.35

Breakdowns

The occurrence rate of breakdowns in 2011 decreased by 13.8% and the average time taken to attend the scene was maintained at within two minutes.

	2011	2010
Total Breakdowns (occurrence rate per million vehicle trips)	11.51	13.35
Daily Average Breakdowns	0.65	0.72

Escorts

	Number of trips	
	2011	2010
Dangerous Goods & Abnormal Goods	3,218	2,791

Infringements

The number of infringements per million vehicle trips decreased by 3.4% in 2011 because of a decrease in toll evasion cases, and the number of prosecutions per million vehicle trips also decreased by 21.5%.

	Number of Events Per million vehicle trips	
	2011	2010
Total Infringements Reported	287	297
Prosecutions	30.6	39.0

Maintenance

Throughout the year 2011, all major tunnel systems operated in a safe and reliable condition.

Preventive maintenance work was performed on all engineering systems and no major defects were found in the course of the maintenance.

As an annual exercise, an independent consulting engineer was engaged in November 2011 to conduct a maintenance audit. The audit showed that all tunnel infrastructure and systems had been maintained in compliance with the Maintenance Manual, which is the standard agreed with the Highways Department.

Staff

Staff turnover for the year was 10.7% for staff after completion of probation and 12.6% for staff on probation (2010: 9.3% and 5.6% respectively). The turnover comprises mainly resignation of new staff in front-line posts.

Hong Kong, 28 March 2012

Further Corporate Information

Set out below is information disclosed pursuant to the listing rules of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"):

Commentary on Annual Results

(I) Review of 2011 Results

The Group reported a profit attributable to shareholders of HK$238.5 million for the year ended 31 December 2011, a decrease of 33.5% compared with HK$358.8 million in 2010. Earnings per share were HK$0.65 compared to HK$1.01 for the previous year. The decrease was primarily attributable to the loss on fair value changes in securities investment in 2011 as opposed to the gain from disposal of listed shares in the last corresponding year. The negative performance of the treasury segment has overwhelmed the increase in profit contributions from the other business segments of the Group.

The Group's turnover for the year was HK$247.4 million, increased by HK$20.3 million or 8.9% as compared to HK$227.1 million recorded in 2010. The improvement was primarily attributable to an increase in both turnover of the motoring school and interest income from fixed rate notes.

The motoring school operations recorded an increase in turnover of 3.4% to HK$193.2 million as a result of improvement in tuition fees income due to higher demand for driving lessons. The increase was however partially offset by the decline in income from motorcycle courses. Profit before tax increased by 32.8% as compared to the HK$42.1 million recorded in the previous year.

The Group's share of profits of associates has increased by 5.0% to HK$321.2 million as compared to HK$305.8 million in 2010 due to improved performance of both Western Harbour Tunnel Company Limited ("WHTCL") and Tate's Cairn Tunnel Company Limited ("TCTCL") as a result of new tolls implemented in the second half of 2010. WHTCL recorded a 11.7% increase in toll revenue which was however, partially offset by an additional tax provision as compared to the previous year, whereas TCTCL also recorded an increase of 7.0% in toll revenue. 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$272.5 million and HK$48.5 million respectively, as compared to HK$248.9 million and HK$41.8 million recorded in the previous year.

The Group's share of profit from a jointly controlled entity, Autotoll Limited, was HK$11.5 million for the year against HK$8.7 million recorded in the previous year, representing an increase of 32.2% as a result of increase in both project income and administration fee income.

The Group's financial costs incurred on bank loans for the year amounted to HK$5.9 million, reduced by HK$3.8 million or 39.2% as compared to HK$9.7 million recorded in 2010. The bank loans are variable interest rate loans with interest rate based on HIBOR plus the predetermined spread. Further information on the Group's effective interest rates for 2011 and interest rate exposure are provided in note 25(c) to the financial statements on page 101.

Commentary on Annual Results *(continued)*

(I) Review of 2011 Results *(continued)*

The Group's treasury investment recorded an unrealised fair value loss of HK$46.4 million on trading securities and a realised loss of HK$1.2 million on disposal of trading securities for the year as compared to the gain of HK$29.7 million recorded in 2010. Revaluation deficits arising on certain available-for-sale securities, totalling HK$71.7 million, were transferred from the investment revaluation reserve to the consolidated income statement as a result of an impairment loss on those securities at 31 December 2011.

(II) Investments

At 31 December 2011, the Group maintained a portfolio of investments, composed of listed securities and unlisted investments with an aggregate fair value of HK$562.0 million (31 December 2010: HK$494.7 million). The increase in portfolio balance before adjustments for fair value changes and movements in the investment revaluation reserve, was primarily attributable to the additional HK$239.5 million listed shares and HK$70.0 million unlisted investment purchased during the year under review. Certain securities were pledged to the financial institution to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. Dividend income received therefrom in 2011 amounted to HK$3.7 million.

(III) Liquidity and Financial Resources

At 31 December 2011, the Group had bank balances and deposits in the amount of HK$806.4 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. At 31 December 2011, the Group had outstanding bank loans of HK$156.3 million (31 December 2010 : HK$364.6 million) repayable in full during 2012. 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 2010 : negative). Net debt includes interest-bearing bank borrowings and other payables, net of cash and cash equivalents.

Except for the Group's investment in trading securities and bank deposits denominated in foreign currencies other than the United States dollars, the Group's major sources of income, major assets and borrowings are denominated in Hong Kong dollars. Further information on the Group's foreign currency exposure is provided in note 25(d) to the financial statements on pages 102 to 103.

(IV) Comments on Segmental Information

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries, associates and a jointly controlled entity are the operation of motoring schools, tunnels and an electronic toll collection system, and investment. Further information on the segmental details is provided in note 2(b) to the financial statements on pages 65 to 67.

Commentary on Annual Results *(continued)*

(V) Employees

The Group has 460 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$105.8 million. Detailed information is set out in note 4(b) to the financial statements on page 68.

The Company also operates a Share Option Scheme, details of which are set out in the Report of the Directors on pages 29 to 30.

Hong Kong, 28 March 2012

Executive Director

Cheung Chung Kiu, aged 47, was appointed Chairman of the Company on 21 March 2001 and also holds directorships in certain other members of the Group. Mr. Cheung was born and educated in Chongqing. He set up Chongqing Industrial Limited ("Chongqing Industrial", a company engaged mainly in the trading business in the PRC) in 1985. He is the founder and chairman of Yugang International Limited ("Yugang International"), chairman of Y. T. Realty Group Limited ("Y. T. Realty") and C C Land Holdings Limited ("C C Land"), all being listed public companies in Hong Kong. He is a director of Palin Holdings Limited, Chongqing Industrial, Yugang International (B.V.I.) Limited ("Yugang BVI"), Funrise Limited ("Funrise"), Y. T. Investment Holdings Limited ("Y. T. Investment") and Honway Holdings Limited ("Honway") which, together with Yugang International and Y. T. Realty, are companies disclosed in the section headed "Interests and Short Positions of Shareholders" on page 31.

Yeung Hin Chung, John, SBS, OBE, JP, aged 65, was appointed Managing Director of the Company on 1 August 2001 and also holds directorships in certain other members of the Group. Mr. Yeung holds a doctoral degree in management. Prior to joining the Company, he had held various key management positions in the Government of Hong Kong, where he last served as Deputy Director of Immigration; and in the private sector, where he last worked as the chief executive of a large trading consortium. Mr. Yeung is a member of the Basic Law Promotion Steering Committee, the CUHK Advisory Group on Undergraduate Studies in Business, the PolyU CPCE Advisory Committee and the HKU SPACE Foundation Steering Committee. He is a Visiting Professor of Asia International Open University of Macau and a Senior Visiting Scholar of Beijing Normal University.

Yuen Wing Shing, aged 65, was appointed Executive Director of the Company on 21 March 2001 and also holds directorships in certain other members of the Group. Mr. Yuen holds a diploma in management studies from The Hong Kong Polytechnic University. Prior to joining the Company, he had held senior management positions with a major bank in Hong Kong for over 20 years. He is the managing director of Yugang International and an executive director of Y. T. Realty. He is a director of Yugang BVI, Funrise, Y. T. Investment and Honway.

Wong Chi Keung, aged 56, was appointed Executive Director of the Company on 21 March 2001 and also holds directorships in certain other members of the Group. Mr. Wong holds a doctoral degree in business and is a member of the Hong Kong Institute of Housing, the Chartered Institute of Housing and the Guangxi Committee of the Chinese People's Political Consultative Conference, Nanning City. He is a fellow of the Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors, an honorary fellow of Guangxi Academy of Social Sciences and a vice chairman of the Officers' Club of Hong Kong Auxiliary Medical Service. He has held various senior executive positions with some of Hong Kong's leading property companies and property consultant firms for the past 30 years, and has taken an active role in public and voluntary services. He is the managing director of Y. T. Realty and an independent non-executive director of Water Oasis Group Limited, both being listed public companies in Hong Kong, and a director of Y. T. Investment and Honway.

Executive Director *(continued)*

Leung Wai Fai, aged 50, was appointed Executive Director of the Company on 21 March 2001 and also holds directorships in certain other members of the Group. Mr. Leung graduated from University of Wisconsin-Madison with a bachelor degree in business administration. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is an executive director of C C Land and the group financial controller of Yugang International.

Tung Wai Lan, Iris, aged 46, was appointed Executive Director of the Company on 21 March 2001 and also holds directorships in certain other members of the Group. Ms. Tung holds a master of philosophy degree from The Chinese University of Hong Kong. She is an executive director of Y. T. Realty and a director of Y. T. Investment and Honway.

Non-executive Director

Lee Ka Sze, Carmelo, aged 51, was appointed Independent Non-executive Director of the Company on 21 March 2001 and re-designated Non-executive Director of the Company on 30 September 2004. Mr. Lee received his bachelor of laws degree and postgraduate certificate in laws from The University of Hong Kong. He qualified as a solicitor in Hong Kong, England and Wales, Singapore and the Australian Capital Territory. Mr. Lee is a deputy chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited, a chairman of the HKSAR Transport Tribunal, and a member of the SFC Dual Filing Advisory Group of Securities and Futures Commission and the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director of KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Ltd., and a non-executive director of China Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company, Limited, Termbray Industries International (Holdings) Limited, Yugang International and Y. T. Realty, all being listed public companies in Hong Kong. He is a partner of Woo, Kwan, Lee & Lo, legal advisers to Yugang International, Y. T. Realty and the Company.

Wong Yat Fai, aged 52, was appointed Independent Non-executive Director of the Company on 30 September 2004 and re-designated Non-executive Director of the Company on 1 October 2007. Mr. Wong holds a professional diploma in banking from The Hong Kong Polytechnic University. He has over 13 years of experience working with an international banking group. He is an executive director of ICube Technology Holdings Limited and a non-executive director of Yugang International, Y. T. Realty and C C Land, all being listed public companies in Hong Kong.

Independent Non-executive Director

Ng Kwok Fu, aged 40, was appointed Independent Non-executive Director of the Company on 30 September 2004. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College of Canada. He has over 20 years of experience in the marketing, trading, purchasing and developing of construction materials as well as in technical control, support and management in building projects. He is an independent non-executive director of Yugang International and Y. T. Realty.

Luk Yu King, James, aged 57, was appointed Independent Non-executive Director of the Company on 10 September 2007. Mr. Luk graduated from The University of Hong Kong with a bachelor of science degree. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and an ordinary member of the Hong Kong Securities Institute. He has over 10 years of experience in corporate finance and in securities & commodities trading business working with international and local financial institutions. He is an independent non-executive director of Yugang International and Y. T. Realty.

Leung Yu Ming, Steven, aged 52, was appointed Independent Non-executive Director of the Company on 1 October 2007. Mr. Leung received his bachelor of social science degree from The Chinese University of Hong Kong and master degree in accountancy from Charles Sturt University of Australia. He is an associate of The Institute of Chartered Accountants in England and Wales, and a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. He is also a certified practising accountant in Australia and a practising certified public accountant in Hong Kong. Mr. Leung commenced public practice in auditing and taxation in 1990 and is currently a senior partner in a CPA firm. He has over 26 years of experience in assurance, financial management and corporate finance; and he worked previously in the International Finance and Corporate Finance Department of Nomura International (Hong Kong) Limited, where he was assistant vice president. He is an independent non-executive director of Suga International Holdings Limited, Yugang International, Y. T. Realty and C C Land, all being listed public companies in Hong Kong.

Hong Kong, 28 March 2012

Shareholder Value

The Company is committed to upholding the principles of good corporate governance. These principles highlight an effective board, a sound internal control system as well as transparency and accountability. The board considers such commitment essential in balancing the interests of various stakeholders and the Company and its subsidiaries (the "Group") as a whole. The Company sees to it that the corporate governance agenda is focused on improving performance and not just bogged down in conformity and compliance.

Corporate Governance

This report sets out the Company's application in the year to 31 December 2011 of the Code on Corporate Governance Practices (the "CG Code") set out within Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). In the opinion of the board, the Company has complied with the principles and the relevant code provisions of the CG Code in all respects throughout the year.

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. Each director is given a copy of the Securities Code on appointment, or a copy of the revised Securities Code immediately after its adoption, and thereafter notification and reminders of the period during which directors are not allowed to deal under the Securities Code.

The Company has also adopted a code for relevant employees (within the meaning of the CG Code) regarding securities transactions no less exacting than the Model Code. Each relevant employee is also given notification and reminders of each period during which relevant employees are not allowed to deal under the 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.

The Board

Corporate governance of the Company is achieved through its board which assumes responsibility for leadership and control of the Company. Directors being pillars of corporate governance act at all times honestly and exercise care, diligence and skill in the discharge of their duties. The Board is collectively responsible for promoting the success of the Company, and seeks to balance broader stakeholder interests and those of the Group.

The Board *(continued)*

Board balance

The board, which is chaired by Mr. Cheung Chung Kiu, comprises eleven members, as shown in the corporate information section on page 1. All members served on the board throughout 2011 and up to the date of this report. Brief biographical details of the directors appear in the board of directors section on pages 14 to 16.

The board considers its composition appropriate to the needs of the Company. The non-executive directors are considered to be of sufficient calibre and experience to bring significant influence to bear on the decision-making process. In the view of the board, no independent non-executive director currently in office has any relationships that could materially interfere with his independent judgment. It is therefore the board's view that all independent non-executive directors are independent.

Board meetings are held four times a year and additionally as needed to discharge the board duties effectively. Regular scheduled meetings are also held by the board committees to discharge their duties effectively. Independent non-executive directors and other non-executive directors, as equal board members, give the board and the committees on which they serve, if any, the benefit of their skills, expertise and diverse backgrounds and qualifications through regular meeting attendance and active participation. They also attend general meetings and develop a balanced understanding of the views of shareholders.

Board meetings and attendance

Apart from the annual general meeting, the board met four times during 2011 at approximately quarterly intervals. All board meetings held during 2011 were attended by all directors with the exception of the March meeting, which Mr. Lee Ka Sze, Carmelo was unable to attend.

	No. of meetings attended / held
Executive Director	
Cheung Chung Kiu *(Chairman)*	4/4
Yeung Hin Chung, John *(Managing Director)*	4/4
Yuen Wing Shing	4/4
Wong Chi Keung	4/4
Leung Wai Fai	4/4
Tung Wai Lan, Iris	4/4
Non-executive Director	
Lee Ka Sze, Carmelo [1]	3/4
Wong Yat Fai [2]	4/4
Independent Non-executive Director	
Ng Kwok Fu [1]	4/4
Luk Yu King, James [3]	4/4
Leung Yu Ming, Steven [3]	4/4

The Board *(continued)*

Board meetings and attendance *(continued)*

Notes:

1. *The term of office for Mr. Lee Ka Sze, Carmelo and Mr. Ng Kwok Fu is approximately three years, commencing 15 May 2009 and ending at the close of the annual general meeting in 2012.*

2. *The term of office for Mr. Wong Yat Fai is approximately three years, commencing 24 May 2010 and ending at the close of the annual general meeting in 2013.*

3. *The term of office for Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven is approximately three years, commencing 17 May 2011 and ending at the close of the annual general meeting in 2014.*

4. *Notwithstanding any contractual or other terms of appointment or engagement, non-executive directors are subject to retirement by rotation and re-election in accordance with the Company's articles of association and all applicable laws.*

The appointment of management

The board, led by the chairman, is accountable to shareholders for the overall management and performance of the Group. This requires continuing attention, the board therefore appoints management, which are made up of executive committee members, with additional members from the second line of management. The managing director in turn delegates aspects of the management and administration functions to senior executives who report directly to him on a regular basis.

Delegations to management and reserving matters for the board

The board sets the business strategy of the Group and monitors its development. It delegates other matters to management while reserving certain decisions and actions for itself and performing them effectively. There is a written statement of matters reserved for the board and those delegated to management. These arrangements are reviewed on an annual basis to ensure that they remain appropriate to the needs of the Company.

This statement recognises nine broad categories into which reserving matters for the board may fall, namely (1) board and senior management; (2) relations with the members and stakeholders; (3) financial matters; (4) business strategy; (5) capital expenditures; (6) lease or purchase of buildings; (7) major transactions not included in the budget; (8) actions or transactions involving legality or propriety; and (9) internal control and reporting systems.

The board sees to it that management are managing properly and do not exceed their remit. The statement gives clear directions as to the powers of management. These include executing the business strategies and initiatives adopted by the board, approving investments and divestments as well as managing the Group's assets and liabilities in accordance with the policies and directives of the board. The management carry out such specific duties as to prepare interim and annual accounts, and to implement and monitor the systems of financial controls, internal control and risk management. The management typically meet each month to review, inter alia, the operating and financial performance of the Group against agreed budgets and targets.

The Board *(continued)*

Supply of and access to information

The board and each director have separate and independent access to executives at all times. Management ensure that the board and its committees receive adequate information, board papers and related materials in a timely manner to enable them to make informed decisions. Such access rights extend to the secretary of the Company who regularly updates the board on governance and regulatory matters. Any director or board committee member can, if necessary, seek independent professional advice through the chairman at the Company's expense provided that such approval may not be unreasonably withheld or delayed.

Directors' training

New directors, together with existing board members, are provided with the opportunity to visit the operating divisions and meet up with management to gain a proper understanding of the Group's business and operations. Each newly appointed director is given a package of materials comprising the latest quarterly management report, annual report and interim report of the Company, as well as guidelines on directors' duties and corporate governance. In addition, the mini-library maintained by the company secretarial department, open to directors during office hours, is well stocked with corporate publications and all rules, codes, ordinances and acts applicable to the Group. Directors are welcome to borrow those materials and make copies of them.

Insurance cover

The Company has in place appropriate insurance cover in respect of any legal action against its directors and officers. The extent of insurance cover is reviewed on an annual basis.

Chairman and Managing Director

The positions of chairman and managing director are held by separate individuals with the defined roles of managing the board and managing the affairs of the Company respectively. The board considers that vesting the roles in different individuals is essential in ensuring a balance of power and authority and in upholding independence, accountability and responsibility with respect to the management of the Company. The division of responsibilities between the chairman and managing director has been clearly established and set out in writing.

The chairman provides leadership for the board, ensuring its effectiveness in all aspects of its role. The managing director, supported by the management team, provides planning and implementation.

The chairman ensures that all directors are properly briefed on issues arising at board meetings and that all key and appropriate issues are discussed by the board in a timely manner. Board meetings for each year are scheduled in advance to give all directors an opportunity to attend, and are structured to encourage open discussion. All board members are encouraged to update their knowledge of and familiarity with the Group through active participation at board meetings.

Chairman and Managing Director *(continued)*

The chairman settles the agenda for each individual board meeting, taking into account any additional items proposed by the managing director and arising from current operating issues, as well as such other matters as may be raised by the other directors with him, who can include them on the agenda. The agenda and accompanying board papers are sent in full to all directors where possible at least three days before the time appointed for the meeting.

It is also the chairman's responsibility to control board meetings, to lead discussions to clear conclusions, and to satisfy himself that the secretary of the meeting has understood each conclusion reached. The secretary and financial controller of the Company attend board meetings to advise on corporate governance practices and accounting and financial matters, where appropriate.

Minutes of board meetings and meetings of board committees are kept by a duly appointed secretary of the meeting and open for inspection by any director. Draft and final versions of minutes of board meetings are sent to all directors for their comments and records respectively.

Accountability and Audit

Financial reporting

The directors are responsible for preparing the accounts. The board seeks to give a balanced and clear assessment of the Group's position and prospects in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. Such responsibility extends to reports to regulators and information disclosed under statutory requirements.

The directors are also responsible for the integrity of financial information and for ensuring its timely disclosure. Arrangements are made which will allow them to be satisfied that the accounts are true and fair, which accurately disclose the financial position of the Company, and which comply with statutory requirements and applicable accounting standards.

Internal controls

The board ensures the adequacy of the accounting systems and appropriateness in respect of the human resources for the financial reporting function. It is also the responsibility of the board to see to it that the Company maintains sound and effective internal controls to safeguard shareholders' investment and the Company's assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The board has delegated authority for reviewing the Group's internal controls to its audit committee. The audit committee receives a system review report annually from the management with regard to the operational aspects of internal controls over the areas of key risk identified. The chairman of the committee reports on the review of internal controls and any matters arising to the board at the following board meeting. Using the above process, the duty to review the internal control system is properly discharged.

Accountability and Audit *(continued)*

Internal controls *(continued)*
In line with the requirements of the CG Code, the board scheduled an annual meeting in December 2011 to conduct a review of the effectiveness of the Group's internal controls and an additional meeting in March 2012 for an update. Each such review covered all material controls, including financial, operational and compliance controls and risk management functions; and gave due consideration to the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function. Nothing improper was noted on both occasions.

The Company has clearly established written policies and procedures regarding internal controls applicable to operational units. When devising and reviewing such policies and procedures, it is recognised that the Company's system of internal controls is designed to assist the directors in obtaining reasonable assurance that problems are identified on a timely basis and dealt with appropriately. It is further recognised that the purpose of internal controls is to help manage and control, rather than eliminate, risks and that all internal control systems can only provide reasonable, and not absolute, assurance against misstatement or loss.

The Company has also a process for identifying, evaluating, and managing significant risks to the achievement of its operational objectives. This process is subject to continuous improvement and was in place throughout 2011 and up to the date of this report. In formulating the risk management strategy, the board ensures that the risks facing the Company have been assessed, and that the policies for handling them are up to date and are being complied with. No significant control failings or weaknesses were reported during the year and up to the date of this report.

Board Committees

The board is supported in its decisions by the three principal committees described below. Matters which the board considers suitable for delegation are contained in the terms of reference of the committees made available on request and on the Company's website with one exception. The exception is in respect of the executive committee, whose terms of reference are available on request only. The committee terms of reference may be amended from time to time as required, subject to approval by the board.

The Executive Committee

In directing and supervising the Company's affairs, the board is supported by an executive committee whose membership is exclusive to executive directors. There are currently six members in office, all of whom served on the committee throughout 2011 and up to the date of this report.

The executive committee is vested with the powers of the directors by the Company's articles of association or otherwise expressly conferred upon them, as defined by its terms of reference.

The Remuneration Committee

The remuneration committee, which is chaired by Mr. Cheung Chung Kiu, comprises three members, as shown in the corporate information section on page 1. All members served on the committee throughout 2011 and up to the date of this report.

This committee supports the board in formulating and recommending remuneration policy and structure applicable to directors and senior management, in determining the specific remuneration packages of all executive directors and senior management as well as in making recommendations to the board on the remuneration of non-executive directors.

The remuneration committee met once during 2011 with perfect attendance. No member took part in any discussion or decision concerning his own remuneration at the meeting.

	No. of meetings attended / held
Cheung Chung Kiu *(Chairman)*	1/1
Ng Kwok Fu	1/1
Leung Yu Ming, Steven	1/1

The Group's remuneration approach seeks to attract, motivate and retain the executive talent that is essential for the implementation of its business strategy towards sustained and long-term returns for shareholders.

The remuneration package for executives comprises both fixed and variable elements, including salaries, discretionary bonuses (without capping), pension contributions and other incentive arrangements such as share options.

The emoluments received by every executive director and senior executive are determined with reference to corporate and individual performance, remuneration benchmarks in the industry and the prevailing market conditions, subject to annual assessment.

The remuneration committee recommends non-executive director fees annually, based on market information, time commitment required and the level of responsibility undertaken. These recommendations are then put to a meeting of the board for approval.

The remuneration committee is confident that the remuneration policy, which was applied in the year under review and is expected to be applied in future years and beyond, meets the corporate goals and objectives. At the annual meeting of the committee as noted above, members approved individual remuneration packages of the executive directors. In the opinion of the committee, the executive remuneration levels for 2011 were in line with the market.

Details of the directors' remuneration for 2011 are set out in note 6 to the financial statements on pages 70 and 71.

The Audit Committee

The audit committee, which is chaired by Mr. Luk Yu King, James, comprises four members, as shown in the corporate information section on page 1. All members served on the committee throughout 2011 and up to the date of this report.

This committee supports the board in considering the external auditor's appointment and in the review of the Company's financial information. The committee has also an oversight role over the Company's financial reporting system and internal control procedures, and seeks to ensure that arrangements are in place for the staff to whistle-blow on financial reporting or other matters in so far as they may affect the Company.

Meetings of the audit committee are held at least twice a year, and are attended by the external auditor. The committee met three times during 2011 with perfect attendance.

	No. of meetings attended / held
Luk Yu King, James *(Chairman)*	3/3
Lee Ka Sze, Carmelo	3/3
Ng Kwok Fu	3/3
Leung Yu Ming, Steven	3/3

During the year, the audit committee reviewed the interim and annual reports and accounts, paying attention to any changes in accounting policies and practices, major judgmental areas and significant adjustments resulting from audit, as well as the financial controls, internal control and risk management systems. The work and findings of the committee were reported to the board.

At the December meeting, the audit committee reviewed the systems of accounting and internal financial control and risk management with reference to the 2011 system review report prepared by the management. Management concluded that an adequate internal control system had been established and maintained to ensure the effectiveness and efficiency of operations, to safeguard assets against unauthorised use and disposition, to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and to ensure compliance with relevant legislation and regulations. There revealed no significant areas of improvement which were required to be brought to the committee's attention. The committee acknowledged the findings and concurred with the conclusion reached.

At the meeting last held in March 2012, which was attended by KPMG and senior management, the audit committee considered the scope and effectiveness of KPMG as well as significant matters arising from the 2011 audit. The committee also considered matters relating to KPMG's engagement as the Company's external auditor and to internal control.

The audit committee was satisfied that KPMG had demonstrated the independence and objectivity that were required of them as external auditor and that the audit process had been effective. KPMG also provided non-audit services to the Company during the year. These services related mainly to tax compliance and interim review and did not, in the opinion of the committee, compromise the independence of KPMG's audit team.

The Audit Committee *(continued)*

No material impact of the new and/or revised accounting standards on the 2011 annual accounts was reported, nor were there any significant financial reporting judgments contained in them.

Management confirmed that there had been neither changes in the nature and extent of significant risks nor in the Company's activities, business or operating units and internal control procedures since last review. All systems of internal controls were operated and maintained effectively and there was no major issue regarding such procedures.

At the conclusion of the meeting, the chairman confirmed the adequacy and effectiveness of the Group's internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function. Recommendations were made on the re-appointment of KPMG as the external auditor of the Company for 2012 and on the submission of the 2011 annual accounts for shareholder approval at the forthcoming annual general meeting.

Auditor's remuneration

KPMG were remunerated a total of HK$2.22 million for services rendered to the Group during the year, of which HK$1.87 million were audit fees, HK$0.32 million were fees for interim review and HK$0.03 million were fees for tax compliance services.

Nomination of Directors

The Company has no nomination committee. The full board participates in the selection of individuals nominated for directorships. When assessing the suitability of a candidate, the board takes into consideration factors such as time commitment, professional knowledge, expertise and industry experience, integrity and skill as well as whether the candidate is able to demonstrate a competency standard commensurate with their position as a director of the Company. In the case of independent non-executive directors, the board ensures that the candidate for office must satisfy the independence criteria set out within rule 3.13 of the Listing Rules.

Conclusion

In the opinion of the board, the Company has maintained good corporate governance practices throughout the accounting period covered by the annual report. The board shall continue to review such practices.

On behalf of the board

Yeung Hin Chung, John
Managing Director

Hong Kong, 28 March 2012

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

Principal Activities

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are set out in note 12 to the financial statements on pages 78 to 80.

During the year, more than 90% of the Group's operations in terms of both turnover and operating profit were carried out in Hong Kong. An analysis of the Group's turnover for the year is set out in note 2(a) to the financial statements on page 64.

Results and Appropriations

The results of the Group and appropriations of profit for the year ended 31 December 2011 are set out in the consolidated income statement on page 36 and note 24(b) to the financial statements on page 94 respectively.

The first, second and third quarterly interim dividends each of HK$0.06 per share (2010: HK$0.06 per share) were paid on 5 July 2011, 23 September 2011 and 30 December 2011 respectively. The directors recommend the payment of a final dividend of HK$0.12 per share (2010: HK$0.12 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2011 of HK$0.30 per share (2010: HK$0.30 per share), representing a total distribution of approximately HK$111.8 million (2010: HK$106.0 million) for the year.

Dividend warrants in respect of the proposed final dividend will be despatched on 31 May 2012 to shareholders registered on 29 May 2012 (subject to shareholder approval). The register of members and transfer books of the Company will be closed from 25 May 2012 to 29 May 2012, both days inclusive, in order to determine the proposed dividend entitlements.

Donations

Donations made by the Group during the year amounted to HK$1,020,000 (2010: HK$235,000).

Fixed Assets

Movements in fixed assets during the year are set out in note 11 to the financial statements on pages 76 to 77.

Share Capital

Movements in the share capital of the Company during the year are set out in note 24(c) to the financial statements on page 95.

Reserves

Movements in reserves during the year are set out in the consolidated statement of changes in equity on page 41.

Bank Loans

Particulars of bank loans of the Group as at 31 December 2011 are set out in note 21 to the financial statements on page 89.

Five-year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 111.

Major Suppliers and Customers

During the year, less than 30% of the Group's purchases (not being purchases of items of a capital nature) were attributable to the Group's five largest suppliers, whereas less than 30% of the Group's turnover were attributable to the Group's five largest customers (being the five largest customers of The Hong Kong School of Motoring Limited, a 70%-owned subsidiary). None of the directors; their associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in those suppliers and customers.

Directors

The directors serving for the year and up to the date of this report are listed on page 1.

Mr. Lee Ka Sze, Carmelo and Mr. Ng Kwok Fu cease to hold office at the close of the forthcoming annual general meeting according to their terms of office.

Mr. Lee Ka Sze, Carmelo and Mr. Ng Kwok Fu, together with Mr. Yuen Wing Shing and Ms. Tung Wai Lan, Iris, also retire from office by rotation at the forthcoming annual general meeting in accordance with article 82 of the articles of association of the Company. All of them, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence

The Company has received from each individual independent non-executive director an annual confirmation of his independence and still considers them to be independent.

Directors' Information

The Company has not been advised by the directors of any changes in the information required to be disclosed pursuant to rule 13.51B(1) of the rules governing the listing of securities (the "Listing Rules") made by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from time to time since its last annual report.

Directors' Interests in Contracts

No contract of significance to which the Company or any of its subsidiaries was a party in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

The register kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows the following interest of a director in the shares of the Company as at 31 December 2011:

Name	Capacity	No. of shares	% of issued share capital
Cheung Chung Kiu	Interest of controlled corporation	155,254,432	41.66%

Note: *The above interest of Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") represents a long position. Mr. C.K. Cheung was deemed to be interested in the shares by virtue of his indirect shareholding interest in Honway Holdings Limited ("Honway") which owned those shares. Honway was a wholly owned subsidiary of Y. T. Investment Holdings Limited ("Y. T. Investment") which in turn was a wholly owned subsidiary of Y. T. Realty Group Limited ("Y. T. Realty"). Yugang International (B.V.I.) Limited ("Yugang BVI"), through its wholly owned subsidiary, Funrise Limited ("Funrise"), owned 34.14% of the issued share capital of Y. T. Realty. Yugang BVI was a wholly owned subsidiary of Yugang International Limited ("Yugang International"). Mr. C.K. Cheung, Timmex Investment Limited (a company wholly owned by Mr. C.K. Cheung) and Chongqing Industrial Limited ("Chongqing Industrial") owned 0.57%, 9.16% and 34.33% of the issued share capital of Yugang International respectively. Chongqing Industrial was owned as to 35% by Mr. C.K. Cheung, as to 30% by Prize Winner Limited (a company owned by Mr. C.K. Cheung and his associates), as to 30% by Peking Palace Limited ("Peking Palace") and as to 5% by Miraculous Services Limited ("Miraculous Services"). Peking Palace and Miraculous Services were companies controlled by Palin Discretionary Trust ("PDT"), the trustee of which was Palin Holdings Limited ("Palin Holdings"). The objects of PDT included Mr. C.K. Cheung and his family.*

Save as disclosed herein, as at 31 December 2011, there was no interest recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Code for Securities Transactions by Directors of the Company.

Share Option Scheme

On 29 April 2005, the Company adopted a share option scheme (the "New Scheme") and terminated the one it adopted on 8 May 2001 (the "Old Scheme") in order to comply with the requirements of Chapter 17 of the Listing Rules then in force. Details of the New Scheme are given in the Company's circular dated 13 April 2005 (the "Scheme Circular").

A summary of the New Scheme is set out below.

(1)	Purpose	:	To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to, the participants and for such other purposes as the board may approve from time to time
(2)	Participants	:	Any director (or any person proposed to be appointed as such, whether executive or non-executive), officer and employee (whether full-time or part-time) of each member of the Eligible Group (as defined in the Scheme Circular); any business consultant, professional and other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer and employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the board
(3)	Total number of shares available for issue (% of issued share capital as at 28 March 2012)	:	28,015,985 shares (7.5%)
(4)	Maximum entitlement of each participant	:	1% of the total number of shares in issue in any 12-month period
(5)	Period within which the shares must be taken up under an option	:	To be determined by the board at its absolute discretion, such period to expire not later than ten years from the date of grant of the option
(6)	Minimum period for which an option must be held before exercise	:	To be determined by the board at its absolute discretion
(7)	Amount payable on application or acceptance of the option	:	HK$1.00

Share Option Scheme *(continued)*

(8) Basis of determining the exercise price : The exercise price shall be a price solely determined by the board, such price being no less than the highest of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(c) the nominal value of a share

(9) Remaining life : Until 28 April 2015

As of 1 January 2011, options over 19,200,000 shares granted under the Old Scheme remained outstanding (particulars of which are set out in the table below). All of the options then outstanding were exercised in full on 4 May 2011 at the exercise price of HK$2.492 per share, and there were no outstanding options at the year end. The closing price of the shares as stated in the Stock Exchange's daily quotations sheet on 3 May 2011 is HK$6.87.

Type of participants	No. of outstanding options at the beginning of the year	Date of grant	Vesting period	Exercise period	Exercise price per share
Directors	Nil	N/A	N/A	N/A	N/A
Other employees	19,200,000	30 August 2001	Nil	30 August 2001 to 7 May 2011	HK$2.492

Apart from the foregoing, no option lapsed and no option was granted, exercised or cancelled during the year; nor were there any outstanding options at the beginning and at the end of the year in relation to the Old Scheme and the New Scheme.

Directors' Rights to Acquire Securities

Apart from the New Scheme noted above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements whose objects are, or one of whose objects is, to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests and Short Positions of Shareholders

As at 31 December 2011, so far as is known to the directors of the Company, the following persons, other than the directors, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept under section 336 of the SFO:

Name	Capacity	No. of shares	% of issued share capital
Palin Holdings	Interest of controlled corporation	155,254,432	41.66%
Chongqing Industrial	Interest of controlled corporation	155,254,432	41.66%
Yugang International	Interest of controlled corporation	155,254,432	41.66%
Yugang BVI	Interest of controlled corporation	155,254,432	41.66%
Funrise	Interest of controlled corporation	155,254,432	41.66%
Y. T. Realty	Interest of controlled corporation	155,254,432	41.66%
Y. T. Investment	Interest of controlled corporation	155,254,432	41.66%
Honway	Beneficial owner	155,254,432	41.66%

Note: Each parcel of 155,254,432 shares represents a long position and Honway's interest in the Company (which is also duplicated in Mr. C.K. Cheung's interest in the Company's shares). Palin Holdings, Chongqing Industrial, Yugang International, Yugang BVI, Funrise, Y. T. Realty and Y. T. Investment were deemed to be interested in those shares by virtue of their direct/indirect shareholding in Honway.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 31 December 2011, had, or was deemed to have, any interest or short position in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO, other than as disclosed on page 28.

Retirement Schemes

The Group operates a defined contribution retirement scheme, and two Mandatory Provident Fund schemes (the "MPF Schemes"). Particulars of those schemes are set out below.

(I) Pension Scheme

(i) Nature of the scheme

The principal scheme operated by the Group is a defined contribution retirement scheme for the employees of The Hong Kong School of Motoring Limited.

(ii) Funding of the scheme

The benefits of the scheme were funded in 2011 by a 5% contribution by employees and a 5% contribution by The Hong Kong School of Motoring Limited based on the annual salaries of employees. The contributions excluded the costs of administration and term life assurance.

(iii) Costs of the scheme

Total costs of the scheme, amounting to HK$2.4 million, were charged to the Group's income statement for the year under review. The required contribution rate was calculated as 5% of the total salaries payable during the year.

(iv) Forfeited contributions of the scheme

There is no available balance of forfeited contributions that may be used to reduce the existing level of contributions under the scheme as at 31 December 2011 and a total amount of HK$0.15 million was utilised during the year.

(II) MPF Schemes

As from 1 December 2000, the Group has operated two MPF Schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement scheme. The MPF Schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF Schemes, the employer and its employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. The total amount of contributions to the MPF Schemes charged to the Group's income statement for the year was HK$2.1 million.

Further Corporate Information

Further information of the Group which is required to be disclosed pursuant to the Listing Rules is set out on pages 11 to 13.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company maintained throughout the year the prescribed amount of public float under the Listing Rules.

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.

External Auditor

The financial statements for the year have been audited by KPMG, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the external auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Cheung Chung Kiu
Chairman

Hong Kong, 28 March 2012

KPMG

Independent auditor's report to the shareholders of The Cross-Harbour (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of The Cross-Harbour (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 36 to 110, which comprise the consolidated and Company balance sheets as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Turnover	2	247,406	227,099
Other revenue	3	755	2,209
Other net (losses)/income	3	(112,026)	42,236
Direct costs and operating expenses		(110,585)	(108,726)
Selling and marketing expenses		(13,613)	(18,094)
Administrative and corporate expenses		(68,465)	(65,355)
(Loss)/profit from operations		(56,528)	79,369
Finance costs	4(a)	(5,934)	(9,716)
Share of profits of associates		321,154	305,824
Share of profits of a jointly controlled entity		11,499	8,664
Profit before taxation	4	270,191	384,141
Income tax	5(a)	(11,068)	(9,222)
Profit for the year		259,123	374,919
Attributable to:			
Equity shareholders of the Company	10	238,515	358,753
Non-controlling interests		20,608	16,166
Profit for the year		259,123	374,919
Earnings per share	10		
Basic		$0.65	$1.01
Diluted		$0.64	$0.98

The notes on pages 45 to 110 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Profit for the year		259,123	374,919
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Available-for-sale securities: net movement in the investment revaluation reserve	9(a)	(124,232)	47,223
Share of other comprehensive income of an associate and a jointly controlled entity:			
– Cash flow hedge: net movement in the hedging reserve	9(a)	9,982	5,464
– Exchange differences on translation of financial statements of overseas subsidiary and jointly controlled entity	9(a)	248	89
		(114,002)	52,776
Total comprehensive income for the year		145,121	427,695
Attributable to:			
Equity shareholders of the Company		124,439	411,502
Non-controlling interests		20,682	16,193
Total comprehensive income for the year		145,121	427,695

The notes on pages 45 to 110 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Non-current assets					
Fixed assets	11(a)				
– Property, plant and equipment			131,014		125,947
– Interest in leasehold land held for own use			25,890		26,619
			156,904		152,566
Interest in associates	13		1,812,393		1,834,780
Interest in a jointly controlled entity	14		49,326		42,579
Available-for-sale securities	15		326,562		430,525
Deferred tax assets	23(b)		3,060		3,060
			2,348,245		2,463,510
Current assets					
Trading securities	16	235,413		64,209	
Inventories		1,023		1,016	
Loan receivable	17	—		40,000	
Trade and other receivables	18	16,404		13,847	
Bank deposits and cash	19	806,355		944,037	
		1,059,195		1,063,109	
Current liabilities					
Trade and other payables	20	43,577		50,902	
Course fees received in advance		103,820		79,330	
Bank loans	21	156,250		208,333	
Taxation payable	23(a)	10,262		9,920	
Interim dividends payable		2,296		2,301	
		316,205		350,786	
Net current assets			742,990		712,323

Consolidated Balance Sheet

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Total assets less current liabilities			3,091,235		3,175,833
Non-current liabilities					
Bank loans	21		—		156,250
Deferred tax liabilities	23(b)		531		200
			531		156,450
NET ASSETS			3,090,704		3,019,383
CAPITAL AND RESERVES					
Share capital	24(c)		372,688		353,488
Reserves			2,639,170		2,597,891
Total equity attributable to equity shareholders of the Company			3,011,858		2,951,379
Non-controlling interests			78,846		68,004
TOTAL EQUITY			3,090,704		3,019,383

Approved and authorised for issue by the board of directors on 28 March 2012.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

The notes on pages 45 to 110 form part of these financial statements.

Company Balance Sheet

at 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Non-current assets					
Fixed assets	11(b)		26		78
Interest in subsidiaries	12		1,739,737		1,301,225
Interest in associates	13		204,895		204,332
			1,944,658		1,505,635
Current assets					
Trade and other receivables	18	665		1,011	
Cash and cash equivalents	19	406,684		700,528	
		407,349		701,539	
Current liabilities					
Trade and other payables	20	21,875		26,340	
Bank loan	21	62,500		83,333	
Interim dividends payable		2,296		2,301	
		86,671		111,974	
Net current assets			320,678		589,565
Total assets less current liabilities			2,265,336		2,095,200
Non-current liability					
Bank loan	21		—		62,500
NET ASSETS			2,265,336		2,032,700
CAPITAL AND RESERVES	24(a)				
Share capital			372,688		353,488
Reserves			1,892,648		1,679,212
TOTAL EQUITY			2,265,336		2,032,700

Approved and authorised for issue by the board of directors on 28 March 2012.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

The notes on pages 45 to 110 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital	Share premium	Capital reserve	Investment revaluation reserve	Hedging reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2010		353,488	1,228,127	1,984	21,047	(17,152)	—	1,058,430	2,645,924	64,351	2,710,275
Changes in equity for 2010:											
Profit for the year		—	—	—	—	—	—	358,753	358,753	16,166	374,919
Other comprehensive income	9	—	—	—	47,223	5,464	62	—	52,749	27	52,776
Total comprehensive income		—	—	—	47,223	5,464	62	358,753	411,502	16,193	427,695
Dividends approved in respect of the previous year	24(b)	—	—	—	—	—	—	(42,419)	(42,419)	—	(42,419)
Non-controlling interest's share of dividends		—	—	—	—	—	—	—	—	(12,540)	(12,540)
Dividends declared in respect of the current year	24(b)	—	—	—	—	—	—	(63,628)	(63,628)	—	(63,628)
Balance at 31 December 2010		353,488	1,228,127	1,984	68,270	(11,688)	62	1,311,136	2,951,379	68,004	3,019,383
Balance at 1 January 2011		353,488	1,228,127	1,984	68,270	(11,688)	62	1,311,136	2,951,379	68,004	3,019,383
Changes in equity for 2011:											
Profit for the year		—	—	—	—	—	—	238,515	238,515	20,608	259,123
Other comprehensive income	9	—	—	—	(124,232)	9,982	174	—	(114,076)	74	(114,002)
Total comprehensive income		—	—	—	(124,232)	9,982	174	238,515	124,439	20,682	145,121
Shares issued under share option scheme	24(c)	19,200	28,646	—	—	—	—	—	47,846	—	47,846
Dividends approved in respect of the previous year	24(b)	—	—	—	—	—	—	(44,722)	(44,722)	—	(44,722)
Non-controlling interest's share of dividends		—	—	—	—	—	—	—	—	(9,840)	(9,840)
Dividends declared in respect of the current year	24(b)	—	—	—	—	—	—	(67,084)	(67,084)	—	(67,084)
Balance at 31 December 2011		372,688	1,256,773	1,984	(55,962)	(1,706)	236	1,437,845	3,011,858	78,846	3,090,704

The notes on pages 45 to 110 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Operating activities					
Profit before taxation		270,191		384,141	
Adjustments for:					
Dividend income from listed investments	4(b)	(3,659)		(4,824)	
Depreciation	4(b)	17,195		20,531	
Finance costs	4(a)	5,934		9,716	
Interest income		(33,900)		(20,198)	
Share of profits of associates		(321,154)		(305,824)	
Share of profits of a jointly controlled entity		(11,499)		(8,664)	
Net gains on sale of fixed assets	3	(314)		(12,512)	
Write back of trade and other payables	3	(6,933)		—	
Net realised and unrealised losses/ (gains) on trading securities	3	47,576		(29,724)	
Reclassification from equity on impairment of available-for-sale securities	3	71,697		—	
Operating profit before changes in working capital		35,134		32,642	
Increase in inventories		(7)		(210)	
Increase in trade and other receivables		(1,699)		(1,382)	
Increase in trade and other payables		2,071		2,855	
Increase in course fees received in advance		24,490		12,217	
Cash generated from operations		59,989		46,122	
Tax paid					
– Hong Kong Profits Tax paid		(10,395)		(13,169)	
Net cash generated from operating activities			49,594		32,953

Consolidated Cash Flow Statement

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011		2010	
		$'000	$'000	$'000	$'000
Investing activities					
Increase in deposits with banks with maturity over three months		(114,352)		(2,755)	
Payments for the purchase of fixed assets		(20,139)		(114,716)	
Proceeds from sale of fixed assets		373		30,142	
Payments for the purchase of available-for-sale securities		(91,966)		(222,236)	
Payments for the purchase of trading securities		(318,096)		—	
Proceeds from sale of trading securities		99,316		45,693	
Repayment of loan from an associate		—		220,000	
Additional loans from an associate		27,371		37,366	
Dividends received from listed investments		3,659		4,824	
Dividends received from associates		326,907		70,390	
Dividends received from a jointly controlled entity		5,000		20,500	
Additional investment in a jointly controlled entity		—		(5,000)	
New loan to a jointly controlled entity		—		(10,130)	
Loan to others		(60,000)		(40,000)	
Repayment of loan to others		100,000		—	
Interest received		30,423		17,800	
Net cash (used in)/ generated from investing activities			(11,504)		51,878

for the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Financing activities					
Repayment of bank loans		(208,333)		(114,583)	
Other borrowing costs		(5,586)		(9,163)	
Proceeds from shares issued under share option scheme	24	47,846		—	
Dividends paid		(111,811)		(125,034)	
Dividends paid to non-controlling interests		(12,240)		(10,110)	
Net cash used in financing activities			(290,124)		(258,890)
Net decrease in cash and cash equivalents			(252,034)		(174,059)
Cash and cash equivalents at 1 January			824,401		998,460
Cash and cash equivalents at 31 December	19		572,367		824,401

The notes on pages 45 to 110 form part of these financial statements.

1 Significant accounting policies

(a) 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. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

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 1(c) 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.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Group and its interest in associates and a jointly controlled entity.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale or as trading securities (see note 1(g)); and

— derivative financial instruments (see note 1(h)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1 Significant accounting policies *(continued)*

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— HKAS 24 (revised 2009), *Related party disclosures*

— Improvements to HKFRSs (2010)

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

The impact of the developments is discussed below:

— HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

— *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 25 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

1 Significant accounting policies *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(o) and (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies *(continued)*

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

1 Significant accounting policies *(continued)*

(e) Associates and jointly controlled entities *(continued)*

In the Company's balance sheet, investments in associates and jointly controlled entity are stated at cost less impairment losses (see note 1(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

The significant accounting policies adopted by the associates and a jointly controlled entity are consistent with those of the Group.

In accordance with HK(IFRIC)-12, *Service concession arrangements,* the franchises of the associates, Western Harbour Tunnel Company Limited and Tate's Cairn Tunnel Company Limited, with the government constituted service concession arrangements and the infrastructure costs are classified as intangible assets and stated at cost less accumulated amortisation and impairment losses in the financial statements of the associates.

(f) Goodwill

Goodwill in relation to the Group's interest in associates represents the excess of

(i) the aggregate of the fair value of the consideration transferred and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

The carrying amount of goodwill is included in the carrying amount of the interest in associates and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(l)).

On disposal of an associate, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

1 Significant accounting policies *(continued)*

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entity, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(u)(iii), (iv) and (v).

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(l)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in notes 1(u)(iii) and (iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 1(u)(v). When these investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 Significant accounting policies *(continued)*

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(i)).

(i) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

1 Significant accounting policies *(continued)*

(j) Fixed assets

The following items of fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

— Land classified as being held under finance leases and buildings thereon (see note 1(k));

— Buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(k)); and

— other items of plant and equipment.

The cost of self-constructed items of fixed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

— Furniture, fixtures and equipment	3 - 10 years
— Motor vehicles	3 - 5 years
— Yacht	3 - 10 years
— Leasehold improvements	Remaining term of the lease

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies *(continued)*

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(j)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 Significant accounting policies *(continued)*

(k) Leased assets *(continued)*

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 Significant accounting policies *(continued)*

(l) Impairment of assets *(continued)*

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 1(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 Significant accounting policies *(continued)*

(l) Impairment of assets *(continued)*

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows: *(continued)*

— For available-for-sale securities, the cumulative loss that has been recognised in the investment revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 Significant accounting policies *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of fixed assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that an item of fixed assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies *(continued)*

(l) Impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of the completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1 Significant accounting policies *(continued)*

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement scheme. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the plan vest immediately.

1 Significant accounting policies *(continued)*

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant accounting policies *(continued)*

(s) Income tax *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Significant accounting policies *(continued)*

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) The principal source of income from motoring school operations is driving course fee income which is recognised in profit or loss upon the completion of the relevant training lessons.

(ii) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income is recognised as it accrues using the effective interest method.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

1 Significant accounting policies *(continued)*

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(x) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Significant accounting policies *(continued)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Turnover and segment reporting

(a) Turnover

The principal activity of the Company is investment holding and those of its subsidiaries are set out in note 12 to the financial statements. Given below is an analysis of the turnover of the Group:

	2011 $'000	2010 $'000
Principal activities		
Motoring school operations	193,195	186,900
Investment and other activities	54,211	40,199
	247,406	227,099

2 Turnover and segment reporting *(continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Motoring school operations: this segment invests in subsidiaries which operate three driver training centres.

— Tunnel operations: this segment invests in associates which operate the Western Harbour Tunnel and Tate's Cairn Tunnel franchises.

— Electronic toll operations: this segment invests in a jointly controlled entity which operates an electronic toll collection system and provision of telematics services.

— Treasury: this segment operates investing and financing activities and receives dividend income and interest income.

— Others: this segment mainly operates leasing of fixed assets.

(i) Segment results, assets and liabilities

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

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

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

2 Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

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 2011 and 2010 is set out below.

	Motoring school operations		Tunnel operations		Electronic toll operations		Treasury		Others		Total	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Revenue from external customers	193,195	186,900	2,500	2,750	13,800	13,500	3,725	4,781	1,041	1,179	214,261	209,110
Interest revenue	1,992	583	–	–	1	1	31,152	17,405	–	–	33,145	17,989
Inter-segment revenue	–	–	–	–	–	–	–	–	12,082	10,365	12,082	10,365
Reportable segment revenue	195,187	187,483	2,500	2,750	13,801	13,501	34,877	22,186	13,123	11,544	259,488	237,464
Reportable segment profit before tax	55,856	42,051	323,654	308,574	25,093	21,969	(90,572)	43,097	(3,785)	9,277	310,246	424,968
Interest income from bank deposits	1,992	583	–	–	1	1	4,503	2,378	–	–	6,496	2,962
Interest expenses	–	–	–	–	–	–	(5,934)	(9,716)	–	–	(5,934)	(9,716)
Depreciation	(6,818)	(10,915)	–	–	–	–	–	–	(10,377)	(9,616)	(17,195)	(20,531)
Share of profits of associates	–	–	321,154	305,824	–	–	–	–	–	–	321,154	305,824
Share of profits of a jointly controlled entity	–	–	–	–	11,499	8,664	–	–	–	–	11,499	8,664
Income tax	(9,012)	(7,191)	–	–	(2,044)	(2,031)	(10)	–	(2)	–	(11,068)	(9,222)
Reportable segment assets	326,998	280,341	1,812,393	1,834,780	64,660	58,271	1,115,209	1,260,763	87,695	97,349	3,406,955	3,531,504
Interest in a jointly controlled entity	–	–	–	–	49,326	42,579	–	–	–	–	49,326	42,579
Interest in associates	–	–	1,812,393	1,834,780	–	–	–	–	–	–	1,812,393	1,834,780
Additions to non-current segment assets	20,888	24,456	–	–	–	–	–	–	704	92,225	21,592	116,681
Reportable segment liabilities	127,644	110,730	–	6,937	1,195	1,203	165,550	367,296	122	223	294,511	486,389

2 Turnover and segment reporting *(continued)*

(b) Segment reporting *(continued)*

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

	2011 $'000	2010 $'000
Revenue		
Reportable segment revenue	259,488	237,464
Elimination of inter-segment revenue	(12,082)	(10,365)
Consolidated turnover	247,406	227,099
Profit		
Reportable segment profit derived from Group's external customers	310,246	424,968
Other revenue	755	2,209
Unallocated head office and corporate income and expenses	(40,810)	(43,036)
Consolidated profit before taxation	270,191	384,141
Assets		
Reportable segment assets	3,406,955	3,531,504
Elimination of inter-segment receivables	—	(5,600)
Unallocated head office and corporate assets	485	715
Consolidated total assets	3,407,440	3,526,619
Liabilities		
Reportable segment liabilities	294,511	486,389
Elimination of inter-segment payables	—	(5,600)
Unallocated head office and corporate liabilities	22,225	26,447
Consolidated total liabilities	316,736	507,236

(iii) 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.

3 Other revenue and other net (losses)/income

	2011 $'000	2010 $'000
Other revenue		
Interest income from loan to an associate	755	2,209
Other net (losses)/income		
Net realised and unrealised (losses)/gains on trading securities	(47,576)	29,724
Reclassification from equity on impairment of available-for-sale securities	(71,697)	—
Write back of trade and other payables	6,933	—
Net gains on sale of fixed assets	314	12,512
	(112,026)	42,236

4 Profit before taxation

	2011 $'000	2010 $'000
Profit before taxation is arrived at after charging:		
(a) Finance costs		
Interest on bank loans wholly repayable within five years	5,187	8,947
Other borrowing costs	747	769
	5,934	9,716
(b) Other items		
Depreciation	17,195	20,531
Auditor's remuneration		
– statutory audit services	1,867	1,657
– other services	324	300
Operating lease charges - land and buildings	12,128	12,712
Contributions to defined contribution retirement scheme	4,452	4,639
Salaries, wages and other benefits (excluding directors' emoluments)	101,356	105,858
Cost of inventories consumed	9,254	7,970

4 Profit before taxation *(continued)*

	2011 $'000	2010 $'000
and after crediting:		
Dividend income from listed investments	3,659	4,824
Interest income from listed investments	23,829	10,147
Other interest income	9,316	7,842
Net foreign exchange gains	288	1,163

5 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2011 $'000	2010 $'000
Current tax - Hong Kong Profits Tax		
Provision for the year	10,741	9,981
(Over)/under-provision in respect of prior years	(4)	11
	10,737	9,992
Deferred tax		
Origination and reversal of temporary differences	331	(770)
	11,068	9,222

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

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

	2011 $'000	2010 $'000
Profit before taxation	270,191	384,141
Notional tax on profit before tax calculated at 16.5% (2010: 16.5%)	44,582	63,383
Tax effect of non-deductible expenses	17,617	2,023
Tax effect on non-taxable revenue	(60,630)	(62,699)
Tax effect of unused tax losses not recognised	9,503	6,504
(Over)/under-provision in prior years	(4)	11
Actual tax expense	11,068	9,222

6 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

2011

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2011 Total $'000
Executive directors					
Cheung Chung Kiu	—	—	6,500	1	6,501
Yeung Hin Chung, John	—	3,560	3,500	12	7,072
Yuen Wing Shing	—	—	1,350	1	1,351
Wong Chi Keung	—	—	600	1	601
Leung Wai Fai	—	—	1,300	1	1,301
Tung Wai Lan, Iris	—	—	700	1	701
Non-executive directors					
Lee Ka Sze, Carmelo	550	—	—	—	550
Wong Yat Fai	250	—	—	—	250
Independent non-executive directors					
Luk Yu King, James	350	—	—	—	350
Ng Kwok Fu	250	—	—	—	250
Leung Yu Ming, Steven	250	—	—	—	250
	1,650	3,560	13,950	17	19,177

6 Directors' remuneration *(continued)*

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows: *(continued)*

2010

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2010 Total $'000
Executive directors					
Cheung Chung Kiu	—	—	6,500	1	6,501
Yeung Hin Chung, John	—	3,370	3,000	12	6,382
Yuen Wing Shing	—	—	1,100	1	1,101
Wong Chi Keung	—	—	500	1	501
Leung Wai Fai	—	—	1,000	1	1,001
Tung Wai Lan, Iris	—	—	500	1	501
Non-executive directors					
Lee Ka Sze, Carmelo	500	—	—	—	500
Wong Yat Fai	200	—	—	—	200
Independent non-executive directors					
Luk Yu King, James	300	—	—	—	300
Ng Kwok Fu	200	—	—	—	200
Leung Yu Ming, Steven	200	—	—	—	200
	1,400	3,370	12,600	17	17,387

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2010: three) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (2010: two) individuals are as follows:

	2011 $'000	2010 $'000
Salaries and other emoluments	2,640	2,485
Discretionary bonuses and/or performance-related bonuses	770	750
Retirement scheme contributions	83	78
	3,493	3,313

The emoluments of the two (2010: two) individuals with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
Bands (in HK$)		
$1,000,001 - $1,500,000	—	1
$1,500,001 - $2,000,000	2	1
	2	2

8 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of $285,606,000 (2010: $41,987,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2011 $'000	2010 $'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	285,606	41,987
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	10,990	16,520
Company's profit for the year (note 24(a))	296,596	58,507

Details of dividends paid and payable to equity shareholders of the Company are set out in note 24(b).

9 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2011			2010		
	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000
Available-for-sale securities:						
net movement in the investment revaluation reserve	(124,232)	—	(124,232)	47,223	—	47,223
Share of other comprehensive income of an associate and a jointly controlled entity:						
Cash flow hedge: net movement in the hedging reserve	11,955	(1,973)	9,982	6,544	(1,080)	5,464
Exchange differences on translation of financial statements of overseas subsidiary and jointly controlled entity	248	—	248	89	—	89
Other comprehensive income	(112,029)	(1,973)	(114,002)	53,856	(1,080)	52,776

9 Other comprehensive income *(continued)*

(b) Reclassification adjustments relating to components of other comprehensive income

	2011 $'000	2010 $'000
Available-for-sale securities:		
Changes in fair value recognised during the year	(195,929)	47,223
Reclassification adjustments for amounts transferred to profit or loss:		
– impairment loss (note 3)	71,697	—
Net movement in the investment revaluation reserve during the year recognised in other comprehensive income	(124,232)	47,223
Share of other comprehensive income of an associate and a jointly controlled entity:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	1,571	(14,909)
Reclassification adjustments for amounts transferred to profit or loss:		
– finance costs	10,384	21,453
Net deferred tax charged to other comprehensive income	(1,973)	(1,080)
Net movement in the hedging reserve during the year recognised in other comprehensive income	9,982	5,464

10 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 $238,515,000 (2010: $358,753,000) and the weighted average of 366,113,000 ordinary shares (2010: 353,488,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011 '000	2010 '000
Issued ordinary shares at 1 January	353,488	353,488
Effect of share options exercised (note 24(c)(ii))	12,625	—
Weighted average number of ordinary shares at 31 December	366,113	353,488

(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 $238,515,000 (2010: $358,753,000) and the weighted average number of ordinary shares of 370,299,000 shares (2010: 365,652,000 shares), calculated as follows:

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

	2011 $'000	2010 $'000
Profit attributable to ordinary equity shareholders	238,515	358,753

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

	2011 '000	2010 '000
Weighted average number of ordinary shares at 31 December	366,113	353,488
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 22)	4,186	12,164
Weighted average number of ordinary shares (diluted) at 31 December	370,299	365,652

11 Fixed assets

(a) The Group

	Buildings held for own use carried at cost $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Yacht $'000	Leasehold improvements $'000	Sub-total $'000	Interest in leasehold land held for own use $'000	Total $'000
Cost:								
At 1 January 2010	109,269	27,185	92,531	41,964	1,186	272,135	38,286	310,421
Additions	22,709	5,869	1,006	87,097	—	116,681	—	116,681
Disposals	(88)	(2,968)	(329)	(41,964)	—	(45,349)	—	(45,349)
At 31 December 2010	131,890	30,086	93,208	87,097	1,186	343,467	38,286	381,753
At 1 January 2011	131,890	30,086	93,208	87,097	1,186	343,467	38,286	381,753
Additions	18,156	434	2,990	12	—	21,592	—	21,592
Disposals	—	(69)	(1,328)	—	—	(1,397)	—	(1,397)
At 31 December 2011	150,046	30,451	94,870	87,109	1,186	363,662	38,286	401,948
Accumulated depreciation:								
At 1 January 2010	92,064	24,909	82,675	24,824	1,132	225,604	10,938	236,542
Charge for the year	4,707	1,308	5,633	8,100	54	19,802	729	20,531
Written back on disposals	(88)	(1,946)	(329)	(25,523)	—	(27,886)	—	(27,886)
At 31 December 2010	96,683	24,271	87,979	7,401	1,186	217,520	11,667	229,187
At 1 January 2011	96,683	24,271	87,979	7,401	1,186	217,520	11,667	229,187
Charge for the year	3,376	1,216	2,980	8,894	—	16,466	729	17,195
Written back on disposals	—	(64)	(1,274)	—	—	(1,338)	—	(1,338)
At 31 December 2011	100,059	25,423	89,685	16,295	1,186	232,648	12,396	245,044
Net book value:								
At 31 December 2011	49,987	5,028	5,185	70,814	—	131,014	25,890	156,904
At 31 December 2010	35,207	5,815	5,229	79,696	—	125,947	26,619	152,566

(i) The leasehold land of the Group at 31 December 2011 is held in Hong Kong under a medium-term lease.

(ii) The Group leases out a portion of buildings held for own use under operating leases. The leases typically run for an initial period of one to four years. The leases include contingent rentals.

11 Fixed assets *(continued)*

(b) The Company

	Furniture, fixtures and equipment $'000	Leasehold improvements $'000	Total $'000
Cost:			
At 1 January 2010	712	857	1,569
Additions	25	—	25
Disposals	(24)	—	(24)
At 31 December 2010	713	857	1,570
At 1 January 2011	713	857	1,570
Additions	2	—	2
Disposals	(2)	—	(2)
At 31 December 2011	713	857	1,570
Accumulated depreciation:			
At 1 January 2010	600	857	1,457
Charge for the year	57	—	57
Written back on disposals	(22)	—	(22)
At 31 December 2010	635	857	1,492
At 1 January 2011	635	857	1,492
Charge for the year	53	—	53
Written back on disposals	(1)	—	(1)
At 31 December 2011	687	857	1,544
Net book value:			
At 31 December 2011	26	—	26
At 31 December 2010	78	—	78

12 Interest in subsidiaries

	2011 $'000	2010 $'000
Unlisted shares, at cost	851,050	851,050
Amounts due from subsidiaries	1,505,956	952,392
	2,357,006	1,803,442
Amounts due to subsidiaries	(617,269)	(502,217)
	1,739,737	1,301,225

The amounts due from and to subsidiaries are non-current as these are not expected to be repayable within the next twelve months.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(d) and have been consolidated into the Group financial statements.

Name of company	Country/ place of incorporation and operation	Particulars of issued and fully paid up share capital	Percentage of equity attributable to the Group		Principal activities
			directly	indirectly	
Able Win Investments Limited	British Virgin Islands/ International	100 shares of US$1 each	—	100%	Holding of a yacht
Alpha Hero Limited	British Virgin Islands/ International	50,000 shares of US$1 each	—	70%	Investment holding
Capital Choice Limited	Hong Kong	1 share of $1	—	100%	Money lending
Clear Path Limited	British Virgin Islands/ International	500 shares of US$1 each	—	100%	Investment
Gold Harbour Investment Limited	Hong Kong	1 share of $1	—	100%	Investment holding

(Expressed in Hong Kong dollars)

12 Interest in subsidiaries *(continued)*

Name of company	Country/ place of incorporation and operation	Particulars of issued and fully paid up share capital	Percentage of equity attributable to the Group		Principal activities
			directly	indirectly	
Gold Faith Investments Limited	British Virgin Islands/ International	1 share of US$1	—	100%	Securities investment
High Fortune Group Limited	British Virgin Islands/ International	1 share of US$1	100%	—	Investment holding
HKSM Yuen Long Driving School Limited	Hong Kong	2 shares of $10 each	—	70%	Designated driving school
Join Harbour Limited	British Virgin Islands/ International	1 share of US$1	—	100%	Property holding
Lucky Dynamic Limited	Hong Kong	1 share of $1	—	70%	Property holding
Main Victory Limited	Hong Kong	1 share of $1	—	70%	Property holding
MEG (HK) Limited	Hong Kong	1 share of $1	—	70%	Property holding
Motoring Excellence Group Limited	Hong Kong	1 share of $1	—	70%	Investment holding
New Horizon School of Motoring Limited	Hong Kong	1 share of $1	—	70%	Designated driving school
Newcheer Limited	British Virgin Islands/ International	1 share of US$1	—	100%	Investment
Power Right Investments Limited	British Virgin Islands/ International	1 share of US$1	—	100%	Investment holding

12 Interest in subsidiaries *(continued)*

Name of company	Country/ place of incorporation and operation	Particulars of issued and fully paid up share capital	Percentage of equity attributable to the Group		Principal activities
			directly	indirectly	
Super Legend Investments Limited	British Virgin Islands/ International	1 share of US$1	—	100%	Investment
The Autopass Company Limited	Hong Kong	70,000 "A" shares of $10 each	100%	—	Investment holding and provision of consultancy services
		30,000 "B" shares of $10 each	—	—	
The Hong Kong School of Motoring Limited	Hong Kong	2,000,000 shares of $1 each	—	70%	Designated driving school

13 Interest in associates

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Unlisted shares, at cost	**—**	—	**148,370**	148,370
Share of net assets	**1,849,694**	1,845,465	**—**	—
Goodwill	**48,400**	48,400	**—**	—
Amount due from an associate	**417**	412	**417**	412
Amounts due to associates	**(370)**	(370)	**(370)**	(370)
Loan to and interest receivable from an associate	**76,322**	75,567	**56,478**	55,920
Loan from an associate	**(162,070)**	(134,694)	**—**	—
	1,812,393	1,834,780	**204,895**	204,332

The amounts due from and to associates are non-current as these are not expected to be repayable within the next twelve months.

(a) Particulars of associates, which are unlisted corporate entities and principally affected the results or assets of the Group:

Name of associate	Form of business structure	Place of incorporation and operation	Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity	Financial year end
Western Harbour Tunnel Company Limited ("WHTCL")	Incorporated	Hong Kong	50%	37%	13%	Operation of the Western Harbour Crossing	31 July
Tate's Cairn Tunnel Company Limited ("TCTCL")	Incorporated	Hong Kong	39.5%	—	39.5%	Operation of the Tate's Cairn Tunnel	30 June

(b) The Group's interest in WHTCL and TCTCL are accounted for under the equity method based on the financial statements of WHTCL and TCTCL for the year ended 31 December 2011 respectively.

13 Interest in associates *(continued)*

(c) WHTCL was granted a thirty year franchise to construct and operate the Western Harbour Crossing in accordance with the Western Harbour Crossing Ordinance enacted on 22 July 1993.

(d) TCTCL was granted a thirty year franchise to construct and operate the Tate's Cairn Tunnel in accordance with the Tate's Cairn Tunnel Ordinance enacted on 1 July 1988.

(e) The loan to an associate bears interest at a rate of 1% per annum as determined by the shareholders of that associate. Interest earned by the Group from the associate for the year ended 31 December 2011 amounted to $0.8 million (2010: $2.2 million). The loan is repayable on demand as may from time to time be agreed among the associate shareholders, subject to certain financial parameters of a syndicated loan being fulfilled.

(f) The loan from an associate is unsecured and interest free. The loan is non-current as this is not expected to be repayable within the next twelve months.

(g) Summary financial information on associates:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000
2011					
100 per cent	**5,207,553**	**1,965,414**	**3,242,139**	**1,565,458**	**762,475**
Group's effective interest	**2,876,525**	**1,026,831**	**1,849,694**	**741,151**	**321,154**
2010					
100 per cent	5,545,170	2,390,771	3,154,399	1,502,103	728,247
Group's effective interest	3,093,261	1,247,796	1,845,465	711,981	305,824

* Assets of associates include intangible assets (relating to service concession arrangements), plant and equipment of $4,717,997,000 (2010: $5,031,473,000) and loans to shareholders of $410,300,000 (2010: $341,000,000). Liabilities of associates include bank loans of $1,011,000,000 (2010: $1,550,000,000) and shareholders' loans and accrual interest of $152,644,000 (2010: $151,135,000).

14 Interest in a jointly controlled entity

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Share of net assets	**29,196**	22,449	**—**	—
Loan to a jointly controlled entity	**20,130**	20,130	**—**	—
	49,326	42,579	**—**	—

(a) Details of the Group's interest in a jointly controlled entity are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest held indirectly by the Company	Principal activity	Financial year end
Autotoll Limited	Incorporated	Hong Kong	15,000,000 ordinary shares of $1 each	50%	Operation of an electronic toll collection system	30 September

(b) The Autopass Company Limited and Electronic Toll Systems Limited formed the above equal equity joint venture to operate an electronic toll collection system in Hong Kong on 1 October 1998.

(c) Loan to a jointly controlled entity is unsecured, interest free and has no fixed repayment terms. The loan is non-current as this is not expected to be recoverable within the next twelve months.

14 Interest in a jointly controlled entity *(continued)*

(d) Summary financial information on jointly controlled entity - Group's interest:

	2011 $'000	2010 $'000
Non-current assets	28,296	27,351
Current assets	141,220	128,723
Non-current liabilities	(13,125)	(22,754)
Current liabilities	(127,195)	(110,871)
Net assets	29,196	22,449
Income	93,769	82,903
Expenses	(82,270)	(74,239)
Profit for the year	11,499	8,664

15 Available-for-sale securities

	Group	
	2011 $'000	2010 $'000
Listed securities		
– in Hong Kong	137,808	160,285
– outside Hong Kong	110,816	156,739
	248,624	317,024
Unlisted securities	77,938	113,501
	326,562	430,525
Market value of listed securities	248,624	317,024
Fair value of individually impaired available-for-sale equity securities	34,770	—

At 31 December 2011, available-for-sale securities of $21,972,000 (2010: $32,798,000) held by the subsidiaries were negatively pledged to a bank for the banking facilities granted to the Group.

Certain of the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the policy set out in note 1(l)(i) (see note 3).

16 Trading securities

	Group	
	2011	2010
	$'000	$'000
Listed securities (at market value)		
– in Hong Kong	127,194	3,743
– outside Hong Kong	35,940	60,466
	163,134	64,209
Unlisted securities	72,279	—
	235,413	64,209

At 31 December 2011, trading securities of $3,870,000 (2010: $4,149,000) were pledged to a financial institution as security against treasury facilities granted to the Group.

17 Loan receivable

The loan receivable was interest-bearing at 1% per month and was secured by shares in a subsidiary of the borrower and the assignment and subordination of a shareholder loan receivable by the same subsidiary. The loan was fully repaid during the year.

18 Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade receivables	3,859	3,260	—	—
Other receivables	3,029	185	214	148
Trade and other receivables	6,888	3,445	214	148
Deposits and prepayments	9,516	10,402	451	863
	16,404	13,847	665	1,011

The amount of the Group's and the Company's deposits and prepayments expected to be recovered or recognised as expense after more than one year is $1,320,000 (2010: $1,406,000) and $Nil (2010: $208,000) respectively. Apart from these, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

18 Trade and other receivables *(continued)*

(a) Ageing analysis

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

	Group	
	2011 $'000	2010 $'000
Current	1,896	1,288
Less than 1 month past due	1,085	732
1 to 3 months past due	595	1,172
More than 3 months but less than 12 months past due	283	68
Amounts past due	1,963	1,972
	3,859	3,260

The Group's credit policy is set out in note 25(a).

(b) Trade receivables that are not impaired

None of the above trade receivables are either individually or collectively considered to be impaired.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19 Bank deposits and cash

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deposits with banks and other financial institutions	565,643	822,051	237,940	617,011
Cash at bank and in hand	240,712	121,986	168,744	83,517
Bank deposits and cash in the consolidated balance sheet	806,355	944,037	406,684	700,528
Less: Deposits with maturity over three months	(233,988)	(119,636)	—	—
Cash and cash equivalents in the consolidated cash flow statement	572,367	824,401	406,684	700,528

At 31 December 2011, bank deposits and cash of $18,214,000 (2010: $17,906,000) were pledged to a financial institution as security against treasury facilities granted to the Group.

Included in bank deposits and cash in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
United States Dollars	USD1,431	USD1,446	USD453	USD457
Australian Dollars	AUD1,108	AUD1,062	AUD —	AUD —
Renminbi	RMB100,056	RMB —	RMB —	RMB —

20 Trade and other payables

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade payables	**1,825**	1,657	**—**	—
Other payables and accruals	**41,752**	49,245	**21,875**	26,340
	43,577	50,902	**21,875**	26,340

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:

	Group	
	2011	2010
	$'000	$'000
Due within 1 month or on demand	**728**	822
Due after 1 month but within 3 months	**343**	825
Due after 3 months but within 6 months	**754**	10
	1,825	1,657

21 Bank loans

At 31 December 2011, the bank loans were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Within 1 year	**156,250**	208,333	**62,500**	83,333
After 1 year but within 2 years	**—**	156,250	**—**	62,500
	156,250	364,583	**62,500**	145,833

All the bank loans are secured by negative pledge of the Group's shareholding in certain subsidiaries and associates.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to negative pledge of certain listed investments and the Group's shareholding in certain subsidiaries and associates. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached (2010: none).

22 Equity settled share-based transactions

The Company has a share option scheme which was adopted on 8 May 2001 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any Company in the Group, to take up options to subscribe for shares of the Company. The options vest from the date of grant and are exercisable within the exercise period from 30 August 2001 to 7 May 2011. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

	Exercise period	Number
Options granted to employees:		
– on 30 August 2001	30 August 2001 to 7 May 2011	19,200,000

(b) The number and weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	$2.492	19,200	$2.492	19,200
Exercised on 4 May 2011	$2.492	(19,200)	—	—
Outstanding at the end of the year		—		19,200

The share price at the date of exercise for shares options was $6.75 (2010: not applicable).

23 Income tax in the balance sheet

(a) Current taxation in the balance sheet represents:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Provision for Hong Kong Profits Tax for the year	**10,741**	9,981	**—**	—
Provisional Profits Tax paid	**(7,358)**	(6,907)	**—**	—
	3,383	3,074	**—**	—
Balance of Profits Tax provision relating to prior years	**6,879**	6,846	**—**	—
	10,262	9,920	**—**	—

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Group
	$'000
Deferred tax arising from depreciation in excess of related depreciation allowances	
At 1 January 2010	(2,090)
Credited to profit or loss	(770)
At 31 December 2010	(2,860)
At 1 January 2011	(2,860)
Charged to profit or loss	331
At 31 December 2011	**(2,529)**

23 Income tax in the balance sheet *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

	2011 $'000	2010 $'000
Net deferred tax assets recognised in the consolidated balance sheet	(3,060)	(3,060)
Net deferred tax liabilities recognised in the consolidated balance sheet	531	200
	(2,529)	(2,860)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(s), the Group and the Company has not recognised deferred tax assets in respect of cumulative tax losses of $309,204,000 (2010: $251,610,000) and $207,730,000 (2010: $174,421,000) respectively as it is not probable that future taxable profits against which the unused tax losses can be utilised will be available. The tax losses do not expire under current tax legislation.

24 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital $'000	Share premium $'000	Retained profits $'000	Total $'000
Balance at 1 January 2010	353,488	1,228,127	498,625	2,080,240
Changes in equity for 2010:				
Dividends approved in respect of the previous year (note 24(b))	—	—	(42,419)	(42,419)
Total comprehensive income for the year (note 8)	—	—	58,507	58,507
Dividends declared in respect of the current year (note 24(b))	—	—	(63,628)	(63,628)
Balance at 31 December 2010	353,488	1,228,127	451,085	2,032,700
Balance at 1 January 2011	**353,488**	**1,228,127**	**451,085**	**2,032,700**
Changes in equity for 2011:				
Shares issued under share option scheme (note 24(c))	**19,200**	**28,646**	**—**	**47,846**
Dividends approved in respect of the previous year (note 24(b))	**—**	**—**	**(44,722)**	**(44,722)**
Total comprehensive income for the year (note 8)	**—**	**—**	**296,596**	**296,596**
Dividends declared in respect of the current year (note 24(b))	**—**	**—**	**(67,084)**	**(67,084)**
Balance at 31 December 2011	**372,688**	**1,256,773**	**635,875**	**2,265,336**

24 Capital, reserves and dividends *(continued)*

(b) Dividends

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

	2011 $'000	2010 $'000
Interim dividends declared of $0.18 per share (2010: $0.18 per share)	67,084	63,628
Final dividend proposed after the balance sheet date $0.12 per share (2010: $0.12 per share)	44,722	42,419
	111,806	106,047

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

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

	2011 $'000	2010 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.12 per share (2010: $0.12 per share)	44,722	42,419

24 Capital, reserves and dividends *(continued)*

(c) Share capital

(i) Authorised and issued share capital

	2011		2010	
	No. of shares '000	Amount $'000	No. of shares '000	Amount $'000
Authorised:				
Ordinary shares of $1 each	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
At 1 January	353,488	353,488	353,488	353,488
Shares issued under share option scheme (note 22)	19,200	19,200	—	—
At 31 December	372,688	372,688	353,488	353,488

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued under share option scheme

On 4 May 2011, the holders of the options issued under a share option scheme adopted by the Company on 8 May 2001 (see note 22) exercised in full to subscribe for 19,200,000 ordinary shares at a price of $2.492 per share. Of the consideration of $47,846,000, $19,200,000 was credited to share capital and $28,646,000 was credited to the share premium account upon the issue of new shares.

(d) Nature and purpose of reserves

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance. The capital reserve and investment revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted on the subsidiaries in note 1(d) and the cumulative net change in the fair value of available-for-sale securities in note 1(g).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used by the associate in cash flow hedges pending subsequent recognition of the hedged cash flow.

24 Capital, reserves and dividends *(continued)*

(d) Nature and purpose of reserves *(continued)*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(v).

(e) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance, was $635,875,000 (2010: $451,085,000). After the balance sheet date the directors proposed a final dividend of $0.12 per share (2010: $0.12 per share), amounting to $44,722,000 (2010: $42,419,000) (note 24(b)). This dividend has not been recognised as a liability at the balance sheet date.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group has negative net debt on account of its large cash and cash equivalents. Adjusted capital comprises all components of equity, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

In order to monitor its capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or raise new debt financing.

24 Capital, reserves and dividends *(continued)*

(f) Capital management *(continued)*

The adjusted capital at 31 December 2011 and 2010 was as follows:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Total equity	3,090,704	3,019,383	2,265,336	2,032,700
Add: Hedging reserve	1,706	11,688	—	—
Less: Proposed dividends (note 24(b))	(44,722)	(42,419)	(44,722)	(42,419)
	3,047,688	2,988,652	2,220,614	1,990,281

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, investments in debt securities, loans to associates and a jointly controlled entity, and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limits for any single financial institution. The majority of securities investments are in liquid securities quoted on recognised stock exchanges and with counterparties that have good credit standing. Given their high credit standing, management does not expect any of these financial institutions and investment counterparties will fail to meet its obligations.

25 Financial risk management and fair values *(continued)*

(a) Credit risk *(continued)*

With respect to loans to associates and a jointly controlled entity, management reviews the credit standing of the borrowers and also monitors on an ongoing basis to control and mitigate the credit risk. In respect of trade and other receivables, 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group has no concentrations of credit risk in view of its variety of investments with different counterparties or large number of customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

25 Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2011						2010					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans	157,219	–	–	–	157,219	156,250	213,590	157,219	–	–	370,809	364,583
Loan from associate (note 13)	162,070	–	–	–	162,070	162,070	134,694	–	–	–	134,694	134,694
Interim dividends payable	2,296	–	–	–	2,296	2,296	2,301	–	–	–	2,301	2,301
Course fees received in advance	103,820	–	–	–	103,820	103,820	79,330	–	–	–	79,330	79,330
Trade and other payables	43,577	–	–	–	43,577	43,577	50,902	–	–	–	50,902	50,902
	468,982	–	–	–	468,982	468,013	480,817	157,219	–	–	638,036	631,810

25 Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

The Company

	2011						2010					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank loan	62,866	–	–	–	62,866	62,500	85,346	62,866	–	–	148,212	145,833
Interim dividends payable	2,296	–	–	–	2,296	2,296	2,301	–	–	–	2,301	2,301
Amounts due to subsidiaries	617,269	–	–	–	617,269	617,269	502,217	–	–	–	502,217	502,217
Trade and other payables	21,875	–	–	–	21,875	21,875	26,340	–	–	–	26,340	26,340
	704,306	–	–	–	704,306	703,940	616,204	62,866	–	–	679,070	676,691

25 Financial risk management and fair values *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Bank loans at variable rates expose the Group to cash flow interest rate risk. The Group is also exposed to interest rate risk through the impact of rates changes on income-earning financial assets. The following table details their interest rate profile at the balance sheet date.

		2011		2010	
	Fixed/ floating	Effective interest rate	$'000	Effective interest rate	$'000
The Group					
Bank loans	Floating	2.13% - 2.28%	156,250	2.03% - 2.24%	364,583
Cash and cash equivalents	Floating	0.001% - 3.70%	210,378	0.001% - 2.90%	91,984
Cash and cash equivalents	Fixed	0.01% - 1.58%	331,655	0.005% - 4.24%	702,415
Bank deposits	Fixed	0.58% - 2.10%	233,988	0.05% - 0.90%	119,636
The Company					
Bank loan	Floating	2.13%	62,500	2.03%	145,833
Cash and cash equivalents	Floating	0.001% - 2.00%	168,744	0.001% - 0.30%	83,517
Cash and cash equivalents	Fixed	1.00% - 1.58%	237,940	0.005% - 0.90%	617,011

Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately $1,294,000 (2010: $1,524,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

25 Financial risk management and fair values *(continued)*

(d) Foreign currency risk

The Group has foreign currency monetary assets and liabilities that are denominated in currencies other than the functional currency of the Group. Exchange differences arising on settling or translating these foreign currency monetary items at rates different from those at dates of transactions giving rise to these monetary items are recognised in profit or loss.

The Group is exposed to currency risk primarily through its investments in securities and cash balances denominated in currencies other than its functional currency. The currencies giving rise to this risk are primarily Australian dollars, Renminbi and Singapore dollars.

In respect of the Group's assets denominated in United States dollars, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

Management of the Group continuously monitors the Group's exposure to such foreign currency risks to ensure they are at manageable levels.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in currencies other than the functional currency of the entity to which they relate and the United States dollars. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

The Group

Exposure to foreign currencies (expressed in Hong Kong dollars)

	2011			2010		
	Australian dollars $'000	Renminbi $'000	Singapore dollars $'000	Australian dollars $'000	Renminbi $'000	Singapore dollars $'000
Bank deposits and cash	8,742	122,969	—	8,402	—	—
Trading securities	—	—	34,330	—	—	58,837

25 Financial risk management and fair values *(continued)*

(d) Foreign currency risk *(continued)*

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2011			2010		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
Australian dollars	5%	437	—	5%	420	—
	(5)%	(437)	—	(5)%	(420)	—
Renminbi	5%	6,148	—	5%	—	—
	(5)%	(6,148)	—	(5)%	—	—
Singapore dollars	5%	1,717	—	5%	2,942	—
	(5)%	(1,717)	—	(5)%	(2,942)	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2010.

25 Financial risk management and fair values *(continued)*

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 16) and available-for-sale securities (see note 15).

The Group's listed investments are listed in Hong Kong and Singapore. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

At 31 December 2011, it is estimated that an increase/decrease of 5% (2010: 5%) in the market value of the Group's listed available-for-sale securities and trading securities, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

The Group

		2011			2010	
		Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000		Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
Change in the relevant equity price risk variable:						
Increase	5%	8,825	7,714	5%	2,409	7,773
Decrease	(5)%	(8,825)	(7,714)	(5)%	(2,409)	(7,773)

25 Financial risk management and fair values *(continued)*

(e) Equity price risk *(continued)*

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2010.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

25 Financial risk management and fair values *(continued)*

(f) Fair values *(continued)*

(i) Financial instruments carried at fair value (continued)

2011

	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Available-for-sale securities:								
– Listed	248,624	—	—	248,624	—	—	—	—
– Unlisted	77,938	—	—	77,938	—	—	—	—
Trading securities								
– Listed	163,134	—	—	163,134	—	—	—	—
– Unlisted	—	72,279	—	72,279	—	—	—	—
	489,696	72,279	—	561,975	—	—	—	—

2010

	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Available-for-sale securities:								
– Listed	317,024	—	—	317,024	—	—	—	—
– Unlisted	113,501	—	—	113,501	—	—	—	—
Trading securities								
– Listed	64,209	—	—	64,209	—	—	—	—
	494,734	—	—	494,734	—	—	—	—

During the years ended 31 December 2011 and 2010, there were no transfers between instruments in Level 1 and Level 2.

25 Financial risk management and fair values *(continued)*

(f) Fair values *(continued)*

(ii) Fair values of financial instruments carried at other than fair value

The carrying amount of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010 except as follows:

	2011 Carrying amount $'000	2010 Carrying amount $'000
The Group:		
Loan to an associate *	76,322	75,567
Loan from an associate *	(162,070)	(134,694)
Loan to a jointly controlled entity *	20,130	20,130
The Company:		
Loan to an associate *	56,478	55,920
Amounts due from subsidiaries *	1,505,956	952,392
Amounts due to subsidiaries *	(617,269)	(502,217)

* Given the amounts are unsecured and have no fixed repayment terms, it is not meaningful to disclose fair values. The Group has no intention of disposing of these loans and intercompany balances.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Securities

Fair value is based on quoted prices at the balance sheet date without any deduction for transaction costs.

26 Capital commitments

Capital commitments outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Contracted for	328	11,632	—	—

27 Operating lease commitments

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Within 1 year	6,209	5,518	—	—
After 1 year but within 5 years	2,634	4,711	—	—
	8,843	10,229	—	—

Significant leasing arrangements in respect of land held under finance leases are described in note 11.

In addition, the Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of three months to five years, with an option to renew the leases upon expiry when all terms are renegotiated. Contingent rentals are charged as expense in the year in which they are incurred.

28 Material related party transactions

During the year, the Group was involved in the following material related party transactions, none of which is regarded as a "connected transaction" as defined under the Listing Rules.

(a) The Group extended a loan to and received interest from an associate, Western Harbour Tunnel Company Limited ("WHTCL"). The balance of the loan and interest receivable at 31 December 2011 was $76.3 million (2010: $75.6 million).

The Group received interest income and management fee income from WHTCL of $0.8 million (2010: $2.2 million) and $2.5 million (2010: $2.5 million) respectively.

(b) The Group received a loan from an associate, Tate's Cairn Tunnel Company Limited ("TCTCL"). The balance of the loan at 31 December 2011 was $162.1 million (2010: $134.7 million).

(c) The Group received consultancy fees and management fee income from a jointly controlled entity of $12.6 million (2010: $12.6 million) and $1.2 million (2010: $0.9 million) respectively.

In addition to the transactions and balances disclosed above, the Group entered into the following material related party transactions.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	2011 $'000	2010 $'000
Short-term employee benefits	21,020	19,640
Post-employment benefits	88	83

Total remuneration is included in "Salaries, wages and other benefits" (see note 4(b)).

(Expressed in Hong Kong dollars)

29 Contingent liabilities

At 31 December 2011, the Company had the following contingent liabilities:

(a) The Company has given a letter of undertaking to a bank for general banking facilities totalling $50 million (2010: $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 2011, these facilities were not utilised by the Company.

(b) The Company has given a guarantee on behalf of a subsidiary relating to a bank loan up to $250 million (2010: $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 no transaction cost was incurred.

30 Non-adjusting post balance sheet event

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 24(b).

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements*	
- *Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's or the Company's results of operations and financial position.

Five-year Summary

(Expressed in Hong Kong dollars)

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	**2011** **$'000**
Consolidated income statement					
Turnover	290,846	244,401	217,518	227,099	**247,406**
Profit attributable to equity shareholders of the Company for the year	261,660	140,266	291,343	358,753	**238,515**
Dividends payable to equity shareholders of the Company attributable to the year	106,047	106,047	106,047	106,047	**111,806**
Consolidated balance sheet					
Fixed assets	111,036	89,953	73,879	152,566	**156,904**
Interest in associates	826,863	1,858,885	1,849,043	1,834,780	**1,812,393**
Interest in a jointly controlled entity	29,214	34,488	39,197	42,579	**49,326**
Available-for-sale securities	623,458	121,831	161,066	430,525	**326,562**
Deferred tax assets	290	1,360	2,240	3,060	**3,060**
Current assets	1,419,031	533,078	1,211,386	1,063,109	**1,059,195**
	3,009,892	2,639,595	3,336,811	3,526,619	**3,407,440**
Current liabilities	184,392	135,126	626,386	350,786	**316,205**
Deferred tax liabilities	1,500	560	150	200	**531**
Bank loans (long term portion)	—	—	—	156,250	**—**
NET ASSETS	2,824,000	2,503,909	2,710,275	3,019,383	**3,090,704**
Capital and reserves					
Share capital	353,488	353,488	353,488	353,488	**372,688**
Reserves	2,401,538	2,082,136	2,292,436	2,597,891	**2,639,170**
Total equity attributable to equity shareholders of the Company	2,755,026	2,435,624	2,645,924	2,951,379	**3,011,858**
Non-controlling interests	68,974	68,285	64,351	68,004	**78,846**
TOTAL EQUITY	2,824,000	2,503,909	2,710,275	3,019,383	**3,090,704**