

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 2002 Results and Segmental Performance

Group profit attributable to shareholders for the year amounted to HK\$16.2 million, compared to a loss of HK\$113.1 million for 2001. Included in the results of 2001 was a provision of HK\$301.5 million for impairment in value of listed securities. Earnings per share for 2002 amounted to HK\$0.05 (2001: loss per share HK\$0.36).

The Group’s turnover for the year under review was HK\$335.2 million, a decrease of 17% from the restated turnover of HK\$404.1 million for 2001. Operating profit in 2002 was HK\$130.2 million, a decrease of 20% from that of HK\$161.9 million reported last year.

Though The Marco Polo Hongkong Hotel achieved satisfactory occupancy levels and average room rates in 2002, total revenue and operating profit of the hotel segment decreased by 9% and 15% respectively, partly due to the intense competition in the hotel industry and temporary closure of some food and beverage outlets for renovation during 2002. In terms of room yield, the hotel ranked highly against its competitors in 2002. The Coffee Shop, the major food and beverage income contributor, temporarily stopped its operation from late May 2002 to Mid January 2003 because of renovation.

Rental revenue and operating profit from the commercial section of The Marco Polo Hongkong Hotel were also adversely affected following the commencement of the retail podium upgrade project, which will enhance the value and quality of the whole retail space at the hotel.

Profit before taxation for the year under review includes deferred interest income of HK\$70.9 million, arising from a loan advanced to an associate for a property development, recognised as in previous years on the basis of the pre-sale progress of the development. Profit before taxation also includes a HK\$20.4 million net loss on disposal of certain investment securities and a HK\$43.3 million provision made for impairment in value of the Group’s property under redevelopment, namely, the Victoria Road site, having taken into account the prevailing market conditions.

Share of losses of associates amounted to HK\$102.2 million compared to a profit of HK\$10.3 million in 2001. The losses in 2002 mainly resulted from an impairment provision made by an associate in respect of its property development, namely, Sorrento.

Full year taxation charged for 2002 was HK\$19.0 million compared to HK\$12.7 million last year.



DISCLOSURE OF FURTHER CORPORATE INFORMATION (Cont'd)

(II) Liquidity and Financial Resources

At 31st December, 2002, the Group's shareholders' funds decreased to HK\$4,249.0 million, compared to the restated shareholders' funds of HK\$4,814.1 million at 31st December, 2001, primarily due to the downward revaluation of the Group's properties.

As at 31st December, 2002, the Group had net cash of HK\$572.8 million, an increase of 23% from HK\$467.4 million as at 31st December, 2001. Most of the cash surpluses were placed on deposit. In addition, the Group maintained a portfolio of listed investments with market value aggregating HK\$523 million at the year end. The investment revaluation deficit of HK\$155.6 million arising from revaluation of the investment portfolio at 31st December, 2002 has been dealt with in the investment securities revaluation reserve. The performance of the investment portfolio is basically in line with the general market trend of the stock markets.

The project loan facility relating to the development of Sorrento (Kowloon Station Package II), in which the Group has a 20% interest, has been reduced to HK\$438 million as a result of loan repayment from pre-sale proceeds during the year under review.

At the year end, the Group had 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 2 to the Accounts on pages 35 to 36.

(IV) Employees

The Group has approximately 440 employees working at the Group's hotel. 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 year ended 31st December, 2002 amounted to HK\$85.3 million.

Detailed information is set out in Note 3 to the Accounts on page 36.



DISCLOSURE OF FURTHER CORPORATE INFORMATION (Cont'd)

(B) Biographical Details of Directors and Senior Managers

(I) Directors

Gonzaga Wei Jen LI, Chairman (Age: 73)

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 of Marco Polo Developments Limited (“MPDL”) in Singapore and also a director of Joyce Boutique Holdings Limited (“Joyce”). Furthermore, he is a director of Kowloon Estates Limited (“Kowloon Estates”), WF Investment Partners Limited (“WF Investment”), 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: 55)

Mr. Forsgate has been a Director of the Company since November 2001. He is also the managing director of Eralda Industries Limited.

Tze Yuen NG, Director (Age: 55)

Mr. Ng has been a Director of the Company since 1994. He is also a director of Wharf, Joyce, New Asia and MPDL in Singapore. Furthermore, he is a director of Kowloon Estates, WF Investment, which, as well as 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: 86)

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: 67)

Mr. de Lacy Staunton has been a Director of the Company since May 2001. He was formerly a director of The Cross-Harbour (Holdings) Limited.

DISCLOSURE OF FURTHER CORPORATE INFORMATION (Cont'd)

Paul Yiu Cheung TSUI, Director (Age: 56)

Mr. Tsui has been a Director of the Company since 1998. He is also an executive director of Wheelock, the senior managing director of Harriman Realty Company, Limited, the senior deputy managing director of Wheelock Properties Limited and a director of Joyce and MPDL in Singapore. Furthermore, he is a director of Diplock Holdings Limited, Kowloon Estates, Upfront International Limited and WF Investment, which, as well as Wheelock, 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 defined contribution schemes, both the Group and the employees contribute respectively to the schemes 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 defined contribution schemes, 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 Pension Schemes

The total employers' cost in respect of all pension schemes of the Group, including costs relating to the Mandatory Provident Fund which is not operated by the Group, charged to profit and loss account during the financial year ended 31st December, 2002 amounted to HK\$4.8 million, after deducting forfeiture of contributions by the Group of HK\$0.5 million.



DISCLOSURE OF FURTHER CORPORATE INFORMATION (Cont'd)

(V) Outline of the Results of Valuation

The outline of results of valuation of the Group's defined benefit schemes are set out below:

| Name of valuers | Method of valuation | Date of valuation | Funding ratio |
|--------------------------------|------------------------------|--------------------------|----------------------|
| HSBC Life | Projected Unit Credit Method | 31st December, 2002 | 90.1% |
| Watson Wyatt Hong Kong Limited | Projected Unit Credit Method | 31st December, 2002 | 118.8% |

(D) Major Customers and Suppliers

For the year ended 31st December, 2002:

- (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 two 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 period ended 30th June, 2002, obligations in relation to the aforesaid financial assistance by the Group continued to exist as at 31st December, 2002.

DISCLOSURE OF FURTHER CORPORATE INFORMATION (Cont'd)

Set out below is a proforma combined balance sheet of the Borrowers as at 28th February, 2003 (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, 2003

| | <i>HK\$ Million</i> |
|-------------------------------|--|
| Properties under development | 3,167.6 |
| Properties held for sale | 895.1 |
| Other net current liabilities | (524.9) |
| | <hr/> |
| | 3,537.8 |
| Shareholders' loan | (3,994.0) |
| | <hr/> |
| Shareholders' deficit | (456.2) |
| | <hr style="border-top: 3px solid black;"/> |

Financial assistance given by the Company and/or its subsidiary(ies) is loan advances amounted to HK\$798.8 million.

Note: The Group's interest in Hopfield was 20% as at 28th February, 2003.

Terms of the Financial Assistance

The loan in the amount of HK\$798.8 million made to the Borrowers bears interest at such rate as may from time to time be agreed among all Hopfield's shareholders, with reference to interest rates prevailing in the lending market, currently being fixed at 2.5% per annum (also applicable to all the loans made to Hopfield's subsidiaries by all other shareholders of Hopfield). No security is provided to the Group for the loan.

(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.



DISCLOSURE OF FURTHER CORPORATE INFORMATION (Cont'd)

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 the Wharf group's extensive experience and expertise in property letting and management, the Group has appointed a subsidiary of Wharf (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 the Wharf group's expertise and very good track record 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 financial year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

