

Disclosure of 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 2003 Results

The Group reported a profit attributable to shareholders of HK\$87.2 million for the year ended 31 December 2003, compared with HK\$61.8 million (restated) in 2002. Earnings per share were HK\$0.37 compared to HK\$0.31 (restated) for the previous year.

The Group's turnover for the year was HK\$255.2 million, a decrease of HK\$16.1 million or 5.9% as compared to HK\$271.3 million recorded in 2002.

The Hong Kong School of Motoring Limited recorded a reduction in turnover of 4.7% to HK\$228.5 million because of the decrease in tuition fees resulting from a lower demand for driving lessons and a reduction in the lesson income unit rate, which was partly offset by the increase in income from motorcycle lessons. However, the continuing efforts of management in controlling costs were reflected in the improved gross profit margin and operating profit.

The Group's share of profits of associates, primarily contributed by the operation of the Western Harbour Tunnel ("WHT"), has slightly decreased by 2% to HK\$60.4 million as compared to HK\$61.6 million in 2002. The daily throughput of the WHT reduced by 7% to approximately 37,300 vehicle journeys throughout 2003. However, this unfavourable variance was mitigated by the latest toll increase effective in February 2003 and as a result, only a 4.3% reduction in toll revenue was recorded. In addition, Western Harbour Tunnel Company Limited ("WHTCL") recorded a substantial decline in other revenue such as wayleave income for the provision of communication network services to mobile phone network operators and advertising income. The operating expenses of WHTCL increased by almost 9% as a result of increased insurance premiums. The aggregate result of the above, however, has fully offset the substantial reduction in interest expenses due to prevailing lower interest rates.

The Group's share of profit before tax from a jointly controlled entity, Autotoll Limited, was HK\$10.5 million for the year against HK\$9.2 million recorded in the previous year, representing an increase of 13.2% as a result of moderate growth in the number of subscribers and cost rationalisation which offset the decrease in project income.

The Group's financial costs for the year amounted to HK\$4.8 million and were primarily due to the issues of convertible notes in the previous year at an interest rate of 3.5% per annum.

Revaluation deficits arising on certain investment securities, totalling HK\$6.7 million, as compared to HK\$39.4 million in 2002, were transferred from the investment revaluation reserve to the consolidated profit and loss account as a result of impairment in value of certain securities at 31 December 2003.

Disclosure of Further Corporate Information

Commentary on Annual Results *(continued)*

(I) Review of 2003 Results *(continued)*

The Group's share of taxation of associates and a jointly controlled entity was primarily due to the utilisation of deferred tax assets by WHTCL. In order to comply with Statement of Standard Accounting Practice 12 (revised) "Income taxes", WHTCL has recognised deferred tax assets in respect of the future benefit of tax losses as the management of WHTCL considers it is probable that future taxable profits will be available against which the assets can be utilised. As a result, WHTCL recorded a taxation charge for the year and prior years' adjustments were made accordingly.

(II) Investments

At 31 December 2003, the Group owned a portfolio of blue-chip securities with an aggregate market value of HK\$315.6 million. Dividend income received therefrom in 2003 amounted to HK\$7.4 million.

On 14 January 2003, a wholly owned subsidiary of the Group acquired unlisted convertible notes issued by a company listed on the Main Board of the Stock Exchange in a total amount of HK\$15 million.

(III) Liquidity and Financial Resources

At 31 December 2003, the Group had bank balances and deposits in the amount of HK\$331.4 million. Banking facilities available are sufficient to meet the foreseeable funding needs for working capital and capital expenditure. These facilities were not utilised by the Group during the year.

At 31 December 2003, the Group had outstanding convertible notes of HK\$82.5 million which are unsecured, bear interest at 3.5% per annum payable annually in arrears and are due for redemption in 2005. Since the Group's sources of income and borrowings are denominated in Hong Kong dollars, the Group is not exposed to foreign exchange rate fluctuations. The gearing ratio, defined as long-term debts to shareholders' funds, was 6.2% as at 31 December 2003 (31 December 2002 - 15.9% (restated)).

(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 12 to the financial statements on pages 53 to 55.

Disclosure of Further Corporate Information

Commentary on Annual Results *(continued)*

(V) Employees

The Group has approximately 709 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\$121.3 million. Detailed information is set out in note 6 to the financial statements on page 48.

The Company also operates a Share Option Scheme, details of which are set out in the Report of the Directors on pages 19 to 21.