

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 2006 Results

The Group reported a profit attributable to shareholders of HK\$172.8 million for the year ended 31 December 2006, an increase of 6.7% compared with HK\$162.0 million in 2005. Earnings per share were HK\$0.52 compared to HK\$0.55 for the previous year. The improvement in 2006 results was mainly attributable to the increase in profit contribution from tunnel operations and increase in interest income.

The Group’s turnover for the year was HK\$274.3 million, increased by HK\$24.6 million or 9.9% as compared to HK\$249.7 million recorded in 2005.

The Hong Kong School of Motoring Limited recorded an increase in turnover of 5.9% to HK\$222.4 million as a result of an increase in tuition fees income due to higher demand for driving lessons despite decreases in the lesson income unit rate and income from motorcycle courses. However, the operating profit decreased by 4.5% as compared with the previous year as a result of an increase in depreciation.

The Group’s share of net profits less losses of associates, primarily contributed by the operations of the Western Harbour Tunnel (“WHT”), has increased by 4.8% to HK\$107.0 million as compared to HK\$102.2 million in 2005. Improvement in the performance of Western Harbour Tunnel Company Limited (“WHTCL”) was attributable to an increase of 7.1% in toll revenue resulting from improved throughput and market share, which was, however, partially offset by an increase in amortization expense (calculated on a units-of-usage basis). The daily throughput of the WHT increased by almost 8% to approximately 44,400 vehicle journeys throughout 2006. The Group’s share of taxation of associates was primarily the utilization of deferred tax assets by WHTCL. With effect from 1 January 2003, in order to comply with HKAS 12 “Income taxes”, WHTCL has recognized deferred tax assets in respect of the future benefit of tax losses, as the management of WHTCL considers it probable that future taxable profits will be available against which the tax losses can be utilized. As a result, WHTCL recorded a taxation charge for the year.

The Group’s share of net profit from a jointly controlled entity, Autotoll Limited, was HK\$9.6 million for the year against HK\$9.2 million recorded in the previous year, representing an increase of 3.9% as an aggregate result of moderate growth in the number of subscribers and increase in interest income.

(II) Investments

At 31 December 2006, the Group maintained a portfolio of investments, composed of listed securities, equity-linked notes and derivative financial instruments, with an aggregate market value of HK\$771.9 million. Equity-linked notes and certain trading 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 2006 amounted to HK\$15.1 million.

Commentary on Annual Results *(continued)*

(III) Liquidity and Financial Resources

At 31 December 2006, the Group had bank balances and deposits in the amount of HK\$437.0 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.

Except for the Group's investment in trading securities 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 26(d) to the financial statements on page 88.

The Group did not have long-term debts outstanding as at 31 December 2006 and 2005.

(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 11 to the financial statements on pages 68 to 70.

(V) Employees

The Group has 647 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\$123.2 million. Detailed information is set out in note 7 to the financial statements on page 65.

The Company also operates a Share Option Scheme, details of which are set out in the Report of the Directors on pages 27 to 29.