



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

(A) Commentary on Annual Results

(I) Review of 2002 Results

The Group reported a profit attributable to shareholders of HK\$67.4 million for the year ended 31 December 2002, compared with HK\$63.9 million in 2001. Earnings per share were HK\$0.33, the same as for the previous year.

The Group's turnover for the year was HK\$271.3 million, a decrease of HK\$20.1 million or 6.9% as compared to HK\$291.4 million recorded in 2001.

The Hong Kong School of Motoring Limited recorded a reduction in turnover of 6.2% to HK\$239.8 million because of the decrease in tuition fees resulting from a lower demand for driving lessons, which offset the increase in income from motorcycle lessons. The continuing efforts of management in controlling costs have been reflected in the improved gross profit margin.

The Group's share of profits of associates doubled to HK\$61.6 million from HK\$31.4 million recorded in 2001. The increase was mainly due to the contribution from the operation of the Western Harbour Tunnel ("WHT"). The improvement in the performance of the WHT was the result of a substantial reduction in interest expenses due to prevailing lower interest rates and re-financing at a lower interest cost in August 2002.

The Hong Kong Tunnels and Highways Management Company Limited, an associate undertaking the Management, Operation and Maintenance Contract for the Hunghom Cross-Harbour Tunnel, maintained stable income for the year.

The Group's share of profit before tax from Autotoll Limited, a jointly controlled entity which operates an electronic toll collection system, was HK\$9.2 million for the year against HK\$7.7 million recorded in the previous year, representing an increase of 19.3% as a result of moderate growth in the number of subscribers and an increase in project income.

The Group's financial costs for the year amounted to HK\$5.3 million and were primarily due to the issues of convertible notes at an interest rate of 3.5% per annum. The net proceeds of approximately HK\$247 million from the issues were used as additional general working capital for the Group.

Revaluation deficits arising on certain investment securities, totalling HK\$39.4 million, as compared to HK\$32.8 million in 2001, were transferred from the investment revaluation reserve to the consolidated profit and loss account as a result of an impairment loss on those securities at 31 December 2002.



(A) Commentary on Annual Results *(continued)*

(II) Investments

At 31 December 2002, the Group maintained a portfolio of listed blue-chip securities with market value of HK\$231.8 million. Dividend income received therefrom in 2002 amounted to HK\$10.9 million.

(III) Liquidity and Financial Resources

At 31 December 2002, the Group had bank balances and deposits in the amount of HK\$302.3 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. These facilities were not utilized by the Group during the year.

At 31 December 2002, the Group had outstanding convertible notes of HK\$215 million, which are unsecured, bear interest at 3.5% per annum payable annually in arrears and will be due for redemption in 2005. As the Group's sources of income and borrowings are denominated in Hong Kong dollars, there is no exposure to foreign exchange rate fluctuations. The gearing ratio, defined as long-term debts to shareholders' funds, was 16.3% as at 31 December 2002 (31 December 2001 - Nil).

(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, an electronic toll collection system and investment. Further information on the segmental details is provided in note 12 to the financial statements on pages 49 to 51.

(V) Employees

The Group has approximately 762 employees. Employees are remunerated according to nature of the job 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 and depending upon the financial performance of the Group. Total staff costs for the year amounted to HK\$125.9 million. Detailed information is set out in note 6 to the financial statements on page 45.

The Company also operates a Share Option Scheme, details of which are set out in the Report of the Directors on pages 17 to 19.