Disclosure of Further Corporate Information

Set out below is information disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

(A) Commentary on Annual Results

(I) Review of 2001 Results and Segmental Performance

As a result of a provision of HK$301.5 million for the impairment of investment securities as explained below, the Group reported a loss attributable to shareholders for the year of HK$113.1 million, compared to a profit of HK$114.5 million in 2000. Loss per share was HK$0.36, compared to earnings per share of HK$0.36 recorded last year.

Group turnover for the year under review was HK$375.5 million, a decrease of 6% from HK$400.6 million last year. Operating profit was HK$161.9 million, compared to HK$158.7 million last year.

Adversely impacted by the overall unfavourable business environment, especially after the "911" tragedy in USA, The Marco Polo Hongkong Hotel recorded lower occupancy and average room rates for the year under review. Accordingly, both turnover and operating profit of the hotel segment decreased by 8% and 11% respectively.

Turnover and operating profit from the commercial section of The Marco Polo Hongkong Hotel also decreased as a result of lower average rental rates being achieved in the existing competitive market.

As the fair value of certain of the Group's investment securities has been persistently below the original cost for a period in excess of three years, these investment securities are considered impaired in value. Accordingly, to comply with the Group's accounting policies, a provision for the impairment of investment securities of HK$301.5 million, which included HK$274.2 million provided against the investment securities revaluation reserve in previous years, was transferred from the investment securities revaluation reserve to the profit and loss account. This treatment has no effect on the net asset value of the Group.

Deferred income of HK$62.8 million, arising from a loan advanced to an associate, was recognised in the profit and loss account for the year under review, in accordance with the Group's accounting policies which permit recognition of such income, from when the associate started reporting profits.

Share of profit of associates increased from HK$4.2 million in 2000 to HK$10.3 million in 2001 mainly due to the inclusion of the Group's share of profit from pre-sales of Sorrento (Phase I), which was launched in November 2001.

The taxation charge for this year was HK$12.7 million compared to HK$114.1 million reported in 2000. The taxation charge for last year included an additional provision of HK$90.0 million made for additional tax assessments received by a subsidiary in respect of the deductibility of certain interest payments in prior years. The additional tax assessments were settled and the related liability was paid in 2001.

(II) Liquidity and Financial Resources

As at 31st December, 2001, the Group had net cash of HK$467.4 million. In addition, the Group maintained a portfolio of listed investments with market value aggregating HK$851.5 million at the year end.

In addition, a HK$3.4 billion project loan facility relating to the development of Sorrento (Kowloon Station Package II), in which the Group has 20% interest, has been completed to replace the previous facility of HK$2.2 billion at a lower interest rate.

The Group has no significant exposure to foreign exchange rate fluctuations.

(III) Comments on Segmental Information

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries and associates are the operation of hotel and restaurants, investment property, property development and investments. Further information on the segmental details is provided in Note 11 to the Accounts on pages 44 and 45.

(IV) Employees

The Group has approximately 490 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. Total staff costs for the year amounted to HK$89.4 million.

Detailed information is set out in Note 2 to the Accounts on page 37.

(B) Biographical Details of Directors and Senior Managers

(I) Directors

Gonzaga Wei Jen LI, Chairman (Age: 72)

Mr. Li was appointed a Director of the Company in 1980 and became Chairman in 1989. He is also the senior deputy chairman of Wheelock and Company Limited ("Wheelock") and The Wharf (Holdings) Limited ("Wharf") and the chairman of New Asia Realty and Trust Company, Limited ("New Asia") and Marco Polo Developments Limited ("MPDL") in Singapore and also a director of Joyce Boutique Holdings Limited ("Joyce"). Furthermore, he is a director of WF Investment Partners Limited ("WF Investment"), Wharf Hotel Investments Limited ("Wharf Hotel"), Wharf International Limited ("WIL"), which, as well as Wheelock and Wharf, are each deemed under the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

Brian Stuart FORSGATE, Director (Age: 54)

Mr. Forsgate has been a Director of the Company since November 2001. He is also the managing director of Eralda Industries Limited. Mr. Forsgate is the son of the late Mr. H. M. G. Forsgate, *CBE, JP*, who was a former Director of the Company.

Chun Chien HAUNG, Director (Age: 79)

Mr. Haung has been a Director of the Company since October 2001.

Tze Yuen NG, Director (Age: 54)

Mr. Ng has been a Director of the Company since 1994. He is also a director of Wheelock, Wharf, Joyce, New Asia, Realty Development Corporation Limited and MPDL in Singapore. Furthermore, he is a director of WF Investment, Wharf Hotel, WIL, which, as well as Wheelock and Wharf, are each deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

Chia Lu PAN, JP, Director (Age: 85)

Mr. Pan has been a Director of the Company since 1994. He is also a director of New Asia.

Hugh Maurice Victor de LACY STAUNTON, Director (Age: 66)

Mr. de Lacy Staunton has been a Director of the Company since May 2001.

Paul Yiu Cheung TSUI, Director (Age: 55)

Mr. Tsui has been a Director of the Company since 1998. He is also an executive director of Wharf and a director of Wheelock, i-CABLE Communications Limited and Joyce, the group financial controller of Wheelock and Wharf, the senior deputy managing director of Wheelock Properties Limited and the senior managing director of Harriman Realty Company, Limited. Furthermore, he is a director of Upfront International Limited, WF Investment, Wharf Hotel, WIL, which, as well as Wheelock and Wharf, are each deemed under the SDI Ordinance to have an interest in the share capital of the Company discloseable to the Company under the provisions of Part II of the SDI Ordinance.

(II) Senior Managers

During the year, the senior management responsibilities of the Group were vested with the Chairman in conjunction with two other Directors, namely, Messrs. T. Y. Ng and P. Y. C. Tsui. Only these three Directors are regarded as members of the Group's senior management.

(C) Pension Schemes

(I) Nature of the Pension Schemes

The Group currently operates a number of pension schemes. The schemes are available to the employees of the Group.

The assets of the schemes are held separately by independently administered funds.

(II) Funding of the Pension Schemes

For the defined contribution scheme, both the Group and the employees contribute respectively to the scheme sums which represent percentages of the employees' salaries as defined under the relevant trust deeds.

The principal defined benefit scheme is funded by contributions from the employers, which are in accordance with recommendations made by the actuaries based on their valuation.

(III) Forfeited Contributions

For the defined contribution scheme, the contributions are expensed as incurred and may be reduced by contributions forfeited by those employees who have left the scheme prior to vesting fully in the contributions.

(IV) Cost of Retirement Benefits

The total employers' cost in respect of all pension schemes of the Group, including the cost related to the Mandatory Provident Fund which is not operated by the Group, charged to profit and loss account during the year ended 31st December, 2001 amounted to HK$2.7 million, after a forfeiture of the Group's contributions of HK$0.7 million.

(V) Outline of the Results of Valuation

For the principal defined benefit scheme, the most recent formal independent actuarial valuation (the "Valuation") was carried out as at 31st December, 2001 by Watson Wyatt Hong Kong Limited.

The Valuation was based on the attained age method. The adopted rates for salary increments were 0% for 2002, 2% for 2003 and 2004 and 4% for 2005 and thereafter. The adopted rate for interest increments was 4.5%.

The funding ratio of the scheme was 91.8% at the date of the Valuation.

(D) Major Customers and Suppliers

For the year ended 31st December, 2001:

(I) the aggregate amount of purchases (not including purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

(II) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(E) Disclosure Under Practice Note 19

In relation to the provision of financial assistance by the Company and/or its subsidiaries to wholly-owned subsidiaries of an associate of the Company, namely, Hopfield Holdings Limited ("Hopfield") (together, the "Borrowers"), as previously disclosed in the Company's interim report for the half-year ended 30th June, 2001, obligations in relation to the abovementioned financial assistance by the Group continued to exist as at 31st December, 2001.

Set out below is a proforma combined balance sheet of the Borrowers as at 28th February, 2002 (being the latest practicable date for determining the relevant figures) required to be disclosed under Practice Note 19 of the Listing Rules:

Proforma Combined Balance Sheet of the Borrowers
As at 28th February, 2002

	HK$ Million
Properties under development	6,885.3
Other net current liabilities	(1,318.0)
Bank loans	(1,022.3)
Other non-current liabilities	(6.5)
	4,538.5
Shareholders' loans	(4,504.5)
Shareholders' funds	34.0

Financial assistance given by the Company and/or its subsidiary(ies) is made up as follows:

Loan advances	**Guaranteed bank facilities**		**Total**
	Amount drawn	**Not yet drawn**	
HK$ Million	*HK$ Million*	*HK$ Million*	*HK$ Million*
900.9	204.5	180.0	1,285.4

Note: The Group's interest in Hopfield was 20% as at 28th February, 2002.

Terms of the Financial Assistance

The loan in the amount of HK$900.9 million made to the Borrowers bears interest at such rate as may be agreed from time to time among all Hopfield's shareholders, with reference to interest rates prevailing in the lending market, currently being fixed at 3.5% per annum (also applicable to all the loans made to Hopfield's subsidiaries by all other shareholders of Hopfield). The loan is not repayable for so long as any borrowings under the abovementioned guaranteed bank facilities remain outstanding, except under certain circumstances as permitted under the relevant agreement for those bank facilities. No security is provided to the Group for the loan.

The Group's *pro rata* share of its financial obligation in respect of the bank facilities available to the Borrowers amounted to HK$384.5 million of which HK$204.5 million has been drawn. Such bank facilities have been obtained on normal commercial terms and at interest rates prevailing in the lending market. No security is provided to the Group by the Borrowers against the issue of the relevant guarantee by the Group.

(F) Directors' Interests in Competing Business

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules of the Stock Exchange:

Three Directors of the Company, namely, Messrs. G. W. J. Li, T. Y. Ng and P. Y. C. Tsui, being also directors of the Company's parent company, namely, Wharf, and/or subsidiaries of Wharf, are considered as having an interest in Wharf under paragraph 8.10 of the Listing Rules.

Ownership of property for letting and ownership of hotels by wholly-owned subsidiaries of Wharf constitute competing businesses to the Group.

The commercial premises at Harbour City, being in the vicinity of The Marco Polo Hongkong Hotel, owned by the Wharf group for rental purposes are considered as competing with the commercial premises in The Marco Polo Hongkong Hotel owned by the Group. In view of Wharf group's extensive experience and expertise in property letting and management, the Group has appointed a Wharf's subsidiary (the "Agents") as the agent for a term of 5 years commencing from 1st January, 1999 for the letting, reletting, management, licensing and re-licensing of the commercial premises in The Marco Polo Hongkong Hotel. Since the Group's commercial premises are targeted at different customers and would attract different tenants compared to those owned by the Wharf group, the Group considers that its interest regarding the business of owning and letting of commercial premises is adequately safeguarded.

Two hotels, namely, The Marco Polo Gateway and The Marco Polo Prince, owned by the Wharf group are also considered as competing businesses of The Marco Polo Hongkong Hotel owned by the Group. In view of Wharf group's expertise and very good track records in the management and operation of hotels throughout the Asia Pacific region, the Group has entered into an operations agreement (the "Agreement") with a wholly-owned subsidiary (the "Operator") of Wharf for the appointment of the Operator as manager for an initial term of 5 years commencing from 1st January, 1999 to operate, direct, manage and supervise The Marco Polo Hongkong Hotel. The Operator is also responsible for the operation of The Marco Polo Gateway and The Marco Polo Prince. Under the terms and conditions of the Agreement, the Operator has agreed, *inter alia*, to operate The Marco Polo Hongkong Hotel as a first class hotel. In the event of the Operator failing to perform the terms and conditions of the Agreement for a period of 20 days after a relevant notice has been served by the Group on the Operator, a 20-day notice of termination may then be given by the Group for terminating the Agreement. Hence, the Group is capable of carrying on its hotel business independently of the Wharf group.

For safeguarding the interests of the Group, the independent non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's hotel and property leasing and management businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wharf group.

(G) Compliance with Code of Best Practice

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.