

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 2004 Results and Segmental Performance

The Group’s profit attributable to shareholders for the year amounted to HK\$250.7 million, increased by 48.0% as compared with the profit of HK\$169.4 million for 2003. Earnings per share were HK\$0.80 (2003: HK\$0.54).

The sharp improvement in the results was mainly attributable to the increase in profit contribution from both the Hotel Segment and Property Segment that had attained strong recovery in their businesses as compared with the previous year, in the first half of which the economy of Hong Kong was severely affected by the outbreak of SARS.

The Group’s turnover for the year under review was HK\$445.0 million, an increase by 44.2% from HK\$308.7 million achieved in 2003. Operating profit jumped to HK\$202.4 million from HK\$111.5 million reported last year.

The Marco Polo Hongkong Hotel recorded higher occupancy levels and average room rates in 2004. Total revenue and operating profit of the Hotel Segment increased to HK\$333.7 million and HK\$108.9 million in 2004 compared to HK\$238.8 million and HK\$46.2 million in 2003, respectively.

After the completion of the upgrading project for the retail podium within The Marco Polo Hongkong Hotel in mid-2003, the occupancy has gradually returned to a steady level. Consequently, the Property Segment revenue and operating profit increased to HK\$82.8 million and HK\$74.1 million in 2004 from HK\$40.3 million and HK\$26.8 million in 2003, respectively.

Profit before taxation for the year under review included deferred interest income of HK\$20.9 million (2003: HK\$83.8 million), which was earned from a loan advanced to an associate involved in the Sorrento project and recognised as in previous years on the basis of the sale progress of the project. A net loss of HK\$10.0 million on disposal of certain securities was recorded during the year.

Share of profits of associates in 2004 amounted to HK\$64.8 million, largely contributed from sale of Sorrento units held through an associate, compared to the HK\$124.9 million recorded in the previous year. All Phase I units and 97% Phase II units of Sorrento were sold by 2004 year-end, and profit contribution from the project has been recognised accordingly.

The taxation charge for 2004 was HK\$37.4 million as opposed to HK\$32.6 million recorded in the previous year. The increase is mainly due to the increase in operating profit.

(II) Liquidity and financial resources

At 31st December, 2004, the Group's shareholders' funds stood at HK\$5,462.7 million or HK\$17.34 per share, an increase from HK\$4,686.6 million or HK\$14.88 per share at 31st December, 2003, respectively.

As at 31st December, 2004, the Group had net cash of HK\$1,737.5 million, against HK\$1,277.4 million as at 31st December, 2003. The increase was mainly generated from the Group's operating income and the distribution of cash by the associate undertaking the Sorrento project. Most of the cash surpluses were placed on deposit. In addition, the Group maintained a portfolio of listed investments with market value aggregating HK\$820.4 million at 31st December, 2004 (2003: HK\$550.0 million). The Group's investment revaluation surplus increased by HK\$263.3 million to HK\$272.5 million at 31st December, 2004, mainly as a result of the upsurge in market value of its investment portfolio. The performance of the portfolio is generally in line with the trend of the stock markets.

At the year end, the Group had no significant exposure to foreign exchange rate fluctuations.

(III) Future changes in accounting policies

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively, "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December, 2004 and is in the process of making an assessment of the impact of these new HKFRSs. The Group has so far concluded that the adoption of Hong Kong Accounting Standards ("HKAS") 40 "Investment Property" and HKAS Interpretation 23 "The Appropriate Policies for Hotel Properties" would have a significant impact on its consolidated accounts as detailed in Note 23 to the Accounts on pages 60 and 61.

The Group is continuing its assessment of the impact of the new HKFRSs and other significant changes may be identified as a result of this assessment.

(IV) Employees

The Group has approximately 450 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, 2004 amounted to HK\$84.2 million.

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

(B) Biographical Details of Directors and Senior Managers etc.

(I) Directors

Gonzaga Wei Jen LI, *Chairman (Age: 75)*

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 Wheelock Properties Limited ("WPL") and Wheelock Properties (Singapore) Limited ("WPSL") in Singapore and also a director of Joyce Boutique Holdings Limited ("Joyce") and Modern Terminals Limited ("Modern Terminals").

Brian Stuart FORSGATE, *Director (Age: 57)*

Mr. Forsgate has been an independent Non-executive Director of the Company since 2001. He also serves as the chairman of the Company's Audit Committee. He is also the chairman and the managing director of Eralda Industries Limited.

Chun Chien HAUNG, *Director (Age: 82)*

Mr. Haung has been an independent Non-executive Director of the Company since 2003. He also serves as a member of the Company's Audit Committee. 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.

Tze Yuen NG, Director (Age: 57)

Mr. Ng has been a Director of the Company since 1994. He is also a director of Wharf, Joyce, WPL, Modern Terminals and WPSL in Singapore. He is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Hugh Maurice Victor de LACY STAUNTON, Director (Age: 69)

Mr. de Lacy Staunton has been an independent Non-executive Director of the Company since 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.

Man Kou TAN, Director (Age: 69)

Mr. Tan was appointed a Director of the Company in September 2004 and has since been an independent Non-executive Director. He also serves as a member of the Company's Audit Committee. He is a consultant of Deloitte Touche Tohmatsu, Hong Kong, and has over 30 years of public accounting experience. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Furthermore, he is a member of the Chinese People's Political Consultative Conference and a member of the Selection Committee of the Hong Kong Special Administrative Region. For community services, Mr. Tan has been a member, the honorary treasurer, and the chairman of the Hong Kong Housing Society for more than 20 years. He formerly was also a member of the Airport Consultative Committee.

Notes: (1) Wheelock, Wharf, WF Investment Partners Limited and Wharf Estates Limited (of which Mr. G. W. J. Li 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").

(2) The Company has received from each independent Non-executive Director an annual confirmation of his independence pursuant to the Listing Rules, and the Company still considers the independent Non-executive Directors to be independent.

DISCLOSURE OF FURTHER CORPORATE INFORMATION (cont'd)

(II) Senior Managers

During the year, the senior management responsibilities of the Group were vested with the Chairman in conjunction with the Group's Hotel Manager, namely, Marco Polo Hotels Management Limited, and the Group's Commercial Section Manager, namely, Harbour City Estates Limited.

(C) Directors' Interests in Shares

At 31st December, 2004, Directors of the Company had the following personal beneficial interests, all being long positions, in the 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 are also set out below:

Names of Directors	Number of Shares (percentage of issued capital)
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 Issuers:

- (i) there were no interests, both long and short positions, held as at 31st December, 2004 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 as at 31st December, 2004, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (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) WF Investment Partners Limited	210,379,500 (66.79%)
(v) Wheelock and Company Limited	210,379,500 (66.79%)
(vi) HSBC Trustee (Guernsey) Limited	210,379,500 (66.79%)
(vii) Harson Investment Limited	25,357,500 (8.05%)

Note: (1) 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 (vi) above in that they represent the same block of shares.

(2) Due to the amalgamation of Bermuda Trust (Guernsey) Limited with HSBC Trustee (Guernsey) Limited into one company known as HSBC Trustee (Guernsey) Limited with effect from 1st January, 2005, the name of Bermuda Trust (Guernsey) Limited, which appeared in the Register prior to 1st January, 2005, has been accordingly amended to become HSBC Trustee (Guernsey) Limited.

All the interests stated above represented long positions and as at 31st December, 2004, there were no short position interests recorded in the Register.

(E) Major Customers and Suppliers

For the year ended 31st December, 2004:

- (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.

(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:

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.

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 a 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 two hotels in Hong Kong, namely, The Marco Polo Gateway and The Marco Polo Prince, and some other hotels in the Asia Pacific region. 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.

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) Disclosure regarding Continuing Connected Transaction

On 23rd December, 2004, a tenancy agreement (the “Agreement”) in respect of Shop OT G64, Ground Floor, Ocean Terminal, Harbour City (the “Premises”) for the period from 10th January, 2005 to 9th January, 2008 was entered into by The Hongkong Hotel Limited (“HHL”), a wholly-owned subsidiary of the Company, as the tenant with the landlord, namely, Wharf Realty Limited (“WRL”), which is a wholly-owned subsidiary of The Wharf (Holdings) Limited (“Wharf”).

The aggregate rental payable by HHL to WRL under the Agreement for the three financial years ending 31st December, 2008 would be HK\$1.26 million per annum. There is a right for either party to early terminate the tenancy at any time after the expiry of the first 12 months of the term (such initial 12-month period being a fixed term under the tenancy agreement without any default provision) by serving on the other party a 3-month prior written notice without payment of any compensation by either party.

As the Company is a 67%-owned subsidiary of Wharf, the transaction constitutes a continuing connected transaction for the Company under the Listing Rules. The Premises are presently leased by WRL to HHL for use as a function and banquet room ancillary to The Marco Polo Hongkong Hotel which is owned by HHL, generating satisfactory revenue to HHL. The term of the Agreement commenced immediately upon the expiry on 9th January, 2005 of a previous tenancy agreement in respect of the Premises. As the Premises continue to be needed by HHL for the business operations of The Marco Polo Hongkong Hotel and are expected to continue to generate satisfactory revenue to HHL, the transaction is beneficial to the Group and also to the shareholders of the Company as a whole.

(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 previously set out in Appendix 14 of the Listing Rules of the Stock Exchange prior to 1st January, 2005, which remain applicable to disclosure in annual reports in respect of accounting periods commencing before 1st January, 2005 under the transitional arrangement. Nevertheless, a continuing connected transaction in relation to the tenancy between HHL and WRL in respect of the Premises (as disclosed in paragraph (G) above), being a matter involving conflict of interest for Wharf, the Company’s parent company, was not approved by a meeting of the Company’s Directors in accordance with the provisions of paragraph 11 of the abovementioned Code of Best Practice, but instead was duly approved by Resolutions in Writing of the Board of Directors of the Company.