Management Discussion and Analysis

(I) REVIEW OF 2000 RESULTS

The Group reported a profit attributable to Shareholders of HK$59.6 million for the year ended 31st December, 2000, compared with HK$179.1 million in 1999. The reduction was mainly due to the cessation of contribution from the operation of the Hunghom cross-harbour tunnel ("CHT"), which reverted to the Government upon the expiry of the Company's franchise on 31st August, 1999. Earnings per share were HK$0.31 compared to HK$0.93 for the previous year.

The Group's turnover for the year was HK$317.4 million, as compared to HK$599.2 million recorded in 1999, which was principally due to the expiry of CHT's franchise. In the prior year, CHT contributed HK$254.0 million which represented 42.4 per cent of the Group's total turnover.

The Hong Kong School of Motoring Limited recorded a reduction in turnover of 8.7 per cent to HK$275.6 million because of the decrease in tuition fees resulting from a lower number of total enrolments throughout the year, which in turn was adversely affected by the static trend of market size. A lower profit margin was reported as a result of intense market competition.

The combined adverse effect of the above reduced the Group's operating profits to HK$91.4 million from HK$280.3 million in 1999.

The share of net losses in associates of HK$11.4 million decreased by 76.9 per cent from HK$49.5 million in 1999 which was substantially due to the reduction in net loss from the operation of the Western Harbour Tunnel ("WHT") during the year. The improvement was a result of an increase in traffic throughput and a successful cost rationalisation exercise.

Traffic volume at the WHT improved by 9.1 per cent to approximately 43,000 vehicle journeys a day throughout the year 2000. Effective from 3rd December, 2000, the toll fee was increased by HK$5 for all categories of vehicles except single-decked and double-decked buses for which the toll increases were HK$10 and HK$15 respectively. The overall throughput after the toll increase has slightly declined but the total revenue for the period of toll increase was higher than in the same period last year. The company reported an operating profit but a net loss after finance charges for the year ended 31st December, 2000.

Hong Kong Tunnels and Highways Management Company Limited, an associate performing the management contract for CHT, reported a modest profit for the year.

Profit contribution from Autotoll Limited, a jointly controlled entity for the running of an electronic toll collection system, was HK$6.4 million for the year against a share of loss of HK$4.8 million for the previous year. The favourable result was due to the increase in the number of subscribers by 19 per cent to over 150,000 at the end of the year under review. The loss recorded in the prior year was due to the exceptional write-off of impaired fixed assets.

(II) INVESTMENTS

At 31st December, 2000, the Group maintained a portfolio of listed blue-chip securities with market value of HK$363.5 million which was slightly above cost by HK$2.6 million. Dividend income received therefrom in 2000 amounted to HK$12.5 million.

(III) LIQUIDITY

At 31st December, 2000, the Group had bank balances and deposits in the amount of HK$230.7 million.

(IV) COMMENTS ON SEGMENTAL INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries and a jointly controlled entity are the operation of motoring schools, the operation of an electronic toll collection system and investment. Further information on the segmental details is provided in Note 2 on the Accounts in F109.pdf.

(V) EMPLOYEES

The Group has approximately 690 employees. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the year amounted to HK$129.9 million.

Detailed information is set out in Note 6 on the Accounts in F109.pdf.