



1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the valuation of hotel properties, investment properties and investments in securities.

(b) Subsidiaries

- (i) A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its Board of Directors.
- (ii) The Company's interests in subsidiaries are stated at cost less any provision made to the extent that the Directors consider significant permanent diminution in value has taken place.

The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Basis of consolidation

- (i) The Group accounts include the accounts of the Company and all its subsidiaries. All significant transactions between and among the Company and its subsidiaries are eliminated on consolidation. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition.
- (ii) Minority interests represent the interests of outside members in the operating results and net assets of subsidiaries.
- (iii) The reserve on acquisition represents the excess of the fair value based on independent appraisals of the net assets of subsidiaries and associated companies at the dates of acquisition over the consideration paid and is included in capital reserve.
- (iv) Associated companies are companies other than subsidiaries in which the Group has long term equity interests and has the ability to exercise significant influence in their management. Associated companies are accounted for by the Group under the equity method of accounting.



Notes to the Accounts

For the year ended 31 December 2000

1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Revenue recognition

- (i) Hotel revenue from room rentals, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (ii) Revenue in respect of hotel management and related services is recognised when the services are rendered.
- (iii) Rental revenue from properties is recognised on a straight line basis over the periods of the respective leases.
- (iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (v) Dividend income from other investments is recognised when the right to receive payment is established.

(e) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

(f) Fixed assets

(i) *Hotel properties*

Hotel properties are interests in land and buildings and their integral fixed plant, and are stated at valuations in the balance sheet except for newly opened hotels which have not completed two full years of operation and are stated at cost. Independent valuations are performed at intervals not exceeding three years on an open market for existing use basis as fully operational business units. In the intervening years the Directors review the carrying value of each property and independent valuation is performed where there are indications of a material change. Changes in the value of hotel properties are dealt with as movements in the hotel properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on an individual basis, the excess of the deficit is charged to the profit and loss account. No depreciation is provided on hotel properties held on leases (including land use rights) of more than 20 years. It is the Group's practice to maintain the properties in a continual state of sound repair and maintenance, and accordingly the Directors consider that depreciation is not necessary due to their high residual values. The related maintenance expenditure is dealt with in the profit and loss account in the year of expenditure.

Hotel properties held on leases (including land use rights) of which the unexpired term is 20 years or less are depreciated on the straight line basis over the unexpired period of the leases.



1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) Fixed assets (Cont'd)

(ii) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, and which are held for their long term investment potential, any rental income being negotiated at arm's length. Investment properties are stated at annual professional valuations at the balance sheet date. Changes in the value of investment properties are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the straight line basis over the unexpired period of the leases.

The gain or loss on disposal of an investment property, representing the difference between the net sales proceeds and the carrying amount of the relevant asset together with any revaluation reserve balance remaining attributable to the relevant asset, is recognised in the profit and loss account.

(iii) Properties under development

Properties under development are investments in land and buildings under construction. The investments are stated at cost, which comprises land costs, fees for land use rights and development costs including attributable interest and professional charges capitalised during the development period. No depreciation is provided on properties under development.

(iv) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of other tangible fixed assets is calculated to write off their cost, less residual value, on the straight line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:-

Other land and buildings	2.5%
Furniture, fixtures and equipment	10% to 33 $\frac{1}{3}$ %
Motor vehicles	25%
Plant and machinery	5% to 10%

(v) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.



Notes to the Accounts

For the year ended 31 December 2000

1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) Fixed assets (Cont'd)

(vi) *Cost of restoring and improving other tangible fixed assets*

Major costs incurred in restoring other tangible fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(vii) *Impairment of fixed assets*

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal. Expected future cash flows have been discounted in determining the recoverable amount.

The amount of the reduction to recoverable amount is charged to the profit and loss account, unless it reverses a previous revaluation increase, in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item or group of identical assets.

(g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payment made under operating leases net of any incentives received from the leasing company are charged to profit and loss on a straight-line basis over the lease periods.

(h) Intangible assets

(i) Intellectual property rights are stated at valuation, less any permanent diminution in value that the Directors consider necessary.

(ii) In the previous financial years, pre-operating expenses were stated at cost and amortised over five years by equal annual instalments commencing from the first year of operation.

With effect from 1 January 2000, this policy has been changed to charge the pre-operating expenses to the profit and loss account in the year in which the expenditure is incurred to comply with the requirement of the Interpretation Statement No. 9 "Accounting for pre-operating costs" issued by the Hong Kong Society of Accountants which became effective during the year. The change in accounting policy was applied retrospectively. The financial effects of the change in accounting policy, applied in accordance with the requirements of the Hong Kong Statement of Standard Accounting Practice No. 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies", are set out in note 25 to the accounts.



1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, being cost of purchase, is determined on a weighted average basis.

Net realisable value is the price at which inventories can be sold or realised in the normal course of business after allowing for the costs of realisation.

(j) Investments in securities

(i) Long term investments

Long term investments are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline that is judged to be other than temporary has occurred, the carrying amount of such securities is reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(ii) Other investments

Other investments being trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(k) Capitalisation of borrowing costs

Borrowing costs incurred on assets under development in progress that take a substantial period of time to be readied for their intended use or sale are capitalised into the carrying value of the hotel and investment properties. The capitalisation rate applied to funds borrowed for the development of these properties is 7%. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(l) Translation of foreign currencies

(i) Foreign currency transactions are translated into United States dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into United States dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.

(ii) The accounts of overseas subsidiaries are translated into United States dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are taken directly to the exchange fluctuation reserve.

(m) Retirement benefit costs

The Group's contribution to pension cost is charged directly to the profit and loss account as incurred.



Notes to the Accounts

For the year ended 31 December 2000

2 TURNOVER AND REVENUE

The Group owns and operates hotels and associated properties and provides hotel management and related services. Revenues recognised during the year are as follows:

	Group	
	2000 US\$'000	1999 US\$'000
Turnover		
Hotel operation:		
Room rentals	328,773	232,412
Food and beverage sales	269,356	194,142
Rendering of ancillary services	57,786	38,487
Hotel management and related service fees	9,930	12,722
Property rentals	17,835	7,993
	683,680	485,756
Other revenues		
Interest income	7,721	1,665
Dividend income	4,532	1,858
Realised and unrealised gain on other investments	1,646	4,435
Other income	648	3,807
	14,547	11,765
Total revenues	698,227	497,521

3 OPERATING PROFIT BEFORE FINANCE COSTS

	Group (Restated)	
	2000 US\$'000	1999 US\$'000
Operating profit before finance costs is stated after charging:		
Pre-operating expenses	1,392	5,935
Depreciation of fixed assets (net of amount capitalised of US\$37,000 (1999: US\$41,000))	60,262	41,461
Cost of inventories sold or consumed in operation	86,606	65,918
Auditors' remuneration	665	479
Deficit on valuation of hotel and investment properties	1,232	718
Operating lease rental in respect of land and buildings	10,673	9,801
Staff costs	165,447	124,774
Realised and unrealised loss on other investments	19,338	-
Provision for long term investments	230	-
Loss on disposals of fixed assets	1,144	1,849
Discarding of fixed assets due to properties renovations	4,234	-



4 FINANCE COSTS

	Group	
	2000 US\$'000	1999 US\$'000
Exchange differences	1,187	573
Interest on bank loans and overdrafts repayable within 5 years	72,653	54,352
Less: amount capitalised	-	(2,986)
	72,653	51,366
Finance and interest costs on convertible bonds		
Finance costs	5,450	5,849
Interest costs	6,565	6,768
Total finance and interest costs	12,015	12,617
Less: amount capitalised	-	(867)
	12,015	11,750
Total charged to the profit and loss account	85,855	63,689

5 SHARE OF RESULTS OF ASSOCIATED COMPANIES

	Group	
	2000 US\$'000	1999 US\$'000
Share of results of associated companies is stated after charging/(crediting):		
(Reversal of)/provision for deficit on valuation of hotel and investment properties	(2,021)	5,432
Profit arising from the dilution of interests in China World Trade Center Company Limited, including transfer from investment properties revaluation reserve	-	(29,366)



Notes to the Accounts

For the year ended 31 December 2000

6 TAXATION

	Group	
	2000 US\$'000	1999 US\$'000
Hong Kong profits tax		
– Provision for the year	8,737	4,549
– Deferred (<i>note 27(c)</i>)	(492)	(737)
Taxation outside Hong Kong		
– Provision for the year	20,711	16,591
– Deferred (<i>note 27(c)</i>)	(1,439)	956
Share of taxation attributable to associated companies	8,252	10,784
	35,769	32,143

- (a) Hong Kong profits tax is provided at 16% (1999: 16%) on the estimated assessable profits of group companies operating in Hong Kong.
- (b) Taxation outside Hong Kong includes withholding tax paid on dividends from a subsidiary and tax is provided at the prevailing rates on the estimated assessable profits of group companies operating outside Hong Kong.
- (c) Taxation attributable to associated companies represents share of overseas tax provided at the prevailing rates on the estimated assessable profits.

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of US\$16,193,000 (1999: US\$16,545,000).

8 DIVIDENDS

	Group	
	2000 US\$'000	1999 US\$'000
Interim – HK7 cents per share (1999: HK7 cents per share)	19,886	19,269
Proposed final – HK8 cents per share (1999: HK8 cents per share)	23,038	22,727
	42,924	41,996

The proposed dividend of US\$23,038,000 (1999: US\$22,727,000) for the year ended 31 December 2000 is calculated based on 2,246,167,434 shares (1999: 2,215,859,670 shares) in issue at the date of these accounts were approved.



9 EARNINGS PER SHARE

- (a) Basic earnings per share of US3.48 cents (1999 as restated: US3.51 cents) is calculated based on profit attributable to shareholders of US\$77,035,000 (1999 as restated: US\$66,850,000) and the weighted average number of 2,215,575,134 shares (1999: 1,905,044,677 shares) in issue during the year.
- (b) Diluted earnings per share is same as the basic earnings per share as there is no dilution effect arising from the share options (note 22) granted by the Company.

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors

The aggregate amounts of the Directors' emoluments pursuant to Sections 161 and 161A of the Hong Kong Companies Ordinance are as follows:

	Group	
	2000 US\$'000	1999 US\$'000
As directors	208	75
For management		
– basic salaries, housing allowances, other allowances and other benefits in kind	3,299	2,946
Discretionary bonus	1,057	494
Directors' pensions	105	35
	4,669	3,550

Apart from the aforesaid, during the years ended 31 December 2000 and 1999, no other emoluments have been paid.

The number of Directors whose emoluments fell within the following bands is:

	Number of directors			
	Executive		Non-executive	
	2000	1999	2000	1999
HK\$nil – HK\$1,000,000	–	1	7	6
HK\$1,500,001 – HK\$2,000,000	1	–	–	–
HK\$2,000,001 – HK\$2,500,000	–	–	1	–
HK\$2,500,001 – HK\$3,000,000	–	3	–	–
HK\$3,000,001 – HK\$3,500,000	1	1	–	–
HK\$3,500,001 – HK\$4,000,000	2	1	–	–
HK\$4,000,001 – HK\$4,500,000	1	–	–	–
HK\$4,500,001 – HK\$5,000,000	1	–	–	–
HK\$5,000,001 – HK\$5,500,000	–	1	–	–
HK\$5,500,001 – HK\$6,000,000	2	–	–	–
HK\$6,000,001 – HK\$6,500,000	–	1	–	–



Notes to the Accounts

For the year ended 31 December 2000

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONT'D)

(a) Directors (Cont'd)

Total emoluments payable to the independent non-executive Directors amounted to US\$111,111 (1999: US\$25,790).

No Directors have waived emoluments for the years ended 31 December 2000 and 1999.

(b) Highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (1999: three) Directors whose emoluments have been reflected in the analysis presented above. The total emoluments payable to the five highest paid individuals during the year are as follows:

	Group	
	2000	1999
	<i>US\$'000</i>	<i>US\$'000</i>
For management		
– basic salaries, housing allowances, other allowances and other benefits in kind	2,332	2,451
Discretionary bonus	810	537
Pensions	37	51
	3,179	3,039

The emoluments of the individuals who are not Directors fell within the following bands:

	Number of individuals	
	2000	1999
HK\$4,000,001 – HK\$4,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	–	1



11 PENSION SCHEME ARRANGEMENTS

The Group operates and participates in a number of pension and retirement schemes of both the defined contribution and defined benefit types. Principal schemes are as follows:

- (a) The defined contribution schemes (including the newly introduced Mandatory Provident Fund ("MPF") in Hong Kong) participated by the Group, other than those in the PRC, Singapore and Malaysia, require employers to contribute 5% to 10% of the employees' basic salaries and some of the schemes permit employees' contributions on a discretionary basis. The MPF requires both the employers and employees in Hong Kong to contribute 5% of their monthly gross earnings with a ceiling of HK\$1,000 (equivalent US\$128) per month. Under these schemes with the exception of MPF, the unvested benefits of employees terminating employment can be utilised by employers to reduce their future levels of contributions. The assets of these schemes are held separately from those of the Group in independently administered funds. The amounts of unvested benefits so utilised by employers during the year and available for the future reduction of employers' contributions as at 31 December 2000 were not material.

The Group's subsidiaries in the PRC, Singapore and Malaysia participate in defined contribution schemes managed by the respective local governments in the PRC, Singapore and Malaysia. Contributions are made based on a percentage, ranging from 7% to 26%, of the employee's salaries and bonus, if applicable, and were charged to the profit and loss account as incurred. The maximum contributions for the Group's subsidiaries in Singapore are fixed at S\$600 (equivalent US\$346) per month for monthly salaries and S\$600 (equivalent US\$346) for bonus payment by Singapore government. The employees of the Group's subsidiaries in Singapore and Malaysia are also required to contribute 20% and 11% of their gross salaries and bonus, if applicable, to such fund respectively.

- (b) The two defined benefit pension schemes in Hong Kong which required periodic contributions by the participating subsidiaries were officially wound up on 30 November 2000 following the introduction of the MPF scheme after obtaining consent of all members under the two schemes. The fund managers have relinquished the portfolio and all fund assets have been cashed and paid to the other defined contribution schemes in accordance with the members' entitlements based on the agreed arrangements. The surplus was credited to the profit and loss account for the year.

The defined benefit pension scheme in the Philippines requires no contribution by employees but periodic contributions by the participating subsidiaries as determined by periodic actuarial reviews. An actuarial valuation was performed by Ines G. Belleza, a qualified actuary, at 1 August 1999 using the Projected Unit Credit Actuarial Cost Method. The principal assumptions used in the actuarial valuation are that scheme assets will earn a yield of 12% per annum and salaries will increase by 10% per annum. According to this report, the unaudited market value of scheme assets was Peso 58,578,400 (equivalent US\$1,467,000) and the solvency surplus was Peso 25,590,300 (equivalent US\$641,000). According to the report, Edsa Shangri-La Hotel & Resort, Inc. needs to make a special contribution of Peso 599,600 (equivalent US\$15,000) while Mactan Shangri-La Hotel & Resort, Inc. needs to make a monthly contribution of 4.7% of monthly covered compensation plus a special contribution of Peso 8,729,200 (equivalent US\$219,000). Makati Shangri-La Hotel & Resort, Inc. does not need to make any contribution in 2000.

- (c) Total pension cost charged to the profit and loss account for the year under these schemes was US\$5,331,000 (1999: US\$5,297,000).



Notes to the Accounts

For the year ended 31 December 2000

12 FIXED ASSETS

	Group							Total US\$'000
	Hotel properties US\$'000	Investment properties US\$'000	Other land and buildings US\$'000	Properties under development US\$'000	Furniture, fixtures and equipment US\$'000	Motor vehicles US\$'000	Plant and machinery US\$'000	
Cost or valuation								
At 1 January 2000	2,803,697	333,678	62,350	157,655	401,466	13,014	67,307	3,839,167
Exchange difference	(62,885)	(8,298)	(2,180)	(370)	(9,520)	(172)	(5,414)	(88,839)
Additions	9,183	1,329	1,772	18,215	27,654	1,298	2,596	62,047
Transfer	(4,805)	-	(36)	(1,813)	1,459	-	5,195	-
Surplus/(deficit) on revaluation	215,453	(10,806)	-	-	-	-	-	204,647
Disposals	(25,124)	(7)	(61)	(156)	(12,529)	(1,042)	(282)	(39,201)
At 31 December 2000	2,935,519	315,896	61,845	173,531	408,530	13,098	69,402	3,977,821
At cost	136,762	-	61,845	173,531	408,530	13,098	69,402	863,168
At valuation	2,798,757	315,896	-	-	-	-	-	3,114,653
	2,935,519	315,896	61,845	173,531	408,530	13,098	69,402	3,977,821
Accumulated depreciation								
At 1 January 2000	-	-	4,523	-	226,977	8,368	36,533	276,401
Exchange difference	-	-	(365)	-	(682)	(120)	(3,638)	(4,805)
Charge for the year	-	-	1,184	-	48,666	1,603	8,846	60,299
Transfer	-	-	-	-	169	-	(169)	-
Disposals	-	-	(21)	-	(9,888)	(946)	(252)	(11,107)
At 31 December 2000	-	-	5,321	-	265,242	8,905	41,320	320,788
Net book value								
At 31 December 2000	2,935,519	315,896	56,524	173,531	143,288	4,193	28,082	3,657,033
At 31 December 1999	2,803,697	333,678	57,827	157,655	174,489	4,646	30,774	3,562,766

- (a) Hotel and investment properties of the Group are stated at professional valuations, valued on the basis of their market value as a fully operational entity for existing use, except for newly opened hotels which have not completed two full years of operation and are stated at cost.



12 FIXED ASSETS (CONT'D)

- (b) The net book values of hotel properties, investment properties, other land and buildings and properties under development of the Group comprised:

	Group						Total US\$'000
	Hotel properties		Investment properties	Other land and buildings		Properties under development	
	Outside		Outside	Outside		Outside	
	Hong Kong US\$'000	Hong Kong US\$'000	Hong Kong US\$'000	Hong Kong US\$'000	Hong Kong US\$'000	Hong Kong US\$'000	
Freehold							
At cost	-	-	-	-	20,753	13,473	34,226
At valuation	-	599,624	263,396	-	-	-	863,020
Long lease (not less than 50 years)							
At cost	-	-	-	2,583	13,920	4,347	20,850
At valuation	321,652	347,584	-	-	-	-	669,236
Medium lease (less than 50 years but more than 10 years)							
At cost	-	136,762	-	2,759	16,506	155,711	311,738
At valuation	393,705	1,136,192	52,500	-	-	-	1,582,397
Short lease (not more than 10 years)							
At cost	-	-	-	-	3	-	3
Total	715,357	2,220,162	315,896	5,342	51,182	173,531	3,481,470

The carrying amount of hotel properties and investment properties that would have been included in the accounts had these assets been carried at cost is US\$2,549,899,000 (1999: US\$2,641,225,000). No depreciation is provided for hotel properties and investment properties under the Company's accounting policies.

- (c) Details of hotel and investment properties of the Company's subsidiaries are summarised in note 34.



Notes to the Accounts

For the year ended 31 December 2000

12 FIXED ASSETS (CONT'D)

(d) Details of movements in fixed assets of the Company are as follows:

	Furniture, fixtures and equipment <i>US\$'000</i>	Motor vehicles <i>US\$'000</i>	Total <i>US\$'000</i>
Cost			
At 1 January 2000	736	293	1,029
Additions	30	–	30
Disposal	(10)	–	(10)
At 31 December 2000	756	293	1,049
Accumulated depreciation			
At 1 January 2000	565	180	745
Charge for the year	157	74	231
Disposal	(10)	–	(10)
At 31 December 2000	712	254	966
Net book value			
At 31 December 2000	44	39	83
At 31 December 1999	171	113	284

13 INTANGIBLE ASSETS

	Group	
	2000 <i>US\$'000</i>	1999 <i>US\$'000</i>
Intellectual property rights		
Brought forward and carried forward, at valuation	161,624	161,624

Intellectual property rights comprise the trademarks and service marks in various countries and related devices and logos. They are stated at professional valuation as at 31 December 1997 conducted by Ernst & Young Corporate Finance Pty Limited. They are valued on the basis of market value by reference to the capitalisation of royalty methodology.

The Directors consider that there is no significant diminution in value of the intellectual property rights as at 31 December 2000.



14 SUBSIDIARIES

	Company	
	2000	1999
	US\$'000	US\$'000
Unlisted shares, at cost	1,663,901	1,663,901
Amounts due from subsidiaries	639,093	1,100,995
Amounts due to subsidiaries	(37,962)	(232,959)
	2,265,032	2,531,937

- (a) Details of principal subsidiaries are set out in note 33(a).
- (b) Amounts due from subsidiaries are unsecured, interest free and with no fixed repayment terms except for an amount of US\$15,600,000 (1999: US\$17,160,000) due from a subsidiary which was interest bearing at HIBOR plus 1% per annum.
- (c) Amounts due to subsidiaries as at 31 December 2000 are unsecured, interest free and with no fixed repayment terms (1999: US\$232,941,000 due to a subsidiary was interest bearing at 5% per annum).

15 ASSOCIATED COMPANIES

	Group	
	2000	1999
	US\$'000	US\$'000
Share of net assets other than goodwill	707,223	598,677
Amounts due from associated companies	223,603	253,869
	930,826	852,546

Amounts due from associated companies are unsecured, interest free and with no fixed repayment terms except for an amount of US\$30,702,000 (1999: nil) due from an associated company which is interest bearing at 1.25% per annum. Details of principal associated companies are set out in note 33(b).

16 LONG TERM INVESTMENTS

	Group	
	2000	1999
	US\$'000	US\$'000
Overseas unlisted shares, at cost	1,667	2,006
Loans	1,251	246
	2,918	2,252

The loans are unsecured, interest free and with no fixed repayment terms.



Notes to the Accounts

For the year ended 31 December 2000

17 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

At 31 December 2000, the ageing analysis of the trade debtors was as follows:

	Group	
	2000 US\$'000	1999 US\$'000
0 – 3 months	34,605	28,850
4 – 6 months	1,001	850
over 6 months	420	412
	36,026	30,112

The Group has a defined credit policy. The general credit term is 30 days.

18 BANK LOANS AND OVERDRAFTS

	Group		Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Overdrafts – secured (<i>note 32(b)</i>)	4,398	752	–	–
Overdrafts – unsecured	739	1,908	–	–
Bank loans – secured (<i>note 32(b)</i>)	40,511	59,866	–	–
Bank loans – unsecured	1,144,458	969,532	–	272,000
	1,190,106	1,032,058	–	272,000

The above bank loans and overdrafts are repayable:

Within one year	128,063	162,445	–	35,000
In the second year	581,665	297,491	–	237,000
In the third to fifth years inclusive	477,338	572,122	–	–
After five years	3,040	–	–	–
	1,062,043	869,613	–	237,000
	1,190,106	1,032,058	–	272,000



19 SHARE CAPITAL

	Company			
	2000		1999	
	No. of shares (‘000)	US\$‘000	No. of shares (‘000)	US\$‘000
Authorised – Ordinary shares of HK\$1 each				
At 1 January and 31 December	5,000,000	646,496	5,000,000	646,496
Issued and fully paid – Ordinary shares of HK\$1 each				
At 1 January	2,216,738	286,622	1,794,255	231,996
Issue of shares for acquisition of subsidiaries	–	–	422,483	54,626
Repurchase of shares	(2,724)	(352)	–	–
At 31 December	2,214,014	286,270	2,216,738	286,622

- (a) During the year, the Company repurchased a total of 2,724,000 fully paid shares on The Stock Exchange of Hong Kong Limited (“HKSE”), all of which have been duly cancelled, as follows:

Month of purchase	No. of shares repurchased	Total consideration US\$	Purchase price per share	
			Highest HK\$	Lowest HK\$
January	242,000	241,873	7.90	7.35
February	636,000	611,839	7.70	7.10
October	1,846,000	1,802,779	7.80	7.30
	2,724,000	2,656,491		

- (b) Subsequent to the year end and up to the date of this report, the Company repurchased a total of 196,000 fully paid shares on HKSE, all of which have been duly cancelled, as follows:

Month of purchase	No. of shares repurchased	Total consideration US\$	Purchase price per share	
			Highest HK\$	Lowest HK\$
January 2001	196,000	185,227	7.50	7.20
	196,000	185,227		



Notes to the Accounts

For the year ended 31 December 2000

20 OTHER INVESTMENTS

	Group	
	2000 US\$'000	1999 US\$'000
Equity securities, at market value		
Listed in Hong Kong	124,656	202,391
Listed outside Hong Kong	24,686	37,859
	149,342	240,250
Market value of listed shares	149,342	240,250

Equity securities listed in Hong Kong included shares in the Company ("such SA shares") with a carrying value of US\$86,819,000 held by Shangri-La Hotel Limited, Singapore ("SHL") and Shangri-La Hotel Public Company Limited, Thailand ("SHPCL") (1999: US\$163,620,000 held by SHL, SHPCL and Shangri-La Hotels (Malaysia) Berhad, Malaysia ("SHMB") (collectively referred to as the "Acquired Subsidiaries")). Such SA shares, representing approximately 3.6% of the issued share capital of the Company as at 31 December 2000 (1999: 6.4%), were held by the Acquired Subsidiaries before the Company acquired the controlling interests in them in late 1999. The Acquired Subsidiaries disposed 62,728,000 such SA shares during the year. The Company has undertaken, subject to market conditions, to use its reasonable endeavours to procure SHL and SHPCL to dispose of all such SA shares to parties independent of the Kuok Group. In view of the temporary nature of this holding in such SA shares, they have been classified as other investments in these accounts.

21 ACCOUNTS PAYABLE AND ACCRUALS

At 31 December 2000, the ageing analysis of the trade creditors was as follows:

	Group	
	2000 US\$'000	1999 US\$'000
Accounts payable in the next:		
0 – 3 months	21,217	25,870
4 – 6 months	1,303	762
over 6 months	1,705	2,567
	24,225	29,199



22 SHARE OPTIONS

Under an executive share option scheme approved on 16 December 1997 by the shareholders of the Company (the "Option Scheme"), the Directors of the Company may, at their discretion, grant to executive Directors and key employees of the Group options to subscribe for shares in the Company subject to terms and conditions stipulated therein.

The movements in share options granted pursuant to the Option Scheme during the year were as follows:

	Number of option shares granted on		
	1 May 1998 (Note a)	15 January 2000 (Note b)	6 April 2000 (Note c)
Balance at beginning of the year	15,120,000	–	–
Granted during the year	–	9,870,000	400,000
Exercised during the year	–	–	–
Lapsed during the year	1,530,000	750,000	–
Balance at end of the year	13,590,000	9,120,000	400,000
Exercise price per share (HK\$)	8.00	8.55	8.55

Notes:

- (a) The share options are exercisable based on an approved vesting scale from 1 May 1999 to 30 April 2008.
- (b) The share options are exercisable based on an approved vesting scale from 15 January 2001 to 14 January 2010.
- (c) The share options are exercisable based on an approved vesting scale from 6 April 2001 to 5 April 2010.

According to the terms of the Option Scheme, options on 120,000 shares and 270,000 shares with exercise price of HK\$8.00 and HK\$8.55 per share respectively have lapsed subsequent to the year end and up to the date of this report.

Subsequent to the year end and up to the date of this report, the Company granted a total of 5,340,000 option shares to eligible executives at an exercise price of HK\$7.94 per share. These new options are exercisable based on an approved vesting scale from 15 January 2002 to 14 January 2011.



Notes to the Accounts

For the year ended 31 December 2000

23 RESERVES

	Capital redemption reserve		Hotel Investment properties revaluation reserve		Share of revaluation reserves in associated companies		Exchange fluctuation reserve	Capital reserve	Other reserve	Contributed surplus	Total
	Share premium	reserve	revaluation reserve	revaluation reserve	Hotel properties	Investment properties					
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group											
At 1 January 2000											
- as previously reported	585,508	1,077	423,568	8,731	75,468	122,923	(92,923)	999,192	459	359,424	2,483,427
- effect of change in accounting policy (note 25)	-	-	-	-	-	-	1,896	(2,723)	-	-	(827)
- as restated	585,508	1,077	423,568	8,731	75,468	122,923	(91,027)	996,469	459	359,424	2,482,600
Surplus/(deficit) on valuation	-	-	189,988	(8,731)	22,690	52,723	-	(168)	-	-	256,502
Arising from repurchase of shares	(2,327)	352	-	-	-	-	-	-	-	-	(1,975)
Other movements	-	-	-	-	-	-	(62,627)	1,445	-	-	(61,182)
At 31 December 2000	583,181	1,429	613,556	-	98,158	175,646	(153,654)	997,746	459	359,424	2,675,945
Company											
At 1 January 2000	585,508	1,077	-	-	-	-	-	-	-	1,493,914	2,080,499
Arising from repurchase of shares	(2,327)	352	-	-	-	-	-	-	-	-	(1,975)
At 31 December 2000	583,181	1,429	-	-	-	-	-	-	-	1,493,914	2,078,524
Group											
At 1 January 1999											
- as previously reported	541,787	1,077	369,513	-	72,862	148,071	(91,226)	627,693	-	-	1,669,777
- effect of change in accounting policy (note 25(b))	-	-	-	-	-	-	490	-	-	-	490
- as restated	541,787	1,077	369,513	-	72,862	148,071	(90,736)	627,693	-	-	1,670,267
Surplus/(deficit) on valuation	-	-	54,055	8,731	2,606	(1,372)	-	-	-	-	64,020
Arising from issue of shares	43,721	-	-	-	-	-	-	-	-	359,424	403,145
Arising from acquisition of subsidiaries											
- as previously reported	-	-	-	-	-	-	-	369,166	-	-	369,166
- effect of change in accounting policy (note 25(c))	-	-	-	-	-	-	-	(2,723)	-	-	(2,723)
- as restated	-	-	-	-	-	-	-	366,443	-	-	366,443
Arising from acquisition of additional interests in an associated company	-	-	-	-	-	-	-	2,392	-	-	2,392
Transfer from retained profits	-	-	-	-	-	-	-	-	459	-	459
Transfer to profit and loss account	-	-	-	-	-	(23,776)	-	-	-	-	(23,776)
Other movements											
- as previously reported	-	-	-	-	-	-	(1,697)	(59)	-	-	(1,756)
- effect of change in accounting policy (note 25(b))	-	-	-	-	-	-	1,406	-	-	-	1,406
- as restated	-	-	-	-	-	-	(291)	(59)	-	-	(350)
At 31 December 1999	585,508	1,077	423,568	8,731	75,468	122,923	(91,027)	996,469	459	359,424	2,482,600
Company											
At 1 January 1999	541,787	1,077	-	-	-	-	-	-	-	1,134,490	1,677,354
Arising from issue of shares	43,721	-	-	-	-	-	-	-	-	359,424	403,145
At 31 December 1999	585,508	1,077	-	-	-	-	-	-	-	1,493,914	2,080,499



23 RESERVES (CONT'D)

- (a) The revaluation reserves of hotel and investment properties are not available for distribution other than in a dissolution.
- (b) A subsidiary is required by local law to appropriate a certain percentage of its annual net profits as other reserve. This reserve is not available for dividend distribution.
- (c) The contributed surplus of the Company arises when the Company issues shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's share issued and the value of net assets of the companies acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries, wherever appropriate.

24 RETAINED PROFITS

	Group		Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Brought forward				
– as previously reported	335,647	310,835	57,190	82,641
– effect of change in accounting policy (note 25)	(16,601)	(16,184)	–	–
– as restated	319,046	294,651	57,190	82,641
Profit attributable to shareholders for the year				
– balance for the year/ as previously reported	77,035	67,267	16,193	16,545
– effect of change in accounting policy (note 25)	–	(417)	–	–
– balance for the year/as restated	77,035	66,850	16,193	16,545
Dividends	(42,924)	(41,996)	(42,924)	(41,996)
Transfer to capital redemption reserve/other reserve	(352)	(459)	(352)	–
Carried forward	352,805	319,046	30,107	57,190
Represented by:				
Company and subsidiaries				
– balance for the year/ as previously reported	158,636	159,153	30,107	57,190
– effect of change in accounting policy (note 25)	–	(16,601)	–	–
– balance for the year/as restated	158,636	142,552	30,107	57,190
Associated companies	194,169	176,494	–	–
	352,805	319,046	30,107	57,190



Notes to the Accounts

For the year ended 31 December 2000

24 RETAINED PROFITS (CONT'D)

- (a) Included in the retained profits of subsidiaries and associated companies are statutory funds of approximately US\$86,000 and US\$13,334,000 respectively (1999: nil and US\$14,136,000). These funds are set up by way of appropriation from the profit after taxation of the respective companies, incorporated and operating in the PRC, in accordance with the relevant laws and regulations.
- (b) The repatriation of retained earnings of subsidiaries operating in the Philippines, Fiji and Thailand is subject to withholding tax of 15%, 15% and 10% respectively. The amount of retained earnings attributable to the Group was US\$107,216,000 (1999: US\$85,199,000), US\$9,563,000 (1999: US\$9,133,000) and US\$10,281,000 (1999: US\$3,078,000) respectively for subsidiaries operating in the Philippines, Fiji and Thailand as at 31 December 2000.

The Group provides for withholding tax only upon repatriation of dividends from these subsidiaries as it is its policy to use a significant portion of the earnings in the respective countries to finance the local business needs of the respective subsidiaries for refurbishment, expansion, working capital and repayment of loans and because the tax is only due upon eventual remittances.

25 CHANGE IN ACCOUNTING POLICY

The effects of the change in accounting policy on pre-operating expenses as explained in note 1(h) are:

	Group
	1999
	<i>US\$'000</i>
(a) Effect on retained profits as at 31 December 1999	
(i) Increase/(decrease) in profit for the year ended 31 December 1999	
– write off of pre-operating expenses incurred during the year	(5,935)
– write back of amortisation of pre-operating expenses during the year	5,269
	(666)
<i>Less: portion attributable to minority interests</i>	<i>249</i>
	(417)
(ii) Increase/(decrease) in retained profits as at 1 January 1999	
– write off of pre-operating expenses brought forward	(36,247)
– write back of accumulated amortisation of pre-operating expenses in previous years	19,850
	(16,397)
<i>Less: portion attributable to minority interests</i>	<i>213</i>
	(16,184)
Net decrease in retained profits as at 31 December 1999	(16,601)



25 CHANGE IN ACCOUNTING POLICY (CONT'D)

	Group
	1999
	<i>US\$'000</i>
(b) Effect on exchange fluctuation reserve as at 31 December 1999	
(i) Increase in exchange fluctuation reserve for the year ended 31 December 1999	1,414
Less: portion attributable to minority interests	(8)
	1,406
(ii) Increase in exchange fluctuation reserve as at 1 January 1999	494
Less: portion attributable to minority interests	(4)
	490
Net increase in exchange fluctuation reserve as at 31 December 1999	1,896
(c) Decrease in capital reserve on consolidation arising from acquisition of subsidiaries in that year as at 31 December 1999	
– write off of pre-operating expenses acquired	(5,109)
Less: portion attributable to minority interests	2,386
	(2,723)

26 MINORITY INTERESTS AND LOANS

	Group	
	2000	(Restated) 1999
	<i>US\$'000</i>	<i>US\$'000</i>
Share of equity	381,442	376,162
Loans from minority shareholders	90,705	49,780
	472,147	425,942

The loans are unsecured, interest free and are subordinated to bank loans of the relevant subsidiaries except for an amount of US\$18,684,000 which is interest bearing at various interest rates ranging from 1.25% per annum to HIBOR plus 1% per annum (1999: US\$4,290,000 which is interest bearing at HIBOR plus 1% per annum).



Notes to the Accounts

For the year ended 31 December 2000

27 DEFERRED TAXATION

- (a) An analysis of the full potential deferred taxation liabilities and the provision made in the accounts is as follows:

	Group			
	2000		1999	
	Full potential liabilities <i>US\$'000</i>	Provision made <i>US\$'000</i>	Full potential liabilities <i>US\$'000</i>	Provision made <i>US\$'000</i>
Timing differences in respect of				
– Accelerated depreciation allowances	14,729	10,184	16,184	11,791
– Others (<i>note (i)</i>)	(2,192)	(2,171)	(2,901)	(2,216)
	12,537	8,013	13,283	9,575

- (i) Others are mainly due to unrealised exchange differences on long term loans and available tax losses.
- (ii) No provision has been made in respect of that portion of the potential liability which is not expected to crystallise in the foreseeable future.
- (b) No provision has been made for deferred taxation liability in respect of the timing differences relating to the surplus arising from the revaluation of properties of subsidiaries and associated companies. The revaluation does not constitute a timing difference for taxation purposes because the management of the Group intends to operate these properties on a long term basis.
- (c) Movements of the provision for deferred tax liabilities of the Group are as follows:

	Group	
	2000 <i>US\$'000</i>	1999 <i>US\$'000</i>
Brought forward	9,575	334
Additions through acquisition of subsidiaries	–	8,982
Transferred from profit and loss account (<i>note 6</i>)	(1,931)	219
Exchange difference	369	40
Carried forward	8,013	9,575



28 DISTRIBUTABLE RESERVES

As at 31 December 2000, the Group's distributable reserves comprised:

	2000 <i>US\$'000</i>	1999 <i>US\$'000</i>
The Company		
Distributable retained profits	30,107	57,190
Contributed surplus	1,493,914	1,493,914
	1,524,021	1,551,104
Subsidiaries (<i>notes (a) and (b)</i>)		
Distributable retained profits	317,968	391,282
Associated companies (<i>notes (a) and (b)</i>)		
Distributable retained profits	210,878	207,746

- (a) The distributable profits of subsidiaries and associated companies are the corresponding share of profits which are distributable as shown in the statutory accounts of those companies.
- (b) There are differences between the profits included in the Group accounts of certain subsidiaries and associated companies, and those in their statutory accounts, as the former have been adjusted for the purpose of complying with the Group's accounting policies.



Notes to the Accounts

For the year ended 31 December 2000

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	Group	
	2000	(Restated) 1999
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation	131,920	110,860
Share of results of associated companies	(40,559)	(62,865)
Deficit on revaluation of hotel and investment properties	1,232	718
Gain on repurchases of convertible bonds	(177)	–
Depreciation	60,262	41,461
Finance and interests costs on convertible bonds	12,015	11,750
Interest on bank loans and overdrafts	72,653	51,366
Interest income	(7,721)	(1,665)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	5,378	1,849
Net realised and unrealised loss on other investments	17,692	–
Decrease/(increase) in inventories	1,676	(8,190)
(Increase)/decrease in accounts receivable, including prepayments and deposits	(5,356)	54,693
Provision for long term investments	230	–
Decrease in accounts payable, including construction and development costs payable and accruals	(10,940)	(43,652)
Increase in amounts due from minority shareholders	(1,136)	–
Net cash inflow from operating activities	237,169	156,325

(b) Analysis of changes in financing during the year

	Group	
	2000	Long term borrowings including convertible bonds
	Share Capital (including Premium) <i>US\$'000</i>	<i>US\$'000</i>
Brought forward	872,130	1,308,967
Net cash outflow from financing	(2,679)	(65,158)
Gain on repurchase of convertible bonds	–	(177)
Amortisation of finance costs on convertible bonds	–	5,450
Other movements	–	26,592
Carried forward	869,451	1,275,674



29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(b) Analysis of changes in financing during the year (Cont'd)

	Group 1999	
	Share capital (including premium) US\$'000	Long term borrowings including convertible bonds US\$'000
Brought forward	773,783	968,741
Issue of shares for acquisition of subsidiaries	408,125	-
Less: reclassified from contributed surplus to capital reserve	(359,424)	-
	48,701	-
Addition due to acquisition	-	235,745
Net cash inflow from financing	49,646	98,632
Amortisation of finance costs on convertible bonds	-	5,849
Carried forward	872,130	1,308,967

(c) Purchase of subsidiaries under the acquisition

	Group (Restated)	
	2000 US\$'000	1999 US\$'000
Net assets acquired		
Fixed assets	-	1,121,687
Long term investments	-	2,252
Cash and bank balances	-	22,252
Net current assets – others	-	209,540
Long term liabilities	-	(235,745)
Deferred taxation	-	(8,982)
Minority interests	-	(239,770)
Net assets acquired	-	871,234
Discount on acquisition	-	(366,443)
	-	504,791
Satisfied by:		
Shares held in SHL and SHMB by the Company prior to the acquisition	-	7,098
Allotment of the Company's shares for certain shares in SHL and SHMB	-	408,125
Cash paid for acquiring shares in SHPCL	-	89,568
	-	504,791



Notes to the Accounts

For the year ended 31 December 2000

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(d) Analysis of the net outflow in respect of the purchase of subsidiaries:

	Group	
	2000	1999
	<i>US\$'000</i>	<i>US\$'000</i>
Cash consideration (<i>note 29(c)</i>)	-	(89,568)
Bank balances and cash in hand acquired (<i>note 29(c)</i>)	-	22,252
Net cash outflow in respect of the purchase of subsidiaries	-	(67,316)

(e) Analysis of the balances of cash and cash equivalents

	Group	
	2000	1999
	<i>US\$'000</i>	<i>US\$'000</i>
Cash and bank balances	179,809	111,677
Bank overdrafts	(5,137)	(2,660)
	174,672	109,017

30 RELATED PARTY TRANSACTIONS

In addition to those connected transactions disclosed in the Report of the Directors, during the year and in the normal course of business, the Group had the following related party transactions:

- (i) The Group received hotel management and related services and royalty fees totalling US\$4,980,000 (1999: US\$4,344,000) from associated companies of the Group. The fees are charged by the Group at either a fixed amount or a certain percentage of the gross operating revenue/profit of the relevant companies.
- (ii) During the year, the Group received repayment of unsecured proportionate interest bearing shareholders' loans from an associated company amounting to US\$15,208,000. In 1999, the Group had advanced, unsecured proportionate interest free shareholders' loans of US\$4,569,000 to certain associated companies.



31 COMMITMENTS

As at 31 December 2000, the Group and the Company had the following commitments:

- (a) The Group's commitments for hotel and associated property development and renovation projects amounting to approximately:

	2000 <i>US\$'000</i>	1999 <i>US\$'000</i>
Contracted but not provided for	43,110	8,387
Authorised by directors but not contracted for	21,001	46,584
	64,111	54,971

- (b) The Group's commitments in associated companies in respect of property development projects amounting to approximately US\$12,497,000 (1999: US\$5,596,000).

- (c) The Group's commitments under operating leases to make payments for rental of properties in the next year as follows:

	2000 <i>US\$'000</i>	1999 <i>US\$'000</i>
Leases expiring		
– within one year	768	795
– in the second to fifth years inclusive	3,299	1,886
– over five years	5,672	3,574
	9,739	6,255

- (d) The Company had entered into a currency swap contract between Hong Kong dollars and United States dollars for US\$50,000,000 for the purpose of hedging against the Company's United States dollars loans. Upon maturity of the contract on 25 June 2002, the Company will buy US\$50,000,000 upon payment of HK\$387,910,000.



Notes to the Accounts

For the year ended 31 December 2000

32 CONTINGENT LIABILITIES AND CHARGES OVER ASSETS

(a) Contingent liabilities

As at 31 December 2000, contingent liabilities of the Group and the Company were as follows:

- (i) The Company executed proportionate guarantees in favour of banks for securing banking facilities granted to certain subsidiaries and associated companies. The utilised amount of such facilities covered by the Company's guarantees for the subsidiaries and associated companies, and which also represented the financial exposure of the Company at the balance sheet date, amounting to US\$996,927,000 (1999: US\$512,667,000) and US\$29,759,000 (1999: US\$24,729,000) respectively.
- (ii) The Group executed guarantees in favour of banks for securing banking facilities granted to certain associated companies. The utilised amount of such facilities covered by the Group's guarantees for these associated companies at the balance sheet date amounting to US\$57,680,000 (1999: US\$1,522,000).

(b) Charges over assets

As at 31 December 2000, bank loans and banking facilities of two subsidiaries amounting to US\$44,909,000 (1999: US\$60,618,000) were secured by charges over the hotel properties and other assets of these two subsidiaries with net book values totalling US\$100,884,000 (1999: US\$89,887,000).

Apart from the aforesaid, neither the Group nor the Company had any material contingent liabilities or charges as at 31 December 2000.



33 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

(a) At 31 December 2000, the Company held interests in the following principal subsidiaries:

Name	Place of establishment/ operation	Paid up/ Issued capital	Percentage holding in the voting shares		Nature of business
			Direct	Indirect	
Seanoble Assets Limited	The British Virgin Islands	Ordinary HK\$578,083,744	100	-	Investment holding
Shangri-La Hotel (Kowloon) Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred HK\$10,000,000	-	100	Hotel ownership and operation
Shangri-La International Hotels (Pacific Place) Limited	Hong Kong	Ordinary HK\$5,000 Non-voting deferred HK\$10,000,000	-	80	Hotel ownership and operation
* Shenzhen Shangri-La Hotel Limited	The People's Republic of China	Registered capital US\$32,000,000	-	51.30	Hotel ownership and operation
* Beihai Shangri-La Hotel Ltd.	The People's Republic of China	Registered capital US\$16,000,000	-	97	Hotel ownership and operation
* Shanghai Pu Dong New Area Shangri-La Hotel Co., Ltd.	The People's Republic of China	Registered capital US\$47,000,000	-	100	Hotel ownership and operation
* Shenyang Traders Hotel Ltd.	The People's Republic of China	Registered capital US\$28,334,000	-	97	Hotel ownership and operation
* Changchun Shangri-La Hotel Co., Ltd.	The People's Republic of China	Registered capital RMB167,000,000	-	90	Hotel ownership and operation and real estate operation
* Qingdao Kerry Real Estate Development Co., Ltd.	The People's Republic of China	Registered capital US\$18,334,000	-	100	Hotel ownership and operation and real estate development and operation
* Dalian Shangri-La Hotel Co., Ltd.	The People's Republic of China	Registered capital US\$36,666,670	-	90	Hotel ownership and operation
* Dalian Kerry Real Estate Development Co., Ltd.	The People's Republic of China	Registered capital US\$18,666,670	-	100	Real estate development and operation



Notes to the Accounts

For the year ended 31 December 2000

33 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

(a) At 31 December 2000, the Company held interests in the following principal subsidiaries: (cont'd)

Name	Place of establishment/ operation	Paid up/ Issued capital	Percentage holding in the voting shares		Nature of business
			Direct	Indirect	
* Xian Shangri-La Golden Flower Hotel Co., Ltd	The People's Republic of China	Registered capital US\$12,000,000	-	100	Hotel ownership and operation
* Harbin Shangri-La Hotel Co., Ltd.	The People's Republic of China	Registered capital US\$21,860,000	-	95	Hotel ownership and operation
* Wuhan Kerry Real Estate Development Co., Ltd.	The People's Republic of China	Registered capital US\$6,000,000	-	92	Real estate development and operation
* Wuhan Shangri-La Hotel Co., Ltd.	The People's Republic of China	Registered capital US\$26,667,000	-	92	Hotel ownership and operation
*# Fujian Kerry World Trade Centre Co., Ltd.	The People's Republic of China	Registered capital HK\$180,000,000	-	95	Real estate development
*# Shanghai Ji Xiang Properties Co., Ltd.	The People's Republic of China	Registered capital US\$76,000,000	-	99	Real estate development and operation
*# Tianjin Kerry Real Estate Development Co., Ltd.	The People's Republic of China	Registered capital US\$11,707,000	-	90	Real estate development and operation
* Makati Shangri-La Hotel & Resort, Inc.	Philippines	Common Peso 921,948,400	-	100	Hotel ownership and operation
* Edsa Shangri-La Hotel & Resort, Inc.	Philippines	Common Peso 792,128,700	-	100	Hotel ownership and operation
* Mactan Shangri-La Hotel & Resort, Inc.	Philippines	Common Peso 272,630,000 Preferred Peso 170,741,500	-	100	Hotel ownership and operation
* Fiji Mocambo Limited	Fiji	Ordinary F\$751,459	-	71.64	Hotel ownership and operation
* Yanuca Island Limited	Fiji	Ordinary F\$1,262,196	-	71.64	Hotel ownership and operation



33 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

(a) At 31 December 2000, the Company held interests in the following principal subsidiaries: (cont'd)

Name	Place of establishment/ operation	Paid up/ Issued capital	Percentage holding in the voting shares		Nature of business
			Direct	Indirect	
* Shangri-La Hotel Limited	Singapore	Ordinary S\$166,140,447	-	89.50	Investment holding, hotel ownership and operation and leasing of residential and serviced apartments
* Sentosa Beach Resort Pte Ltd	Singapore	Ordinary S\$30,000,000	-	53.70	Hotel ownership and operation
* Shangri-La Hotels (Malaysia) Berhad	Malaysia	Ordinary RM440,000,000	-	55.12	Investment holding and hotel ownership and operation
* Shangri-La Hotel (KL) Sdn Bhd	Malaysia	Ordinary RM150,000,000	-	55.12	Hotel ownership and operation
* Golden Sands Beach Resort Sdn Bhd	Malaysia	Ordinary RM6,000,000	-	55.12	Hotel ownership and operation
* Komtar Hotel Sdn Bhd	Malaysia	Ordinary RM6,000,000	-	33.07	Hotel ownership and operation
* Pantai Dalit Beach Resort Sdn Bhd	Malaysia	Ordinary RM135,000,000	-	49.94	Hotel and golf club ownership and operation
* UBN Tower Sdn Bhd	Malaysia	Ordinary RM500,000	-	55.12	Property investment and office management
* UBN Holdings Sdn Bhd	Malaysia	Ordinary RM45,000,000	-	55.12	Investment holding and property investment
* Traders Yangon Company Limited	Myanmar	Ordinary Kyat 21,600,000	-	53.47	Hotel ownership and operation
* Shangri-La Hotel Public Company Limited	Thailand	Common Baht 1,300,000,000	-	73.61	Hotel and office ownership and operation



Notes to the Accounts

For the year ended 31 December 2000

33 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

(a) At 31 December 2000, the Company held interests in the following principal subsidiaries: (cont'd)

Name	Place of establishment/ operation	Paid up/ Issued capital	Percentage holding in the voting shares		Nature of business
			Direct	Indirect	
SLIM International Limited	Cook Islands	Ordinary US\$1,000	100	-	Investment holding
Shangri-La International Hotel Management Limited	Hong Kong	Ordinary HK\$10,000,000	-	100	Hotel management, marketing consultancy and reservation services
Shangri-La International Hotel Management B.V.	The Netherlands	Ordinary DFL40,000	-	100	Licensing use of intellectual property rights

* Subsidiaries not audited by PricewaterhouseCoopers, Hong Kong.

Subsidiaries which are under various stages of real estate and hotel development and have not yet commenced business operations as at the balance sheet date.


33 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

(b) At 31 December 2000, the Group held interests in the following principal associated companies:

Name	Place of establishment/ operation	Percentage holding in the registered capital by the Group	Nature of business
China World Trade Center Ltd.	The People's Republic of China	50	Hotel ownership and operation and property investment
Beijing Shangri-La Hotel Ltd.	The People's Republic of China	49	Hotel ownership and operation
Hangzhou Shangri-La Hotel Ltd.	The People's Republic of China	45	Hotel ownership and operation
Seacliff Limited	The People's Republic of China	30	Hotel ownership and operation and property investment
PT Swadharna Kerry Satya	Jakarta, Indonesia	25	Hotel ownership and operation
Beijing Jia Ao Real Estate Development Co., Ltd.	The People's Republic of China	23.75	Real estate development and operation
Beijing Kerry Centre Hotel Co., Ltd.	The People's Republic of China	23.75	Hotel ownership and operation
Shanghai Xin Ci Hou Properties Co., Ltd	The People's Republic of China	24.75	Real estate development and operation
Cuscaden Properties Pte Ltd	Singapore	37.60	Hotel ownership and operation and property investment
Johdaya Karya Sdn Bhd	Malaysia	34.44	Property investment

All associated companies were not audited by PricewaterhouseCoopers, Hong Kong.



Notes to the Accounts

For the year ended 31 December 2000

33 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

(c) The above tables list out the subsidiaries and associated companies of the Company as at 31 December 2000 which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries and associated companies would, in the opinion of the Directors, result in particulars of excessive length.

(d) Details of a material associated company, China World Trade Center Ltd., as at 31 December 2000 pursuant to Hong Kong Statements of Standard Accounting Practice No. 10 "Accounting for investments in associates", after making appropriate adjustments to conform with the group accounting policies, are as follows:

(i) Summarised profit and loss account

	As at 31 December	
	2000	1999
	US\$'000	US\$'000
Turnover	128,718	119,108
Profit before taxation*	62,263	122,303
Taxation	(14,351)	(19,315)
Profit after taxation	47,912	102,988
Minority interests	(6,818)	(7,132)
Profit attributable to shareholders	41,094	95,856
Depreciation and amortisation	2,960	1,715
Profit after taxation attributable to the group	20,547	47,928

* 1999 balance included US\$58,732,000 of profit arising from the dilution of interests in China World Trade Center Company Limited (including transfer from investment properties revaluation reserve).



33 GROUP STRUCTURE - PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

(ii) Summarised assets and liabilities

	As at 31 December	
	2000	1999
	US\$'000	US\$'000
Fixed assets	1,275,607	1,071,922
Deferred tax assets	33,099	38,773
Current assets	138,803	117,672
Current liabilities	(142,805)	(160,035)
Net current liabilities	(4,002)	(42,363)
Long-term liabilities	(184,045)	(189,719)
Net assets and minority interests	1,120,659	878,613

34 HOTEL AND INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATED COMPANIES

(a) Details of hotel and investment properties of the Company's subsidiaries are as follows:

Address	Existing use
Kowloon Shangri-La, Hong Kong 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	Hotel operation
Island Shangri-La, Hong Kong Pacific Place, 88 Queensway, Central, Hong Kong	Hotel operation
Shangri-La Hotel, Shenzhen Shenzhen East Side, Railway Station, Jianshe Road, Shenzhen 518001, The People's Republic of China	Hotel operation
Shangri-La Hotel, Beihai 33 Chating Road, Beihai, Guangxi 536007, The People's Republic of China	Hotel operation
Pudong Shangri-La, Shanghai 33 Fu Cheng Lu, Pudong New Area, Shanghai 200120, The People's Republic of China	Hotel operation



Notes to the Accounts

For the year ended 31 December 2000

34 HOTEL AND INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

- (a) Details of hotel and investment properties of the Company's subsidiaries are as follows:
(cont'd)

Address	Existing use
Traders Hotel, Shenyang 68 Zhong Hua Road, He Ping District, Shenyang 110001, The People's Republic of China	Hotel operation
Shangri-La Hotel, Changchun 9 Xian Road, Changchun 130061, The People's Republic of China	Hotel operation and commercial and residential rental
Shangri-La Hotel, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Hotel operation
Shangri-La Hotel, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Hotel operation
Dalian Century Tower Apartments 66 Renmin Road, Dalian 116001, The People's Republic of China	Residential rental
Shangri-La Golden Flower Hotel, Xian 8 Chang Le Road West, Xian 710032, Shaanxi, The People's Republic of China	Hotel operation
Shangri-La Hotel, Harbin 555 You Yi Road, Dao Li District, Harbin 150018, The People's Republic of China	Hotel operation
Shangri-La Hotel, Wuhan No. 700, Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation
Makati Shangri-La, Manila Ayala Avenue, corner Makati Avenue, Makati City, Metro Manila 1200, The Philippines	Hotel operation



34 HOTEL AND INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

- (a) Details of hotel and investment properties of the Company's subsidiaries are as follows:
(cont'd)

Address	Existing use
Edsa Shangri-La, Manila 1 Garden Way, Ortigas Center, Mandaluyong City 1650, Metro Manila, The Philippines	Hotel operation
Shangri-La's Mactan Island Resort, Cebu Punta Engano Road, Mactan Island, Cebu, The Philippines	Hotel operation
Shangri-La's Fijian Resort, Yanuca Island Yanuca Island, Sigatoka, Nadroga, Fiji	Hotel operation
Fiji Mocambo, Nadi Namaka Hill, Nadi, Fiji	Hotel operation
Shangri-La Hotel, Singapore 22 & 28 Orange Grove Road, Singapore 258350	Hotel operation
Shangri-La Apartments, Singapore 1 Anderson Road, Singapore 259983	Residential rental
Shangri-La Residences, Singapore No.1A Lady Hill Road, Singapore 258685	Residential rental
Shangri-La's Rasa Sentosa Resort, Singapore 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation
Shangri-La Hotel, Kuala Lumpur UBN Complex, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	Hotel operation
Shangri-La Hotel, Penang Magazine Road, 10300 Penang, Malaysia	Hotel operation



Notes to the Accounts

For the year ended 31 December 2000

34 HOTEL AND INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

- (a) Details of hotel and investment properties of the Company's subsidiaries are as follows:
(cont'd)

Address	Existing use
Shangri-La's Golden Sands Resort, Penang Batu Ferringi Beach, 11100 Penang, Malaysia	Hotel operation
Shangri-La's Rasa Sayang Resort, Penang Batu Ferringi Beach, 11100 Penang, Malaysia	Hotel operation
Shangri-La's Rasa Ria Resort Dalit Bay Golf & Country Club, Sabah Pantai Dalit, 89208 Tuaran, Sabah, Malaysia	Hotel and golf club operation
UBN Tower, Kuala Lumpur UBN Complex, 10 Jalan P Ramlee, 50250 Kuala Lumpur, Malaysia	Office and commercial rental
UBN Apartments, Kuala Lumpur UBN Complex, 10 Jalan P Ramlee, 50250 Kuala Lumpur, Malaysia	Residential rental
Traders Hotel, Yangon 223 Sule Pagoda Road, Yangon, Myanmar	Hotel operation
Shangri-La Hotel, Bangkok 89 Soi Wat Suan Plu, New Road, Bangrak, Bangkok 10500, Thailand	Hotel operation and office rental



34 HOTEL AND INVESTMENT PROPERTIES OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONT'D)

- (b) Details of hotel and investment properties of the operating associated companies are as follows:

Address	Existing use
China World Trade Center 1 Jian Guo Men Wai Avenue, Beijing 100004, The People's Republic of China	Hotel operation and office, commercial, residential and exhibition hall space rental
Shangri-La Hotel, Beijing 29 Zizhuyuan Road, Beijing 100089, The People's Republic of China	Hotel operation
Shangri-La Hotel, Hangzhou 78 Beishan Road, Hangzhou 310007, The People's Republic of China	Hotel operation
Shanghai Centre 1376 Nanjing Xi Lu, Shanghai 200040, The People's Republic of China	Hotel operation and office, commercial, residential and exhibition hall space rental
Shangri-La Hotel, Jakarta Kota BNI, Jalan Jend Sudirman Kav. 1, Jakarta 10220, Indonesia	Hotel operation
Beijing Kerry Centre 1 Guanghua Road, Chaoyang District, Beijing 100020, The People's Republic of China	Hotel operation and office, commercial and residential rental
Shanghai Kerry Centre No. 1515 Nanjing Road West, Jingan District, Shanghai 200040, The People's Republic of China	Office, commercial and residential rental
Traders Hotel, Singapore 1A Cuscaden Road, Singapore 249716	Hotel operation
Tanglin Mall, Singapore 163 Tanglin Road, Singapore 247933	Commercial rental
Tanglin Place, Singapore 91 Tanglin Road, Singapore 247918	Commercial rental
Part of City Square Johor Bahru, Johor, Malaysia	Commercial rental



Notes to the Accounts

For the year ended 31 December 2000

35 SUBSEQUENT EVENTS

After the corporate reorganisation in late 1999, the Company submitted a delisting proposal to SHL, pursuant to which the Company made a conditional voluntary delisting exit offer to the remaining shareholders of SHL on 2 February 2001 to acquire their shares in exchange for shares in the Company. As at the close of the offer period on 22 February 2001, the Company received valid acceptances in respect of 15,967,492 SHL shares and thus increased its interest in SHL by 9.61% to 99.11%. SHL was delisted from the Singapore Exchange Securities Trading Limited on 23 February 2001.

On 27 February 2001, the Company issued 32,349,764 new shares representing 1.46% and 1.44% of the issued share capital of the Company before the issue of the new shares and the enlarged issued share capital of the Company respectively, in consideration for the valid acceptances.

36 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 22 March 2001.