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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 32)

2016 Results Announcement

The board of directors of The Cross-Harbour (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016. The results have been reviewed by the audit committee of the Company.

GROUP RESULTS

The Group profit attributable to shareholders for the year ended 31 December 2016 amounted to HK\$410.4 million, compared with HK\$619.8 million in 2015. The significant decrease was primarily attributable to the negative performance of the treasury segment as compared to the previous year. Earnings per share were HK\$1.10 against HK\$1.66 for 2015.

DIVIDENDS

The first, second and third quarterly interim dividends each of HK\$0.06 per share (2015: HK\$0.06 per share) were paid on 5 July 2016, 22 September 2016 and 30 December 2016 respectively. The directors recommend the payment of a final dividend of HK\$0.17 per share (2015: HK\$0.17 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2016 of HK\$0.35 per share (2015: HK\$0.35 per share), representing a total distribution of approximately HK\$130.4 million (2015: HK\$130.4 million) for the year.

Subject to the approval of shareholders of the final dividend being obtained in the forthcoming annual general meeting on 18 May 2017 (the “AGM”), (i) the dividend warrants will be despatched on Friday, 9 June 2017 to shareholders registered at the close of business on Friday, 26 May 2017 and (ii) the register of members and transfer books of the Company will be closed from Wednesday, 24 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for the final dividend, all transfer documents and accompanying share certificates must be lodged for registration with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Tuesday, 23 May 2017.

LAST SHARE REGISTRATION DATE FOR AGM

For determining the right of shareholders to attend the AGM and to vote at the AGM, the deadline for share registration will be Thursday, 11 May 2017. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Thursday, 11 May 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2016

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Revenue	3	431,005	397,402
Other revenue	4	25	25
Other net (losses)/gains	4	(186,301)	50,655
Direct costs and operating expenses		(166,835)	(154,250)
Selling and marketing expenses		(26,856)	(27,712)
Administrative and corporate expenses		<u>(133,266)</u>	<u>(108,922)</u>
(Loss)/profit from operations		(82,228)	157,198
Finance costs		(31)	(25)
Share of profits less losses of associates		546,140	508,401
Share of profits of a joint venture		<u>17,663</u>	<u>16,335</u>
Profit before taxation	5	481,544	681,909
Income tax	6(a)	<u>(25,981)</u>	<u>(18,471)</u>
Profit for the year		<u>455,563</u>	<u>663,438</u>
Attributable to:			
Equity shareholders of the Company		410,426	619,808
Non-controlling interests		<u>45,137</u>	<u>43,630</u>
Profit for the year		<u>455,563</u>	<u>663,438</u>
Earnings per share	7		
Basic and diluted		<u>HK\$ 1.10</u>	<u>HK\$ 1.66</u>

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	<u>455,563</u>	<u>663,438</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale securities: net movement in the investment revaluation reserve	(103,826)	181,317
Share of other comprehensive income of a joint venture:		
- Exchange differences on translation of financial statements of overseas subsidiary in joint venture	<u>(436)</u>	<u>(95)</u>
	<u>(104,262)</u>	181,222
	<u>351,301</u>	<u>844,660</u>
Total comprehensive income for the year		
Attributable to:		
Equity shareholders of the Company	306,295	801,059
Non-controlling interests	<u>45,006</u>	<u>43,601</u>
Total comprehensive income for the year	<u>351,301</u>	<u>844,660</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	<i>Note</i>	2016		2015	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment			151,108		153,517
Interest in leasehold land held for own use			<u>22,245</u>		<u>22,974</u>
			173,353		176,491
Interest in associates			1,566,234		1,785,632
Interest in a joint venture			89,604		77,377
Available-for-sale securities			676,116		917,193
Deferred tax assets			<u>1,810</u>		<u>2,170</u>
			2,507,117		2,958,863
Current assets					
Trading securities		365,578		334,144	
Inventories		699		984	
Trade and other receivables	8	22,358		16,618	
Taxation recoverable		2,483		2,308	
Dividend receivable		77,000		73,000	
Bank deposits and cash		<u>2,786,817</u>		<u>2,086,593</u>	
		3,254,935		2,513,647	
Current liabilities					
Trade and other payables	9	87,522		70,472	
Course fees received in advance		272,552		215,289	
Taxation payable		5,302		3,781	
Dividends payable		<u>2,243</u>		<u>1,071</u>	
		367,619		290,613	
Net current assets			<u>2,887,316</u>		<u>2,223,034</u>

	<i>Note</i>	2016		2015	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets less current liabilities			5,394,433		5,181,897
			-----		-----
Non-current liabilities					
Loan from an associate			279,384		252,879
Deferred tax liabilities			<u>5,770</u>		<u>4,167</u>
			285,154		257,046
			=====		=====
NET ASSETS			<u>5,109,279</u>		<u>4,924,851</u>
 CAPITAL AND RESERVES					
Share capital			1,629,461		1,629,461
Reserves			<u>3,350,249</u>		<u>3,174,395</u>
Total equity attributable to equity shareholders of the Company			4,979,710		4,803,856
Non-controlling interests			<u>129,569</u>		<u>120,995</u>
TOTAL EQUITY			<u>5,109,279</u>		<u>4,924,851</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies and basis of preparation

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2016 in due course.

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

Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3 Segment reporting

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

- Motoring school operations: this segment invests in subsidiaries which operate three driver training centres.
- Tunnel operations: this segment invests in associates which operate the Western Harbour Tunnel and Tate's Cairn Tunnel franchises.
- Electronic toll operations: this segment invests in a joint venture which operates an electronic toll collection system and provision of telematics services.
- Treasury: this segment operates investing and financing activities and receives dividend income and interest income.

(a) Segment results, assets and liabilities

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

(i) Year ended 31 December 2016

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

(ii) Year ended 31 December 2015

	Motoring school operations HK\$'000	Tunnel operations HK\$'000	Electronic toll operations HK\$'000	Treasury HK\$'000	Total HK\$'000
Revenue from external customers	324,968	2,500	13,800	19,832	361,100
Net gain from disposal of available-for-sale securities	—	—	—	16,212	16,212
Interest revenue	3,752	—	1	14,337	18,090
Reportable segment revenue	328,720	2,500	13,801	50,381	395,402
Reportable segment profit before tax	135,185	510,901	29,919	90,764	766,769
Interest income from bank deposits	3,752	—	1	12,209	15,962
Finance costs	—	—	—	(25)	(25)
Depreciation	(9,399)	—	—	—	(9,399)
Share of profits less losses of associates	—	508,401	—	—	508,401
Share of profits of a joint venture	—	—	16,335	—	16,335
Income tax	(16,448)	—	(2,023)	—	(18,471)
Reportable segment assets	568,924	1,785,632	92,734	2,941,303	5,388,593
Interest in a joint venture	—	—	77,377	—	77,377
Interest in associates	—	1,785,632	—	—	1,785,632
Additions to non-current segment assets	52,964	—	—	—	52,964
Reportable segment liabilities	257,134	252,879	1,199	1,071	512,283

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

	2016 HK\$'000	2015 HK\$'000
Revenue		
Reportable segment revenue	429,005	395,402
Unallocated head office and corporate revenue	<u>2,000</u>	<u>2,000</u>
Consolidated revenue	<u><u>431,005</u></u>	<u><u>397,402</u></u>
Profit		
Reportable segment profit derived from the Group's external customers	586,535	766,769
Other revenue	25	25
Unallocated head office and corporate income and expenses	<u>(105,016)</u>	<u>(84,885)</u>
Consolidated profit before taxation	<u><u>481,544</u></u>	<u><u>681,909</u></u>
Assets		
Reportable segment assets	5,695,784	5,388,593
Unallocated head office and corporate assets	<u>66,268</u>	<u>83,917</u>
Consolidated total assets	<u><u>5,762,052</u></u>	<u><u>5,472,510</u></u>
Liabilities		
Reportable segment liabilities	601,868	512,283
Unallocated head office and corporate liabilities	<u>50,905</u>	<u>35,376</u>
Consolidated total liabilities	<u><u>652,773</u></u>	<u><u>547,659</u></u>

(c) *Geographical information*

No additional information has been disclosed in respect of the Group's geographical information as the Group operates substantially in one geographical location which is Hong Kong.

4 Other revenue and other net (losses)/gains

	2016 HK\$'000	2015 HK\$'000
Other revenue		
Interest income from loan to an associate	<u>25</u>	<u>25</u>
Other net (losses)/gains		
Net unrealised (losses)/gains on trading securities	(141,371)	57,558
Available-for-sale securities reclassified from equity on impairment	(58,602)	(10,508)
Net gains on sale of property, plant and equipment	<u>13,672</u>	<u>3,605</u>
	<u>(186,301)</u>	<u>50,655</u>

5 Profit before taxation

	2016 HK\$'000	2015 HK\$'000
<i>Profit before taxation is arrived at after charging:</i>		
Auditor's remuneration		
- audit services	2,238	2,187
- other services	393	397
Contributions to defined contribution retirement scheme	6,188	5,767
Cost of inventories consumed	7,962	8,488
Depreciation	36,021	27,345
Net foreign exchange losses	132	6,283
Operating lease charges - land and buildings	15,668	14,571
Salaries, wages and other benefits (excluding directors' emoluments)	<u>160,225</u>	<u>152,053</u>
<i>and after crediting:</i>		
Dividend income from listed investments	21,677	19,675
Profit distribution from unlisted investments	9,166	-
Interest income from listed investments	-	2,128
Interest income from loan to an associate	25	25
Other interest income	<u>12,050</u>	<u>15,962</u>

6 Income tax in the consolidated statement of profit or loss

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

	2016 HK\$'000	2015 HK\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	24,394	21,770
Over-provision in respect of prior years	<u>(376)</u>	<u>(6,184)</u>
	<u>24,018</u>	<u>15,586</u>
Deferred tax		
Origination and reversal of temporary differences	<u>1,963</u>	<u>2,885</u>
	<u>25,981</u>	<u>18,471</u>

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

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

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	<u>481,544</u>	<u>681,909</u>
Notional tax on profit before tax calculated at 16.5% (2015: 16.5%)	79,455	112,515
Tax effect of non-deductible expenses	28,426	15,184
Tax effect of non-taxable income	(103,542)	(105,124)
Tax effect of unused tax losses not recognised	22,018	2,080
Over-provision in prior years	<u>(376)</u>	<u>(6,184)</u>
Actual tax expense	<u>25,981</u>	<u>18,471</u>

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$410,426,000 (2015: HK\$619,808,000) and the weighted average of 372,688,000 (2015: 372,688,000) ordinary shares in issue during the year.

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

8 Trade and other receivables

	2016	2015
	HK\$'000	HK\$'000
Trade receivables	3,673	5,118
Other receivables	4,492	958
	8,165	6,076
Deposits and prepayments	14,193	10,542
	22,358	16,618

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,555,000 (2015: HK\$1,904,000). Apart from these, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

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

	2016	2015
	HK\$'000	HK\$'000
Within 1 month	3,458	3,065
1 to 2 months	103	951
2 to 3 months	42	134
Over 3 months	70	968
	3,673	5,118

(b) Trade receivables that are not impaired

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

	2016	2015
	HK\$'000	HK\$'000
Neither past due nor impaired	<u>3,154</u>	<u>2,700</u>
Less than 1 month past due	304	1,355
1 to 3 months past due	147	508
More than 3 months but less than 12 months past due	<u>68</u>	<u>555</u>
Amounts past due	<u>519</u>	<u>2,418</u>
	<u>3,673</u>	<u>5,118</u>

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

9 Trade and other payables

	2016	2015
	HK\$'000	HK\$'000
Trade payables	3,879	3,522
Other payables and accruals	<u>83,643</u>	<u>66,950</u>
	<u>87,522</u>	<u>70,472</u>

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

Included in trade and other payables are trade payables with the following ageing analysis, based on the invoice date, as of the end of the reporting period:

	2016	2015
	HK\$'000	HK\$'000
Within 1 month	475	592
1 to 3 months	771	818
Over 3 months but within 6 months	<u>2,633</u>	<u>2,112</u>
	<u>3,879</u>	<u>3,522</u>

10 Dividends

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

	2016 HK\$'000	2015 HK\$'000
Interim dividends declared of HK\$0.18 per share (2015: HK\$0.18 per share)	67,084	67,084
Final dividend proposed after the end of the reporting period of HK\$0.17 per share (2015: HK\$0.17 per share)	<u>63,357</u>	<u>63,357</u>
	<u>130,441</u>	<u>130,441</u>

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

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

	2016 HK\$'000	2015 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.17 per share (2015: HK\$0.15 per share)	<u>63,357</u>	<u>55,903</u>

11 Review of financial statements in announcement

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

BUSINESS REVIEW AND OUTLOOK

Brexit referendum and Trump's victory in the U.S. presidential election were regarded as the black swan events in the tumultuous year of 2016, yet the global economy still managed to navigate its way through troubled waters and perform at a still decent rate of 2.6%. The U.S. economy has made good progress in deleveraging and fiscal consolidation, and also benefited from the support of low oil prices and accommodative monetary policy. As Trump's policies for massive tax cuts and huge infrastructure investment are likely to trigger higher inflation in the year ahead, further interest rates hikes are widely expected after the Federal Reserve has raised interest rates in December by 25bps for second time since the 2008 financial crisis. In the near term, the global economy is expected to remain on a modest growth track with advanced economies to continue their low-growth trend. However, uncertainty is increasing with the Brexit event unfolding and geopolitical tensions elevated in various regions, in addition to the imminent risks of rising trade protectionism which deviates from the existing trend of globalization and gives rise to escalating concerns and worries across the globe.

On the back of the aggressive credit extension and infrastructure spending in 2016, economic growth in China has stabilized and expanded by 6.7%, the slowest pace of growth since 1990. Renminbi tumbled to its eight-year low against the U.S. dollar in November and the pressure of capital outflow will likely persist in the coming year. With the support of proactive fiscal policy and prudent monetary policy, China will remain the growth engine for emerging Asia albeit growing at a slower rate. Nevertheless, in addition to the ongoing depreciation pressure on the Renminbi, China's economy is expected to face more headwinds after Trump assumed the presidency.

Hong Kong's real GDP growth for 2016 came in at 1.9%, lower than the 2.4% in 2015 and the 3.4% average over the past decade, characterized by sluggish external trade performance, slowdown in private consumption and weak investment performance given anemic economic growth and elevated market uncertainties. Residential market resumed to surge after a short contraction in the beginning of the year and resulted in a new round of cooling measures in early November. Nonetheless, the risk of U.S. interest rates increasing faster than expected might have a ripple effect on the overheated housing market. The economic outlook of Hong Kong in the near term is not optimistic. Low growth environment is likely to persist as trade performance will be dampened by Trump's potential protectionist economic policies towards Asia, in particular, tariffs on Chinese imports. Mainland tourist arrivals will continue to be negatively impacted by expectations of further yuan depreciation. Fortunately, the resilient labour market with unemployment rate remaining steady at 3.3% and low interest rate environment could provide some support to the private consumption and investment activities ahead.

Electronic Toll Operation

Autotoll Limited ("Autotoll"), 50% owned by The Autopass Company Limited (a 70% owned subsidiary), provides electronic toll clearing ("ETC") facilities in Hong Kong covering eleven different toll roads and tunnels. There are fifty-three auto-toll lanes in operation at present. Amid bearish business outlook, the growth in tag subscribers for 2017 is expected to plateau. In November 2016, Autotoll was granted a licence to issue or facilitate the issue of stored value facilities ("SVF") as defined under the Payment Systems and Stored Value Facilities Ordinance ("the Ordinance" was enacted in November 2015 with the aim of promoting stability and integrity of the relevant payment infrastructure as well as to strengthen public's confidence in the use of store value services). In order to satisfy the licensing regime implemented by the Hong Kong Monetary Authority, Autotoll has undergone reorganization which delineated its SVF business and

other non-SVF businesses such as telematics service, intelligent transport system and car insurance. In addition, all the SVF licensees are required to strictly adhere to those high level supervisory principles as well as to comply with the requirements imposed on a continuous basis in order to fulfil the relevant statutory obligations set out in the Ordinance.

For years, Autotoll is well aware of the risks of increasing competition from other electronic payment platforms. The "stop-and-go" e-payment facilities, introduced by the Government with the aim to provide motorists with the choice of an alternative payment method by using contactless smart cards, are expected to come into operation at the manual toll lanes of seven government tolled tunnels and roads in phases from mid-2017. To tackle the challenge, Autotoll is preparing to launch extensive acquisition programs to acquire new tag users, as well as retention programs such as bonus points rewards to increase customers' stickiness to its service in the coming years. "VGo", the mobile application for motorists, has been well received since its launch and will continue to enhance customers' satisfaction and stickiness. In view of the growing demand for the electronic vehicle charging facilities and its success in rolling out the e-payment platform of "VGo" in three residential carparks, Autotoll is poised to extend this service to commercial carparks in the coming years as a means to retain customers. Moreover, in order to extend the ETC service to motorcycles, Autotoll is preparing to replace the existing battery tags with label tags by phases.

Autotoll, as an SVF licensee, recognizes the need to get well prepared for further market penetration and to explore all possible and cost effective SVF applications in various market segments beyond ETC in the long run, notwithstanding the investment cost to be incurred in the coming years for competing with other SVF service providers in general retail business is expected to be significant.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools. It again delivered a pleasing result in 2016, a year filled with challenges and changes. The higher throughput as compared with the previous year was primarily the result of better sales intake under continuing efforts by the management in implementing a series of service and quality enhancement programs, in particular, after the launch of a new training model with emphasis on fostering uniqueness and enhancing passing rate.

For a long period of time, the availability of sizeable training site is considered as a pivotal and indispensable factor for the operation of designated driving school in addition to the supply of qualified driving instructors. The operations of the driving centres at Siu Lek Yuen and Apleichau, in particular, are subject to the availability of the government land due to the extensive land requirement for off-street driving training. As the Apleichau Driving Centre has been identified under the land use policy as part of the proposed rezoning site along Lee Nam Road for residential use, AHG negotiated with the Government for a replacement site and succeeded in securing a site adjacent to the existing Apleichau driving centre during the year under review. Under a seamless handover arrangement, AHG continued the operation of off-street driving training on the replacement site in late October 2016.

In the light of uncertainty on the economic outlook in the coming year, we envisage that it will be a hard task to achieve higher lesson income unit rate and to increase customer spending due to vigorous price competition among driving school operators. Nevertheless, AHG will spare no effort to continue its enhancement in all aspects including products development, staff competence

and customer service in response to increasing expectations from potential customers. In view of the majority of its target customers are aged below 30's and the increasing demand on application of new technology, enhancements on various features on the e-platform in facilitating more effective communications with customers, such as online registration and lesson booking, electronic attendance system as well as learning progress assessment are to be continued.

Tunnel Operations

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

The Western Harbour Tunnel (“WHT”) recorded a moderate growth of 3.2% in throughput in 2016 as compared with the last corresponding year, and outperformed the 0.5% increase in total cross-harbour traffic. The average daily throughput of the WHT rose to 67,426 vehicle journeys and a new record high single daily throughput of 91,402 vehicle journeys was registered in December 2016. The market share of the WHT continued to account for over one quarter of the total cross-harbour traffic. Notwithstanding the satisfactory performance of WHTCL in 2016 amid unfavourable business environment, the commission of the MTR Kwun Tong Line extension to Whampoa in October 2016 and the South Island Line (from Admiralty to South Horizons) in late December 2016 might have negative impact on the demand for both vehicular traffic and cross-harbour tunnel traffic in the coming years. Moreover, there are delays in completion of other infrastructure projects which are expected to be conducive to WHT's throughput in the long run, including the Central-Wanchai Bypass, the Hong Kong/Macau/Zhuhai Bridge as well as the Central Kowloon Route. In addition, the Guangzhou-Shenzhen-HongKong Express Rail Link Project, estimated to be completed in late 2017, have adversely affected the road network around the WHT and the throughput of the WHT during construction period.

Despite improved cashflow in the past years, maximizing revenue for the remaining period of the franchise remains of the utmost importance for WHTCL. To this end, WHTCL has implemented its eighth toll increase with effect from 1 January 2017. Barring any unforeseen economic and social issues that may arise in the territory, we expect the revenue growth of WHTCL to remain solid in the coming year under the new tolls though there may be some reduction in traffic due to bearish economic outlook. After the expiry of franchise of the Eastern Harbour Tunnel in August 2016, the toll differentials between the WHT and the other two government-owned cross-harbour tunnels are expected to widen further after the WHT's toll increase in 2017. In summary, the increased supply of rail transport and toll differentials among the cross-harbour tunnels remain the principal risks and uncertainties facing WHTCL in the coming years.

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

The performance of TCTCL in 2016 was remarkable. As a measure to enhance cashflow for the remaining years of the franchise, TCTCL has implemented its last toll increase effective from 1 January 2016. The average toll per vehicle increased from HK\$21.5 in the last corresponding year to HK\$24.3 and the average daily throughput for the year under review maintained at 59,209 vehicle journeys, a slight decrease as compared with the last corresponding year. As a result, TCTCL recorded an increase of 12.6% in toll revenue for 2016. Looking forward, we anticipate TCTCL to continue to generate steady cashflow and deliver pleasing return for the Group during the remaining period before the franchise expires in mid-2018.

Treasury Management Business

During the year under review, the anxiety over the presidential elections and speculations over the interest rate hike in the U.S. have taken a toll on the global market. The Hong Kong stock market experienced a volatile year with the Hang Seng Index dropping to the year low of 18,278 in February and reaching the year high of 24,364 in early September as a result of the smaller-than-expected contagion effect of Brexit referendum, delays in U.S. interest rate hikes and the approval of the Shenzhen-Hong Kong Stock Connect implementation plan. While major indices in the U.S. rose to their record highs when Trump was elected to be the next U.S. president, the HK stock market on the contrary continued to consolidate due to the strong U.S. dollar. The Hang Seng Index concluded with a mild increase of 0.4% for the year as compared with a more significant decline of 7.2% in 2015. The performance of the Group's portfolio of listed equity securities and unlisted investment funds is however to a certain extent subject to the corresponding performance of the relevant financial markets and as a result, the performance of the Group's treasury segment was adversely affected and a significant fair value loss on its portfolio of securities investment was recorded for the year under review.

Though investors anticipate a new growth momentum in the U.S. and a strong recovery in the emerging markets, market volatility is unlikely to subside in the near future amid a plethora of policy and geopolitical uncertainties in developed markets. Trump's surprising win triggered a series of shuffles in global asset allocations. Strong U.S. dollar is likely to exert more pressure on capital outflows in China and Hong Kong. However, inexpensive valuation of Hong Kong and China related equities, recent improvement in economic data in the Mainland and better earnings growth prospect in the coming year are ready to support the market in the near future. Moreover, the Shenzhen-HK Stock Connect, kicked off in early December and provides more investment channels for both places, should be beneficial in enhancing the local market's liquidity in the long term. In view of the elevated policy uncertainty in the global financial markets, we remain conservative and cautious about the performance of the Hong Kong stock market as well as the prospects of the Group's portfolio of listed securities and unlisted investments in the near term. The Group will maintain a cautious investment strategy and will assess the performance of its portfolio of investments from time to time.

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2016 Results

The Group reported a profit attributable to shareholders of HK\$410.4 million for the year ended 31 December 2016, a decrease of 33.8% compared with HK\$619.8 million in 2015. Earnings per share were HK\$1.10 compared to HK\$1.66 for the previous year. The decrease in 2016 was primarily attributable to the negative performance of the treasury segment resulting from negative fair value changes in securities investment.

The revenue of the Group was HK\$431.0 million for the year, increased by HK\$33.6 million or 8.5% as compared to HK\$397.4 million recorded in 2015. The increase was attributable to the improved performance of motoring school operation and an increase in net gain from disposal of securities investment. The motoring school operation recorded an increase in revenue of 7.2% to HK\$348.5 million as a result of improvement in tuition fees income due to an increase in demand for driving lessons. Profit before tax therefrom increased by 8.3% to HK\$146.4 million as compared to the HK\$135.2 million recorded in the previous year. Treasury investment, being one of the core businesses,

recorded a realised net gain of HK\$21.1 million on disposal of securities investment during the year under review as compared to HK\$16.2 million recorded in 2015. Dividend income from listed investments in 2016 amounted to HK\$21.7 million as compared to HK\$19.7 million for the previous year. The first profit distribution from an unlisted investment in 2016 amounted to HK\$9.2 million

In addition, the Group's treasury segment recorded a significant unrealised fair value loss on trading securities of HK\$141.4 million during the year under review against a gain of HK\$57.6 million recorded in 2015. Revaluation deficit arising on certain available-for-sale securities of HK\$58.6 million, as compared to HK\$10.5 million recorded in the previous year, was transferred from the investment revaluation reserve to the consolidated statement of profit or loss as a result of impairment losses on those securities at 30 June and 31 December 2016.

The Group's share of profits less losses of associates has increased by 7.4% to HK\$546.1 million as compared to HK\$508.4 million in 2015 due to improved performance of both Western Harbour Tunnel Company Limited ("WHTCL") and Tate's Cairn Tunnel Company Limited ("TCTCL"). WHTCL recorded a 4.7% increase in toll revenue as a result of an increase in throughput, whereas TCTCL registered a 12.6% increase in toll income after the implementation of new tolls in January 2016. 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\$462.9 million and HK\$83.2 million respectively, as compared to HK\$443.8 million and HK\$64.6 million recorded in the previous year.

The Group's share of profits of a joint venture, Autotoll Limited, which operates an electronic toll collection system, was HK\$17.7 million for the year under review against HK\$16.3 million recorded in the previous year, representing an increase of 8.6% as a result of an increase in administration fee income.

(II) Treasury Investments

As at 31 December 2016, the Group maintained a portfolio of investments with an aggregate fair value of HK\$1,041.7 million (31 December 2015: HK\$1,251.3 million). The portfolio composed of HK\$699.1 million equity investments listed in Hong Kong and HK\$342.6 million unlisted investment funds managed by financial institutions. During the year under review, HK\$173.8 million listed shares and HK\$42.8 million unlisted investment fund were purchased. There was a substantial reduction in portfolio balance as a result of negative fair value changes of certain available-for-sale securities and trading securities. The Group also recorded a significant decrease in the investment revaluation reserve in the amount of HK\$103.8 million in addition to impairment losses recognised on certain available-for-sale securities.

Certain securities were pledged to the financial institution to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. As at 31 December 2016, these facilities were not utilized by the Group.

III) Liquidity and Financial Resources

As at 31 December 2016, the Group had bank balances and deposits in the amount of HK\$2,786.8 million. The Group did not have any debts outstanding as at 31 December 2016 and 2015. Except for the Group's bank deposits denominated in foreign currencies other than the United States dollars, the Group's major sources of income and major assets are denominated in Hong Kong dollars.

(IV) Employees

The Group has 535 employees. Employees are remunerated according to the job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from provident fund schemes and medical insurance, discretionary bonuses and employee share options are awarded to employees of the Group at the discretion of the board of directors, depending upon the financial performance of the Group. Total staff costs for the year amounted to HK\$166.4 million. The Company also operates a Share Option Scheme.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2016, the Company complied with the code provisions of the Corporate Governance Code (the "CG Code") set out within Appendix 14 to the Main Board Listing Rules (the "Listing Rules") save that the Company has no formal letters of appointment for directors except the managing director setting out the key terms and conditions of their appointment, and has therefore deviated from D.1.4 of the CG Code. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified for each such purpose in the Company's articles of association, applicable laws and the Listing Rules. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (within the meaning of the CG Code) no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out within Appendix 10 to the Listing Rules. All directors confirmed that they had complied with the required standard set out within the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

Hong Kong, 23 March 2017

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