

## 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 2003 Results and Segmental Performance

Group profit attributable to shareholders for the year amounted to HK\$169.4 million, compared to HK\$12.8 million for 2002. Earnings per share for 2003 were HK\$0.54 (2002 restated: HK\$0.04).

Included in the 2003 results is a provision for the impairment of investment securities of HK\$128.2 million. Despite this provision and the outbreak of the severe acute respiratory syndrome (“SARS”) in March 2003 seriously lowering the results of the Hotel Segment for the year, the Group’s profit in 2003 has been buoyed by the profit contribution from its 20% associate, the developer of the Sorrento development.

The Group’s turnover for the year under review was HK\$308.7 million, a decrease of 8% from HK\$335.2 million for 2002. Operating profit in 2003 was HK\$111.5 million against HK\$130.2 million reported last year.

Adversely impacted by the SARS outbreak, The Marco Polo Hongkong Hotel recorded lower occupancy levels and average room rates in 2003. Total revenue and operating profit of the Hotel Segment decreased by 11% and 31% respectively, though the businesses started picking up as soon as the SARS incidence stabilised from mid-2003.

Following the successful completion in mid-2003 of the upgrading project for the retail podium within The Marco Polo Hongkong Hotel, the Group’s Property Segment rental revenue and operating profit increased to HK\$40.3 million and HK\$26.8 million in 2003 from HK\$26.8 million and HK\$17.9 million in 2002 respectively.

As mentioned above, the Group made a provision for the impairment of investment securities of HK\$128.2 million, being a transfer of investment securities revaluation deficit accumulated in previous years to the profit and loss account for the year in accordance with the Group’s accounting policies, reflecting the impairment of certain of the Group’s investment securities. This does not have any effect on the net asset value of the Group.

## DISCLOSURE OF FURTHER CORPORATE INFORMATION (cont'd)

Profit before taxation for the year under review includes deferred interest income of HK\$83.8 million, arising from a loan advanced to an associate for the Sorrento development, recognised, as in previous years, on the basis of the pre-sale progress of the development. It also includes a net profit of HK\$19.3 million on disposal of certain investment securities during the year and a provision of HK\$9.3 million made for impairment in value of the Group's property under redevelopment, namely, the Victoria Road site, having due regard to the prevailing market conditions.

Share of profits of associates in 2003 amounted to HK\$124.9 million, largely contributed from sale of Sorrento units held through an associate, compared to the losses of HK\$102.2 million in 2002 comprising principally an impairment provision made for the Sorrento development.

The full year taxation charge for 2003 was HK\$32.6 million as opposed to HK\$22.4 million last year. The increase is partly due to a rise of Profits Tax rate from 16% to 17.5%.

### (II) Liquidity and Financial Resources

At 31st December, 2003, the Group's shareholders' funds increased to HK\$4,686.6 million, compared to the restated shareholders' funds of HK\$4,239.7 million at 31st December, 2002, primarily due to the upward revaluation of the Group's properties and investment securities. The consolidated net asset value of the Group at that date was HK\$14.88 per share, compared to that of HK\$13.46 per share at 31st December, 2002.

As at 31st December, 2003, the Group had net cash of HK\$1,277.4 million, increased from HK\$572.8 million as at 31st December, 2002. The increase was mainly attributable to the return of cash from sales of Sorrento units undertaken by an associate. Most of the cash surpluses were placed on deposit. In addition, the Group maintained a portfolio of listed investments with market value aggregating HK\$550 million at the year end. As a result of the improvement in market value of the overall portfolio coupled with the transfer of certain revaluation deficit against the 2003 results, the investment revaluation deficit decreased by HK\$232.1 million resulting in a turnaround to a surplus of HK\$9.2 million at 31st December, 2003.

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 38 to 39.

### (IV) Employees

The Group has approximately 444 employees working in 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, 2003 amounted to HK\$77.8 million.

Detailed information is set out in note 3 to the Accounts on page 39.

## (B) Biographical Details of Directors and Senior Managers

### (I) Directors

#### **Gonzaga Wei Jen LI**, *Chairman (Age: 74)*

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"), 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").

#### **Brian Stuart FORSGATE**, *Director (Age: 56)*

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

#### **Chun Chien HAUNG**, *Director (Age: 81)*

Mr. Haung was appointed a Director of the Company on 29th May, 2003. He was a former Director of the Company from October 2001 to June 2002 and had been the chairman of The World-Wide Investment Company Limited ("WWICL") from 1989 to 1991 and the chairman of the advisory board of WWICL. He is now a director/member of a charitable institution.

## DISCLOSURE OF FURTHER CORPORATE INFORMATION (cont'd)

**Tze Yuen NG, Director (Age: 56)**

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.

**Hugh Maurice Victor de LACY STAUNTON, Director (Age: 68)**

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. He is a member of the investment sub-committee of The Community Chest and an advisor to The Bradbury Charitable Foundation.

**Paul Yiu Cheung TSUI, Director (Age: 57)**

Mr. Tsui has been a Director of the Company since 1998. He is also an executive director of Wheelock and a director of Joyce and MPDL in Singapore.

*Note: Wheelock, Wharf, Diplock Holdings Limited, WF Investment Partners Limited, Wharf Estates Limited and Upfront International Limited (of which Mr. G. W. J. Li, P. Y. C. Tsui and/or Mr. T. Y. Ng is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").*

**(II) Senior Managers**

During the year, the senior management responsibilities of the Group were vested with the Chairman in conjunction with another Director, namely, Mr. T. Y. Ng. Only these two Directors are regarded as members of the Group's senior management.

## DISCLOSURE OF FURTHER CORPORATE INFORMATION (cont'd)

### (C) Directors' Interests in Shares

At 31st December, 2003, Directors of the Company had the following personal beneficial interests, all being long positions, in ordinary shares of the Company's parent company, namely, The Wharf (Holdings) Limited ("Wharf"), and the percentages which the shares represented to the issued share capital of Wharf:

| <b>Names of Directors</b> | <b>Number of Shares<br/>(percentage of issued capital)</b> |
|---------------------------|--|
| Mr. Gonzaga W. J. Li      | 686,549 (0.028%)   |
| Mr. T. Y. Ng              | 178,016 (0.007%)   |

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests, both long and short positions, held as at 31st December, 2003 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial year no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

## DISCLOSURE OF FURTHER CORPORATE INFORMATION (cont'd)

### (D) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31st December, 2003 as recorded in the register kept by the Company under section 336 of the SFO and the percentages which the shares represented to the issued share capital of the Company:

| Names                                  | No. of Ordinary Shares<br>(percentage of issued capital) |
|--|--|
| (i) Upfront International Limited      | 210,379,500 (66.79%)                                     |
| (ii) Wharf Estates Limited             | 210,379,500 (66.79%)                                     |
| (iii) The Wharf (Holdings) Limited     | 210,379,500 (66.79%)                                     |
| (iv) Diplock Holdings Limited          | 210,379,500 (66.79%)                                     |
| (v) WF Investment Partners Limited     | 210,379,500 (66.79%)                                     |
| (vi) Wheelock and Company Limited      | 210,379,500 (66.79%)                                     |
| (vii) Bermuda Trust (Guernsey) Limited | 210,379,500 (66.79%)                                     |
| (viii) Harson Investment Limited       | 25,357,500 (8.05%)                                       |

*Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (vii) above in that they represent the same block of shares.*

All the interests stated above represented long positions and as at 31st December, 2003, there were no short positions recorded in the abovementioned register.

### (E) Major Customers and Suppliers

For the year ended 31st December, 2003:

- (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.

## DISCLOSURE OF FURTHER CORPORATE INFORMATION (cont'd)

### (F) 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 period ended 30th June, 2003, obligations in relation to the aforesaid financial assistance by the Group continued to exist as at 31st December, 2003.

Set out below is a proforma combined balance sheet of the Borrowers as at 29th February, 2004 (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 29th February, 2004

|                          | HK\$ Million     |
|--------------------------|------------------|
| Properties held for sale | 231.4            |
| Other non-current assets | 161.5            |
| Other net current assets | 559.0            |
|                          | <hr/>            |
| Shareholders’ loans      | 951.9<br>(708.4) |
|                          | <hr/>            |
| Shareholders’ funds      | 243.5            |
|                          | <hr/>            |

Financial assistance given by the Company and/or its subsidiary(ies) represents loan advances amounting to HK\$141.7 million.

*Note: The Group’s interest in Hopfield was 20% as at 29th February, 2004.*

#### Terms of the Financial Assistance

The loan in the amount of HK\$141.7 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 0.7% per annum (also applicable to all the loans made to Hopfield’s subsidiaries by all other shareholders of Hopfield). The loan is repayable on demand, and is provided without any security.

### **(G) Directors' Interests in Competing Business**

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

Two Directors of the Company, namely, Messrs. G. W. J. Li and T. Y. Ng, 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 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 up to 31st May, 2008 for the letting, reletting, management, licensing and re-licensing of the commercial premises in The Marco Polo Hongkong Hotel. Since in many cases, 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 3 years commencing from 1st January, 2004 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.



## DISCLOSURE OF FURTHER CORPORATE INFORMATION (cont'd)

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.

### **(H) Purchase, Sale or Redemption of Shares**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

### **(I) 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.