



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 ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain property, plant and equipment, investment properties and investments in securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for accounting periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below. Certain comparative figures have also been restated to conform with the current year's presentation.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital, or by way of having the power to govern its financial and operating policies so that the Group obtains benefits from these activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.



Notes to the Accounts

For the year ended 31 December 2001

1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Group accounting (Cont'd)

(i) Consolidation (Cont'd)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill and related accumulated foreign currency exchange fluctuation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(c) Revenue recognition

- (i) Hotel revenue from rooms rental, 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.



1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) 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 an asset is expected to be payable or recoverable in the foreseeable future.

(e) 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.

(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 investment properties 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.



Notes to the Accounts

For the year ended 31 December 2001

1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Fixed assets (Cont'd)

(iii) Properties under development

Properties under development are investments in land and buildings under construction. These properties 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 less accumulated impairment losses. No depreciation is provided on properties under development.

(iv) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

(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

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in properties under development, other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.



1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) 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.

(g) Intangibles

(i) *Goodwill/Negative goodwill*

Goodwill/Negative goodwill represents the excess/deficit of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associated company at the date of acquisition.

In previous financial years, goodwill and negative goodwill on acquisition was written off against reserves and taken directly to reserves respectively. On adoption of SSAP 30, goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life of 15 years from date of acquisition, while the negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life, which is 15 years, of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately. This change in accounting policy has been applied retrospectively so that the 2000 comparatives presented have been restated to conform to the changed policy. The financial effects of this change in accounting policy, applies in accordance with the requirement of the SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies", are set out in notes 13 and 25 to the accounts.

(ii) *Intellectual properties rights*

On adoption of SSAP 29 the premium paid under a business acquisition in the year 1997, which was previously recorded as Intellectual Property Rights and disclosed as intangible assets, has now been reclassified as goodwill arising from that acquisition and is subject to annual amortisation (see note 1(g)(i)). This change in accounting policy has been applied retrospectively so that the 2000 comparative presented has been restated to conform to the changed policy. The financial effects of this change in accounting policy, applies in accordance with the requirement of the SSAP 2, are set out in notes 13 and 25 to the accounts.



Notes to the Accounts

For the year ended 31 December 2001

1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(g) Intangibles (Cont'd)

(iii) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(h) 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.

(i) Investments in securities

(i) *Long-term investments*

Long-term investments are stated at cost less any provision for impairment losses.

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 other than temporary has occurred, the carrying amount of such securities is reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account.

This impairment loss is written back to profit and loss when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) *Other investments*

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.

Held-to-maturity securities are stated in the balance sheet at cost. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account. Provision is made when there is a diminution in value other than temporary.



1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(l) Pre-operating expenditure

Pre-operating expenditure is charged to profit and loss account in the year in which it is incurred.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the controls of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) 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 2001

1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that geographical segment be presented as the primary reporting format and business segment as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash, and mainly exclude negative goodwill, investments in securities and properties under development. Segment liabilities comprise operating liabilities and exclude items such as taxation and all borrowings. Capital expenditure comprises additions to fixed assets (note 12).

In respect of geographical segment reporting, sales are based on the country in which the asset is located. Total assets and capital expenditure are where the assets are located.

(q) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability or an asset at the balance sheet date. This change in accounting policy has been applied retrospectively so that the 2000 comparatives presented have been restated to conform to the changed policy. The financial effects of this change in accounting policy, applies in accordance with the requirement of the SSAP 2, to the retained profits and the balance of the minority interests are set out in note 25 and 27 to the accounts, respectively.

(r) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.



2 TURNOVER, REVENUE AND SEGMENT INFORMATION

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	
	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Turnover		
Hotel operation:		
Room rentals	288,849	328,773
Food and beverage sales	235,886	269,356
Rendering of ancillary services	49,812	57,786
Hotel management and related service fees	8,809	9,930
Property rentals	16,205	17,835
	599,561	683,680
Other revenues		
Interest income	7,353	7,721
Dividend income	3,537	4,532
Net realised gain on other investments	–	585
Other income	1,235	648
	12,125	13,486
Total revenues	611,686	697,166

Primary reporting format – geographical segments

The Group is managed on a worldwide basis in six main geographical areas:

Hong Kong	–	hotel operation and management
Mainland China	–	hotel operation and management, leasing of office, commercial and serviced apartments
Philippines	–	hotel operation and management
Singapore	–	hotel operation and management, leasing of office, commercial and serviced apartments
Thailand	–	hotel operation and management, leasing of office and commercial
Malaysia	–	hotel operation and management, golf club operation, leasing of office, commercial and serviced apartments
Other countries	–	hotel operation and management

Secondary reporting format – business segments

The Group is organised on a worldwide basis into three main business segments:

Hotel operation	–	ownership and operation of hotel business
Hotel management	–	provision of hotel management and related services
Property rentals	–	ownership and leasing of office, commercial and serviced apartments



Notes to the Accounts

For the year ended 31 December 2001

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (CONT'D)

Primary reporting format – geographical segments

	The People's Republic of China							Elimination	Group
	Hong Kong	Mainland		Singapore	Thailand	Malaysia	Other		
	2001	China	Philippines	2001	2001	2001	2001	2001	2001
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Turnover									
External sales	141,178	172,220	74,617	90,292	32,245	67,056	21,953	-	599,561
Inter-segment sales	4,304	8,240	3,826	2,249	1,612	1,916	505	(22,652)	-
Total	145,482	180,460	78,443	92,541	33,857	68,972	22,458	(22,652)	599,561
Results									
Segment results	18,456	49,610	21,478	27,582	13,741	10,413	4,363	-	145,643
Interest income									7,353
Dividend income									3,537
Net realised losses on other investments									(10,132)
Net unrealised losses on other investments									(14,439)
Provision for impairment losses on properties under development									(6,000)
Provision for impairment losses on long-term investments									(67)
Unallocated corporate expenses									(5,097)
Amortisation of negative goodwill									16,706
(Deficit)/surplus on valuation of hotel and investment properties	-	(8,022)	-	(2,191)	-	-	894	-	(9,319)
Operating profit									128,185
Finance costs									(64,886)
Share of results of associated companies	-	40,600	-	2,094	-	472	(8,069)	-	35,097
Taxation									(27,040)
Minority interests									(12,563)
Profit attributable to shareholders									58,793



2 TURNOVER, REVENUE AND SEGMENT INFORMATION (CONT'D)

Primary reporting format – geographical segments (Cont'd)

	The People's Republic of China		Philippines	Singapore	Thailand	Malaysia	Other	Elimination	Group
	Hong Kong	Mainland China							
	2001	2001	2001	2001	2001	2001	2001	2001	2001
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	752,532	1,045,279	553,659	585,524	143,165	373,066	127,514	(5,296)	3,575,443
Investments in associated companies	-	850,530	-	53,981	-	13,281	23,879	-	941,671
Unallocated assets									271,400
Negative goodwill									(223,188)
Total assets									<u>4,565,326</u>
Segment liabilities	(31,429)	(33,507)	(12,615)	(19,434)	(6,471)	(14,945)	(9,942)	5,296	(123,047)
Unallocated liabilities									<u>(1,237,437)</u>
Total liabilities									<u>(1,360,484)</u>
Capital expenditure	8,006	29,519	15,119	14,987	4,282	8,124	4,960	-	84,997
Depreciation	(7,279)	(21,296)	(3,150)	(8,665)	(2,768)	(4,648)	(1,965)	-	(49,771)
Amortisation of negative goodwill									16,706
Provision for impairment losses	-	(6,000)	-	-	(67)	-	-	-	(6,067)



Notes to the Accounts

For the year ended 31 December 2001

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (CONT'D)

Primary reporting format – geographical segments (Cont'd)

	The People's Republic of China								Group 2000 US\$'000
	Mainland		Philippines 2000 US\$'000	Singapore 2000 US\$'000	Thailand 2000 US\$'000	Malaysia 2000 US\$'000	Other 2000 US\$'000	Elimination 2000 US\$'000	
	Hong Kong 2000 US\$'000	China 2000 US\$'000							
Turnover									
External sales	161,699	178,719	102,192	101,526	38,719	80,479	20,346	-	683,680
Inter-segment sales	5,042	7,604	5,011	2,650	1,803	2,181	416	(24,707)	-
Total	166,741	186,323	107,203	104,176	40,522	82,660	20,762	(24,707)	683,680
Results									
Segment results	33,666	45,450	37,567	27,910	17,486	20,264	3,966	-	186,309
Interest income									7,721
Dividend income									4,532
Net realised gains on other investments									585
Net unrealised losses on other investments									(18,277)
Provision for impairment losses on long-term investments									(230)
Unallocated corporate expenses									(2,192)
Amortisation of negative goodwill									14,742
Deficit on valuation of hotel and investment properties	-	(1,232)	-	-	-	-	-	-	(1,232)
Operating profit									191,958
Finance costs									(85,855)
Share of results of associated companies	-	38,025	-	1,680	-	247	607	-	40,559
Taxation									(35,769)
Minority interests									(19,116)
Profit attributable to shareholders (as restated)									91,777



2 TURNOVER, REVENUE AND SEGMENT INFORMATION (CONT'D)

Primary reporting format – geographical segments (Cont'd)

	The People's Republic of China								Group 2000 US\$'000
	Hong Kong 2000 US\$'000	Mainland		Singapore 2000 US\$'000	Thailand 2000 US\$'000	Malaysia 2000 US\$'000	Other 2000 US\$'000	Elimination 2000 US\$'000	
		China 2000 US\$'000	Philippines 2000 US\$'000						
Segment assets	783,069	1,063,701	590,850	685,556	145,925	363,023	132,580	(6,006)	3,758,698
Investments in associated companies	-	828,191	-	56,663	-	12,200	33,772	-	930,826
Unallocated assets									329,638
Negative goodwill									(210,425)
Total assets									4,808,737
Segment liabilities	(28,939)	(38,296)	(15,673)	(21,771)	(7,143)	(17,589)	(7,609)	6,006	(131,014)
Unallocated liabilities									(1,320,451)
Total liabilities									(1,451,465)
Capital expenditure	3,669	17,268	11,917	17,376	2,717	5,300	3,800	-	62,047
Depreciation	(10,555)	(24,788)	(4,228)	(10,590)	(3,274)	(4,880)	(1,984)	-	(60,299)
Amortisation of negative goodwill									14,742
Provision for impairment losses	-	-	-	-	(230)	-	-	-	(230)



Notes to the Accounts

For the year ended 31 December 2001

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (CONT'D)

Secondary reporting format – business segments

	Turnover 2001 US\$'000	Segment results 2001 US\$'000	Total assets 2001 US\$'000	Capital expenditure 2001 US\$'000
Hotel operation	574,548	131,802	3,251,723	61,286
Hotel management	31,460	7,668	16,929	324
Property rentals	16,205	6,173	312,087	809
Elimination	(22,652)	–	(5,296)	–
	599,561	145,643	3,575,443	62,419
Investments in associated companies			941,671	–
Unallocated assets			271,400	22,578
Negative goodwill			(223,188)	–
Total			4,565,326	84,997

	Turnover 2000 US\$'000	Segment results 2000 US\$'000	Total assets 2000 US\$'000	Capital expenditure 2000 US\$'000
Hotel operation	655,915	165,201	3,398,362	58,541
Hotel management	34,637	13,535	17,218	750
Property rentals	17,835	7,573	349,124	1,347
Elimination	(24,707)	–	(6,006)	–
	683,680	186,309	3,758,698	60,638
Investments in associated companies			930,826	–
Unallocated assets			329,638	1,409
Negative goodwill			(210,425)	–
Total			4,808,737	62,047



3 OPERATING PROFIT BEFORE FINANCE COSTS

	Group	
	2001 <i>US\$'000</i>	Restated 2000 <i>US\$'000</i>
Operating profit before finance costs is stated after crediting and charging:		
Crediting		
Amortisation of negative goodwill	16,706	14,742
Net realised gain on other investments	–	585
Charging		
Pre-operating expenses	–	1,392
Depreciation of fixed assets (net of amount capitalised of US\$34,000 (2000: US\$37,000))	49,737	60,262
Cost of inventories sold or consumed in operation	72,038	86,606
Auditors' remuneration	509	665
Deficit on valuation of hotel and investment properties	9,319	1,232
Operating lease rental in respect of land and buildings	10,167	10,673
Staff costs	164,819	165,447
Net realised losses on other investments	10,132	–
Net unrealised losses on other investments	14,439	18,277
Provision for impairment losses on long-term investments	67	230
Provision for impairment losses on properties under development	6,000	–
Loss on disposals of fixed assets	2,748	1,144
Discarding of fixed assets due to properties renovations	1,056	4,234



Notes to the Accounts

For the year ended 31 December 2001

4 FINANCE COSTS

	Group	
	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Exchange differences	716	1,187
Interest on bank loans and overdrafts	63,418	72,236
Interest on other borrowings wholly repayable within five years	16	-
Interest on loans from minority interests with no fixed repayment term	736	417
Finance and interest costs on convertible bonds		
Finance costs	-	5,450
Interest costs	-	6,565
Total finance and interest costs on convertible bonds	-	12,015
Total charged to the profit and loss account	64,886	85,855

The Group has not capitalised any finance costs during the year (2000: nil).

5 SHARE OF RESULTS OF ASSOCIATED COMPANIES

	Group	
	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Share of results of associated companies is stated after charging/(crediting):		
Provision for/(reversal of) deficit on valuation of hotel and investment properties	9,355	(2,021)



6 TAXATION

	Group	
	2001 US\$'000	2000 US\$'000
Hong Kong profits tax		
– Provision for the year	5,983	8,737
– Deferred (<i>note 28(c)</i>)	(261)	(492)
Taxation outside Hong Kong		
– Provision for the year	11,343	20,711
– Deferred (<i>note 28(c)</i>)	2,647	(1,439)
Share of taxation attributable to associated companies	7,328	8,252
	27,040	35,769

- (a) Hong Kong profits tax is provided at the rate of 16% (2000: 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\$73,305,000 (2000: restated of US\$24,962,000).

8 DIVIDENDS

	Group	
	2001 US\$'000	2000 US\$'000
Interim – HK7 cents (2000: HK7 cents) per ordinary share	20,140	19,886
Proposed final – HK8 cents (2000: HK8 cents) per ordinary share	22,325	23,038
	42,465	42,924

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31 December 1999 and 2000 were US\$22,727,000 and US\$23,038,000, respectively. Under the Group's new accounting policy as described in Note 1(q), these have been written back against opening reserves as at 1 January 2000 and 2001 in Note 24 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 22 March 2002 the directors recommended a final dividend of HK8 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2002.



Notes to the Accounts

For the year ended 31 December 2001

9 EARNINGS PER SHARE

- (a) Basic earnings per share of US2.63 cents (2000: restated of US4.14 cents) is calculated based on profit attributable to shareholders of US\$58,793,000 (2000: restated of US\$91,777,000) and the weighted average number of 2,236,166,337 shares (2000: 2,215,575,134 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	
	2001 US\$'000	2000 US\$'000
As directors	179	208
For management		
– basic salaries, housing allowances, other allowances and other benefits in kind	3,497	3,299
Discretionary bonus	518	1,057
Directors' pensions	124	105
	4,318	4,669

Apart from the aforesaid, during the years ended 31 December 2001 and 2000, no other emoluments have been paid.

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

	Number of directors			
	Executive		Non-executive	
	2001	2000	2001	2000
HK\$ nil – HK\$1,000,000	–	–	6	7
HK\$1,500,000 – HK\$2,000,000	–	1	1	–
HK\$2,000,001 – HK\$2,500,000	–	–	–	1
HK\$2,500,001 – HK\$3,000,000	1	–	–	–
HK\$3,000,001 – HK\$3,500,000	2	1	–	–
HK\$3,500,001 – HK\$4,000,000	–	2	–	–
HK\$4,000,001 – HK\$4,500,000	1	1	–	–
HK\$4,500,001 – HK\$5,000,000	1	1	–	–
HK\$5,000,001 – HK\$5,500,000	1	–	–	–
HK\$5,500,001 – HK\$6,000,000	–	2	–	–
HK\$7,000,001 – HK\$7,500,000	1	–	–	–

Total emoluments payable to the independent non-executive Directors amounted to US\$69,752 (2000: US\$111,111).

No Directors have waived emoluments for the years ended 31 December 2001 and 2000.



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

(b) Highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2000: four) 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	
	2001 US\$'000	2000 US\$'000
For management		
– basic salaries, housing allowances, other allowances and other benefits in kind	2,804	2,332
Discretionary bonus	348	810
Pensions	113	37
	3,265	3,179

The emoluments of the individual who is not a Director fell within the following bands:

	Number of individuals	
	2001	2000
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	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 Mandatory Provident Fund (“MPF”) in Hong Kong) participated by the Group, other than those in the People’s Republic of China (“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 the employees’ monthly gross earnings with a ceiling of HK\$1,000 (equivalent to 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 2001 were not material.



Notes to the Accounts

For the year ended 31 December 2001

11 PENSION SCHEME ARRANGEMENTS (CONT'D)

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 each employee for the Group's subsidiaries in Singapore are fixed at S\$960 (equivalent to US\$520) per month for monthly salaries and bonus payment by Singapore government, increased from year 2000's S\$600 (equivalent to US\$346). 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 three hotels in the Philippines have adopted a funded non-contributory defined benefit pension plan covering all their regular employees. The benefits are based on years of service and the employee's final covered compensation. The plan requires periodic contributions by the participating subsidiaries as determined by periodic actuarial reviews. An actuarial valuation was performed by Orlando J. Manalang, a qualified actuary, at 1 September 2001 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 10% per annum and salaries will increase by 6% per annum. According to this report, the market value of the plan assets and actuarial accrued liabilities amounted to Peso 123,608,000 (equivalent to US\$2,388,000) and Peso 81,138,000 (equivalent to US\$1,567,000) and recommended that the three hotels temporarily suspend making contributions to the plan until such time that another actuarial valuation is done which must be undertaken within the next three years.
- (c) Total pension cost charged to the profit and loss account for the year under all pension schemes was US\$10,661,000 (2000: US\$5,331,000).

Notes to the Accounts



For the year ended 31 December 2001

12 FIXED ASSETS

	Group							
	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	Total US\$'000
Cost or valuation								
At 1 January 2001	2,935,519	315,896	61,845	173,531	408,530	13,098	69,402	3,977,821
Exchange difference	(29,057)	(11,476)	(447)	(813)	(5,323)	(79)	(1,576)	(48,771)
Additions	15,032	528	1,009	47,528	17,205	1,017	2,678	84,997
Transfer	10,463	(143)	(558)	(7,153)	(3,761)	(66)	1,218	-
Deficit on revaluation	(49,348)	(8,979)	-	-	-	-	-	(58,327)
Provision for impairment losses	-	-	-	(6,000)	-	-	-	(6,000)
Disposals	(2,178)	-	(149)	(2,069)	(10,451)	(602)	(265)	(15,714)
At 31 December 2001	2,880,431	295,826	61,700	205,024	406,200	13,368	71,457	3,934,006
At cost	137,058	-	61,700	205,024	406,200	13,368	71,457	894,807
At valuation	2,743,373	295,826	-	-	-	-	-	3,039,199
	2,880,431	295,826	61,700	205,024	406,200	13,368	71,457	3,934,006
Accumulated depreciation								
At 1 January 2001	-	-	5,321	-	265,242	8,905	41,320	320,788
Exchange difference	-	-	(87)	-	(2,957)	(62)	(1,150)	(4,256)
Charge for the year	-	-	986	-	39,388	1,247	8,150	49,771
Transfer	-	-	-	-	(1,015)	(6)	1,021	-
Disposals	-	-	(126)	-	(9,238)	(571)	(231)	(10,166)
At 31 December 2001	-	-	6,094	-	291,420	9,513	49,110	356,137
Net book value								
At 31 December 2001	2,880,431	295,826	55,606	205,024	114,780	3,855	22,347	3,577,869
At 31 December 2000	2,935,519	315,896	56,524	173,531	143,288	4,193	28,082	3,657,033

- (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.



Notes to the Accounts

For the year ended 31 December 2001

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	-	-	-	-	20,096	18,413	38,509
At valuation	-	606,051	243,903	-	-	-	849,954
Long lease (not less than 50 years)							
At cost	-	-	-	2,502	14,464	5,089	22,055
At valuation	295,713	339,841	-	-	-	-	635,554
Medium lease (less than 50 years but more than 10 years)							
At cost	-	137,058	-	2,675	15,869	181,522	337,124
At valuation	394,168	1,107,600	51,923	-	-	-	1,553,691
Total	689,881	2,190,550	295,826	5,177	50,429	205,024	3,436,887

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\$2,524,541,000 (2000: US\$2,549,899,000). No depreciation is provided for the above hotel properties and investment properties which are all held on leases of more than 20 years under the Company's accounting policies.

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



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 2001	756	293	1,049
Additions	9	-	9
At 31 December 2001	765	293	1,058
Accumulated depreciation			
At 1 January 2001	712	254	966
Charge for the year	24	39	63
At 31 December 2001	736	293	1,029
Net book value			
At 31 December 2001	29	-	29
At 31 December 2000	44	39	83



Notes to the Accounts

For the year ended 31 December 2001

13 NEGATIVE GOODWILL

	Group	
	2001 US\$'000	Restated 2000 US\$'000
(a) Negative goodwill		
Cost		
At 1 January		
– as previously reported	–	–
– effect of adopting SSAP 29 (Note 1(g))	161,624	161,624
– effect of adopting SSAP 30 (Notes 1(g) and 25)	(396,256)	(394,811)
– as restated	(234,632)	(233,187)
Acquired during the year		
– balance for the year/as previously reported (Note 21(a))	(29,469)	–
– effect of adopting SSAP 30 (Notes 1(g) and 25)	–	(1,445)
– balance for the year/as restated	(29,469)	(1,445)
At 31 December	(264,101)	(234,632)
Accumulated amortisation		
At 1 January		
– as previously reported	–	–
– effect of adopting SSAP 30 (Notes 1(g) and 25)	24,207	9,465
– as restated	24,207	9,465
Amortised during the year		
– balance for the year/as previously reported	16,706	–
– effect of adopting SSAP 30 (Notes 1(g) and 25)	–	14,742
– balance for the year/as restated	16,706	14,742
At 31 December	40,913	24,207
Net book value at 31 December	(223,188)	(210,425)
(b) Intellectual property rights		
At 1 January and 31 December		
– as previously reported	161,624	161,624
– effect of adopting SSAP 29 (Note 1(g))	(161,624)	(161,624)
– as restated	–	–



14 SUBSIDIARIES

	Company	
	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Unlisted shares, at cost	1,698,366	1,663,901
Amounts due from subsidiaries	659,771	639,093
Amounts due to subsidiaries	(125,971)	(37,962)
	2,232,166	2,265,032

- (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 (2000: US\$15,600,000) due from a subsidiary which was interest bearing at HIBOR plus 1% per annum.
- (c) Amounts due to subsidiaries as at 31 December 2001 and 2000 are unsecured, interest free and with no fixed repayment terms.

15 ASSOCIATED COMPANIES

	Group	
	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Share of net assets	734,623	707,223
Amounts due from associated companies	207,048	223,603
	941,671	930,826

Amounts due from associated companies are unsecured, interest free and with no fixed repayment terms except for the total amount of US\$86,991,000 due from two associated companies which is interest bearing at LIBOR plus 2% per annum and US\$28,832,000 due from an associated company which is interest bearing at 1.25% per annum (2000: only US\$30,702,000 due from an associated company is interest bearing at 1.25% per annum). Details of principal associated companies are set out in note 33(b).



Notes to the Accounts

For the year ended 31 December 2001

16 LONG-TERM INVESTMENTS

	Group	
	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Overseas unlisted shares, at cost	1,916	1,916
– Exchange difference	(31)	(19)
– Provision for impairment losses	(297)	(230)
	1,588	1,667
Loans	1,174	1,251
	2,762	2,918

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

17 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

At 31 December 2001, the ageing analysis of the trade debtors was as follows:

	Group	
	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
0 - 3 months	25,043	34,605
4 - 6 months	750	1,001
over 6 months	381	420
	26,174	36,026

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



18 OTHER INVESTMENTS

	Group	
	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Equity securities, at market value		
Shares listed in Hong Kong	33,641	124,656
Shares listed outside Hong Kong	19,493	23,422
	53,134	148,078
Unlisted securities, at market value		
Outside Hong Kong	1,242	1,264
Held-to-maturity securities, at cost		
Unquoted outside Hong Kong	2,004	–
	56,380	149,342

Equity securities listed in Hong Kong included shares in the Company (“such SA shares”) with a carrying value of US\$10,319,000 held by Shangri-La Hotel Public Company Limited, Thailand (“SHPCL”) (2000: US\$86,819,000 held by Shangri-La Hotel Limited, Singapore (“SHL”) and SHPCL). Such SA shares, representing approximately 0.6% of the issued share capital of the Company as at 31 December 2001 (2000: 3.6%), were held by SHPCL before the Company acquired the controlling interests in it in late 1999. SHL disposed all its 66,945,522 such SA shares to the Company during the year (note 21). The Company has undertaken, subject to market conditions, to use its reasonable endeavours to procure 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.

19 ACCOUNTS PAYABLE AND ACCRUALS

At 31 December 2001, the ageing analysis of the trade creditors was as follows:

	Group	
	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>
Accounts payable in the next:		
0 - 3 months	18,448	21,217
4 - 6 months	488	1,303
over 6 months	1,190	1,705
	20,126	24,225



Notes to the Accounts

For the year ended 31 December 2001

20 BANK LOANS AND OVERDRAFTS AND OTHER BORROWINGS

	Group	
	2001 US\$'000	2000 US\$'000
Overdrafts – secured	–	4,398
Overdrafts – unsecured	305	739
Bank loans – secured (<i>note 32(b)</i>)	35,747	40,511
Bank loans – unsecured	1,073,773	1,144,458
Other borrowings – unsecured	16,247	–
	1,126,072	1,190,106

The above bank loans and overdrafts are repayable as follows:

	Bank loans and overdrafts		Other borrowings	
	2001 US\$'000	2000 US\$'000	2001 US\$'000	2000 US\$'000
Within one year	619,796	128,063	–	–
In the second year	5,137	581,665	–	–
In the third to fifth years inclusive	483,090	477,338	16,247	–
After five years	1,802	3,040	–	–
	490,029	1,062,043	16,247	–
	1,109,825	1,190,106	16,247	–

Other borrowings represented S\$30,000,000 unsecured Floating Rate Notes (the “Notes”) due in 2004 issued by SHL on 13 December 2001 at an all inclusive cost of 1.7886% per annum for the first six months. The interest rate will be re-fixed at every 6 monthly interval, based on an agreed formula set out in the issuing documents. Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at the face value of S\$30,000,000 on the maturity date.

Notes to the Accounts



For the year ended 31 December 2001

21 SHARE CAPITAL

	2001		2000	
	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	2,214,014	286,270	2,216,738	286,622
Issue of shares for acquisition of additional interests in SHL (note (a))	32,350	4,148	–	–
Repurchase of shares (note (b))	(69,704)	(9,012)	(2,724)	(352)
At 31 December	2,176,660	281,406	2,214,014	286,270

- (a) As at the close of the delisting exit offer to the remaining shareholders of SHL on 22 February 2001, the Company acquired a further 9.61% of the share capital of SHL from independent shareholders and thus increased its interest in SHL to 99.11%. The total consideration was US\$34,674,000 including the issuance of 32,349,764 new ordinary shares of par value of HK\$1 each at HK\$8.31 per share on 27 February 2001 by the Company and cash payment of associated acquisition costs of US\$209,000. The issued new shares rank pari passu with the existing shares. The fair value of the net identifiable assets relating to the 9.61% share of SHL at the date of acquisition was US\$64,143,000. The resulting negative goodwill of US\$29,469,000 (Note 13) is being amortised on a straight line basis over 15 years.
- (b) During the year, the Company repurchased a total of 2,758,000 (2000: 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	196,000	185,227	7.50	7.20
May	200,000	186,724	7.30	7.20
June	1,478,000	1,240,588	7.05	5.85
September	588,000	329,066	5.00	3.875
December	296,000	221,581	6.10	5.70
	2,758,000	2,163,186		

The Company also repurchased 66,945,522 fully paid shares which were previously held indirectly by SHL. These shares were repurchased from SHL through private arrangement at a price of HK\$6.85 per share on 11 December 2001 and all these shares have been duly cancelled on the same date.



Notes to the Accounts

For the year ended 31 December 2001

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 <i>(Note a)</i>	15 January 2000 <i>(Note b)</i>	6 April 2000 <i>(Note c)</i>	15 January 2001 <i>(Note d)</i>
Balance at 1 January 2001	13,590,000	9,120,000	400,000	–
Granted during the year	–	–	–	5,340,000
Lapsed during the year	480,000	760,000	400,000	440,000
Balance at 31 December 2001	13,110,000	8,360,000	–	4,900,000
Exercise price per share (HK\$)	8.00	8.55	8.55	7.94

- (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.
- (d) The share options are exercisable based on an approved vesting scale from 15 January 2002 to 14 January 2011.



For the year ended 31 December 2001

23 RESERVES

	Share of											
	Capital redemption reserve			Hotel Investment properties revaluation reserve		Share of Hotel Investment properties in associated companies		Exchange fluctuation reserve	Capital reserve	Other Contributed reserve surplus		Total US\$'000
	premium	reserve	reserve	reserve	properties	properties	reserve	reserve	reserve	surplus		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
Group												
At 1 January 2001												
- as previously reported	583,181	1,429	613,556	-	98,158	175,646	(153,654)	997,746	459	359,424	2,675,945	
- effect of adopting SSAP 30 (Note 1(g))	-	-	-	-	-	-	-	(396,256)	-	-	(396,256)	
- as restated	583,181	1,429	613,556	-	98,158	175,646	(153,654)	601,490	459	359,424	2,279,689	
(Deficit)/surplus on valuation	-	-	(49,609)	-	(2,361)	6,551	-	-	-	-	(45,419)	
Arising from issue of shares	-	-	-	-	-	-	-	-	-	30,317	30,317	
Arising from repurchase of shares	(52,456)	9,012	-	-	-	-	-	-	-	-	(43,444)	
Other movements	-	-	-	-	-	-	(28,465)	-	98	-	(28,367)	
At 31 December 2001	530,725	10,441	563,947	-	95,797	182,197	(182,119)	601,490	557	389,741	2,192,776	
Company												
At 1 January 2001	583,181	1,429	-	-	-	-	-	-	-	1,493,914	2,078,524	
Arising from issue of shares	-	-	-	-	-	-	-	-	-	30,317	30,317	
Arising from repurchase of shares	(52,456)	9,012	-	-	-	-	-	-	-	-	(43,444)	
At 31 December 2001	530,725	10,441	-	-	-	-	-	-	-	1,524,231	2,065,397	
Group												
At 1 January 2000												
- as previously reported	585,508	1,077	423,568	8,731	75,468	122,923	(91,027)	996,469	459	359,424	2,482,600	
- effect of adopting SSAP 30 (Note 1(g))	-	-	-	-	-	-	-	(394,811)	-	-	(394,811)	
- as restated	585,508	1,077	423,568	8,731	75,468	122,923	(91,027)	601,658	459	359,424	2,087,789	
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												
- as previously reported	-	-	-	-	-	-	(62,627)	1,445	-	-	(61,182)	
- effect of adopting SSAP 30 (Note 1(g))	-	-	-	-	-	-	-	(1,445)	-	-	(1,445)	
- as restated	-	-	-	-	-	-	(62,627)	-	-	-	(62,627)	
At 31 December 2000	583,181	1,429	613,556	-	98,158	175,646	(153,654)	601,490	459	359,424	2,279,689	
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	



Notes to the Accounts

For the year ended 31 December 2001

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	
	2001 US\$'000	2000 US\$'000	2001 US\$'000	2000 US\$'000
At 1 January				
– as previously reported	352,805	319,046	30,107	57,190
– effect of adopting SSAP 9 (revised) (Notes 1(q) and 25)	23,038	22,727	(17,232)	(26,312)
– effect of adopting SSAP 30 (Notes 1(g) and 25)	24,207	9,465	–	–
– as restated	400,050	351,238	12,875	30,878
Profit attributable to shareholders for the year				
– balance for the year/ as previously reported	58,793	77,035	73,305	16,193
– effect of adopting SSAP 9 (revised) (Notes 1(q) and 25)	–	–	–	8,769
– effect of adopting SSAP 30 (Notes 1(g) and 25)	–	14,742	–	–
– balance for the year/as restated	58,793	91,777	73,305	24,962
2000/1999 Final dividend paid (Note 8)	(23,038)	(22,727)	(23,038)	(22,727)
2001/2000 Interim dividend paid (Note 8)	(20,140)	(19,886)	(20,140)	(19,886)
Transfer to capital redemption reserve	(9,012)	(352)	(9,012)	(352)
Transfer to other reserve	(98)	–	–	–
At 31 December	406,555	400,050	33,990	12,875



24 RETAINED PROFITS (CONT'D)

	Group		Company	
	2001 US\$'000	2000 US\$'000	2001 US\$'000	2000 US\$'000
Representing:				
2001/2000 Final dividend proposed	22,325	23,038	22,325	23,038
Retained profits	384,230	377,012	11,665	(10,163)
At 31 December	406,555	400,050	33,990	12,875
Company and subsidiaries				
- balance at 31 December/ as previously reported	187,789	158,636	33,990	30,107
- effect of adopting SSAP 9 (revised)	-	23,038	-	(17,232)
- effect of adopting SSAP 30	-	24,207	-	-
- balance at 31 December/ as restated	187,789	205,881	33,990	12,875
Associated companies	218,766	194,169	-	-
	406,555	400,050	33,990	12,875

- (a) Included in the retained profits of subsidiaries and associated companies are statutory funds of approximately US\$147,000 and US\$15,561,000 respectively (2000: US\$86,000 and US\$13,334,000). These funds are set up by way of appropriation from the profit after taxation of the respective companies, established 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\$121,296,000 (2000: US\$107,216,000), US\$11,578,000 (2000: US\$9,563,000) and US\$13,050,000 (2000: restated of US\$16,704,000) respectively for subsidiaries operating in the Philippines, Fiji and Thailand as at 31 December 2001.

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.



Notes to the Accounts

For the year ended 31 December 2001

25 CHANGE IN ACCOUNTING POLICIES

The effects of the change in accounting policies regarding goodwill/negative goodwill and dividends as explained in notes 1(g) and 1(q) are:

	Group <i>US\$'000</i>	Company <i>US\$'000</i>
(a) Effect on retained profits as at 31 December 2000		
(i) Increase/(decrease) in retained profits as at 1 January 2000		
– Reversal of provision for the Company's 1999 final dividend declared after 31 December 1999 on adoption of SSAP 9 (revised)	22,727	22,727
– Reversal of proposed dividends from subsidiaries declared after 31 December 1999 on adoption of SSAP 9 (revised)	–	(49,039)
– Credit of accumulated amortisation of negative goodwill for prior years on adoption of SSAP 30	9,465	–
	32,192	(26,312)
(ii) Increase/(decrease) in profit retained for the year ended 31 December 2000		
– Payment of the Company's 1999 final dividend declared after 31 December 1999 on adoption of SSAP 9 (revised)	(22,727)	(22,727)
– Reversal of provision for the Company's 2000 final dividend declared after 31 December 2000 on adoption of SSAP 9 (revised)	23,038	23,038
– Credit of dividends from subsidiaries declared after 31 December 1999 on adoption of SSAP 9 (revised)	–	49,039
– Reversal of proposed dividends from subsidiaries declared after 31 December 2000 on adoption of SSAP 9 (revised)	–	(40,270)
– Credit of amortisation of negative goodwill for the year on adoption of SSAP 30	14,742	–
	15,053	9,080
Net increase/(decrease) in retained profits as at 31 December 2000	47,245	(17,232)



25 CHANGE IN ACCOUNTING POLICIES (CONT'D)

	Group <i>US\$'000</i>	Company <i>US\$'000</i>
(b) Effect on capital reserve on consolidation as at 31 December 2000		
(i) Decrease in capital reserve on consolidation arising from acquisition of subsidiaries and associated companies in prior years as at 1 January 2000 on adoption of SSAP 30	(394,811)	–
(ii) Decrease in capital reserve on consolidation arising from acquisition of additional interest in a subsidiary during the year ended 31 December 2000 on adoption of SSAP 30	(1,445)	–
Net decrease in capital reserve as at 31 December 2000	(396,256)	–

26 DISTRIBUTABLE RESERVES

As at 31 December 2001, the Group's distributable reserves comprised:

	2001 <i>US\$'000</i>	Restated 2000 <i>US\$'000</i>
The Company		
Distributable retained profits	33,990	12,875
Contributed surplus	1,524,231	1,493,914
	1,558,221	1,506,789
Subsidiaries (<i>notes (a) and (b)</i>)		
Distributable retained profits	323,640	358,238
Associated companies (<i>notes (a) and (b)</i>)		
Distributable retained profits	236,063	210,878

(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.



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For the year ended 31 December 2001

27 MINORITY INTERESTS AND LOANS

	Group	
	2001 US\$'000	2000 US\$'000
Share of equity		
– balance for the year/as previously reported	324,105	381,442
– effect of adopting SSAP 9 (revised) (note (a))	–	9,821
– as restated	324,105	391,263
Loans from minority shareholders (note (b))	88,762	90,705
	412,867	481,968

(a) As a result of the adoption of the SSAP 9 (revised) which has been applied retrospectively, the share of the minority interests on the dividends declared by the non-wholly owned subsidiaries after 31 December 2000 of US\$9,821,000 previously included under the balance "Due to minority shareholders" as disclosed under current liabilities as at 31 December 2000 have been reclassified to this account.

(b) The loans are unsecured, interest free and are subordinated to bank loans of the relevant subsidiaries except for a total amount of US\$22,473,000 which is interest bearing at various interest rates ranging from 1.25% per annum to 5% per annum (2000: US\$18,684,000).

28 DEFERRED TAXATION

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

	Group			
	2001		2000	
	Full potential liabilities US\$'000	Provision made US\$'000	Full potential liabilities US\$'000	Provision made US\$'000
Timing differences in respect of				
– Accelerated depreciation allowances	19,806	11,108	14,729	10,184
– Others	(1,037)	(1,098)	(2,192)	(2,171)
	18,769	10,010	12,537	8,013

Others are mainly due to unrealised exchange differences on long-term loans and available tax losses.



28 DEFERRED TAXATION (CONT'D)

(b) No provision has been made for deferred taxation liability in respect of the timing differences not expected to reverse in the foreseeable future and 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	
	2001 US\$'000	2000 US\$'000
At 1 January	8,013	9,575
Transferred from/(to) profit and loss account (<i>note 6</i>)	2,386	(1,931)
Exchange difference	(389)	369
At 31 December	10,010	8,013

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 US\$'000	Restated 2000 US\$'000
Profit before taxation	98,396	146,662
Share of results of associated companies	(35,097)	(40,559)
Deficit on valuation of hotel and investment properties	9,319	1,232
Provision for impairment losses on properties under development	6,000	-
Gain on repurchases of convertible bonds	-	(177)
Depreciation	49,737	60,262
Amortisation of negative goodwill	(16,706)	(14,742)
Finance and interests costs on convertible bonds	-	12,015
Interest on bank loans and overdrafts and other borrowings	64,170	72,653
Interest income	(7,353)	(7,721)
Dividend received from other investments	(3,537)	(4,532)
Loss on disposal of fixed assets and discarding of fixed assets due to properties renovations	3,804	5,378
Net realised and unrealised losses on other investments	24,571	17,692
Decrease in inventories	3,037	1,676
Decrease/(increase) in accounts receivable, prepayments and deposits	10,499	(5,356)
Provision for impairment losses on long-term investments	67	230
Decrease in accounts payable and accruals	(19,645)	(10,977)
Increase in amounts due to minority shareholders	101	-
Increase in amounts due from associated companies	(1,074)	-
Increase in amounts due from minority shareholders	(363)	(1,136)
Net cash inflow from operating activities	185,926	232,600



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For the year ended 31 December 2001

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

(b) Analysis of changes in financing during the year

	Note	2001	
		Share capital (including premium) US\$'000	Bank loans and other borrowings US\$'000
At 1 January 2001		869,451	1,275,674
Issue of shares for acquisition of additional interest in a subsidiary	21(a)	4,148	–
Net cash outflow from financing		(2,163)	(51,847)
Cancellation of own shares	21(b)	(58,792)	–
Exchange difference		(513)	(9,298)
At 31 December 2001		812,131	1,214,529
		2000	
		Share capital (including premium) US\$'000	Bank loans and other borrowings US\$'000
At 1 January 2000		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
At 31 December 2000		869,451	1,275,674

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

	2001 US\$'000	2000 US\$'000
Cash and bank balances	103,697	179,809
Bank overdrafts	(305)	(5,137)
	103,392	174,672

At 31 December 2001, the Group's cash and bank balances of US\$55,550,000 (2000: US\$71,534,000) were kept in the PRC, Malaysia, Thailand, the Philippines and Myanmar. The remittance of funds out of these countries is subject to rules and regulations of foreign exchange control promulgated by the governments of the respective countries.



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 received hotel management and related services and royalty fees totalling US\$4,148,000 (2000: US\$4,980,000) 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.

31 COMMITMENTS

As at 31 December 2001, the Group and the Company had the following commitments:

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

	2001 US\$'000	2000 US\$'000
Contracted but not provided for	21,390	43,110
Authorised by Directors but not contracted for	436,610	21,001
	458,000	64,111

- (b) The Group's commitments in associated companies in respect of property development projects amounting to approximately US\$12,229,000 (2000: US\$12,497,000).

- (c) The Group's commitments under operating leases to make future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2001 US\$'000	Restated 2000 US\$'000
Not later than one year	5,629	6,263
Later than one year and not later than five years	15,504	15,917
Later than five years	86,490	93,325
	107,623	115,505

- (d) The Company had entered into currency swap contracts between Hong Kong dollars and United States dollars for US\$300,000,000 for the purpose of hedging against the Company's United States dollars loans. Upon maturity of these contracts in June 2002 and August 2002, the Company will buy US\$50,000,000 and US\$250,000,000 upon payment of HK\$387,910,000 and HK\$1,948,915,000, respectively.

A subsidiary had also entered into one month swap contracts between Singapore dollars and United States dollars for S\$42,246,000 at average of US\$1 to S\$1.8353 to hedge against its exposure to inter-group borrowings.



Notes to the Accounts

For the year ended 31 December 2001

31 COMMITMENTS (CONT'D)

- (e) The Company had entered into the following HIBOR interest rate swap contracts to reduce its interest rate exposure:
- HK\$2,340,000,000 one-year contracts at fixed rates between 2.525% to 2.67% maturing in October or December 2002; and
 - HK\$2,700,000,000 three-year contracts at fixed rates between 3.735% to 4.03% maturing in November 2004.
- (f) A wholly owned subsidiary of SHL entered into a Conditional Shares Sale Agreement (the "Agreement") with Kuok Brothers Sdn. Bhd. and PPB Group Berhad, companies within the Kuok Group, to acquire an aggregate of 33,200,000 fully paid ordinary shares of RM1 each representing 40% equity interest in Tanjung Aru Hotel Sdn. Bhd. which owns Shangri-La's Tanjung Aru Resort, Kota Kinabalu, for a total cash consideration of RM61,420,000 (equivalent to US\$16,163,000). A 10% deposit was paid upon signing of the Agreement and the balance of 90% is payable only upon completion of the transaction. Completion of the transaction is conditional upon the receipt of regulatory approvals and waivers which are still pending.
- (g) A wholly owned subsidiary of SHL entered into a Sale and Purchase of Shares Agreement for the acquisition of the remaining 12,000,000 fully paid ordinary shares of S\$1 each representing 40% equity interest in Sentosa Beach Resort Pte Ltd ("SEN") from its minority shareholder, Mr Prajogo Pangestu, for a total cash consideration of S\$14,160,000 (equivalent to US\$7,669,000). This acquisition has not yet completed up to the date of this report. Mr Pangestu is a connected person of the Company by virtue of his being a substantial shareholder and an alternate director of SEN.
- (h) SHMB entered into a Conditional Shares Sale Agreement with PPB Group Berhad, a company within the Kuok Group, to acquire a further 25% equity interest in Pantai Dalit Beach Resort Sdn. Bhd. ("PDBR") for a cash consideration of RM28,688,000 (equivalent to US\$7,549,000). The acquisition was completed on 25 January 2002. The details of such acquisition are set out in note 35(a).
- (i) A wholly owned subsidiary of the Company entered into a joint venture agreement to form the company, Zhongshan Shangri-La Hotel Co., Ltd. ("ZSH"), for the Shangri-La Hotel, Zhongshan development project in the Mainland China. The Group's total capital commitment is US\$8,318,000, being 51% of the total registered capital. The details of this capital investment are set out in note 35(b).

**32 CONTINGENT LIABILITIES AND CHARGES OVER ASSETS****(a) Contingent liabilities**

As at 31 December 2001, 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, amounts to US\$979,826,000 (2000: US\$996,927,000) and US\$29,759,000 (2000: US\$29,759,000) 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 amounts to US\$47,382,000 (2000: US\$57,680,000).

(b) Charges over assets

As at 31 December 2001, bank loans and banking facilities of two subsidiaries amounting to US\$35,047,000 (2000: US\$44,909,000) were secured by charges over certain hotel properties and other fixed assets of these two subsidiaries with net book values totalling US\$87,346,000 (2000: US\$94,072,000) and other assets totalling US\$7,166,000 (2000: US\$6,812,000). Bank loan of a subsidiary amounting to US\$700,000 (2000: Nil) was secured by charges over other investment of this subsidiary with net book values totalling US\$6,948,000.

Apart from the aforesaid, neither the Group nor the Company had any material contingent liabilities or charges as at 31 December 2001.



Notes to the Accounts

For the year ended 31 December 2001

33 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

(a) At 31 December 2001, 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\$578,083,745	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 Shangri-La Hotel 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



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

(a) At 31 December 2001, 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	
* 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
* 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



Notes to the Accounts

For the year ended 31 December 2001

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

(a) At 31 December 2001, 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	
* 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
* Shangri-La Hotel Limited	Singapore	Ordinary S\$166,140,447	-	99.11	Investment holding, hotel ownership and operation and leasing of residential and serviced apartments
* Sentosa Beach Resort Pte Ltd	Singapore	Ordinary S\$30,000,000	-	59.47	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	-	52.34	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


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

- (a) At 31 December 2001, 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	
* Traders Yangon Company Limited	Myanmar	Ordinary Kyat 21,600,000	-	56.14	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
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.



Notes to the Accounts

For the year ended 31 December 2001

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

- (b) At 31 December 2001, 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 Swadharma 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	40.48	Hotel ownership and operation and property investment
Johdaya Karya Sdn Bhd	Malaysia	36.36	Property investment

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



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 2001 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 2001 pursuant to SSAP 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*

	Year ended 31 December	
	2001	2000
	US\$'000	US\$'000
Turnover	147,449	128,718
Profit before taxation	72,733	62,263
Taxation	(11,658)	(14,351)
Profit after taxation	61,075	47,912
Minority interests	(6,788)	(6,818)
Profit attributable to shareholders	54,287	41,094
Depreciation and amortisation	1,850	2,960
Profit after taxation attributable to the group	27,144	20,547

(ii) *Summarised assets and liabilities*

	As at 31 December	
	2001	2000
	US\$'000	US\$'000
Fixed assets	1,305,009	1,275,607
Deferred tax assets	6,472	33,099
Current assets	116,261	138,803
Current liabilities	(265,278)	(142,805)
Net current liabilities	(149,017)	(4,002)
Long-term liabilities	-	(184,045)
Net assets and minority interests	1,162,464	1,120,659



Notes to the Accounts

For the year ended 31 December 2001

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	Lease term
Kowloon Shangri-La, Hong Kong 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	Hotel operation	Long lease
Island Shangri-La, Hong Kong Pacific Place, 88 Queensway, Central, Hong Kong	Hotel operation	Medium lease
Shangri-La Hotel, Shenzhen Shenzhen East Side, Railway Station, Jianshe Road, Shenzhen 518001, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Beihai 33 Chating Road, Beihai, Guangxi 536007, The People's Republic of China	Hotel operation	Medium lease
Pudong Shangri-La, Shanghai 33 Fu Cheng Lu, Pudong New Area, Shanghai 200120, The People's Republic of China	Hotel operation	Medium lease
Traders Hotel, Shenyang 68 Zhong Hua Road, He Ping District, Shenyang 110001, The People's Republic of China	Hotel operation	Long lease
Shangri-La Hotel, Changchun 9 Xian Road, Changchun 130061, The People's Republic of China	Hotel operation and commercial and residential rental	Long lease
Shangri-La Hotel, Qingdao 9 Xiang Gang Zhong Lu, Qingdao 266071, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Dalian 66 Renmin Road, Dalian 116001, The People's Republic of China	Hotel operation	Medium lease
Dalian Century Tower Apartments 66 Renmin Road, Dalian 116001, The People's Republic of China	Residential rental	Medium lease



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	Lease term
Shangri-La Golden Flower Hotel, Xian 8 Chang Le Road West, Xian 710032, Shaanxi, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Harbin 555 You Yi Road, Dao Li District, Harbin 150018, The People's Republic of China	Hotel operation	Medium lease
Shangri-La Hotel, Wuhan No. 700, Jianshe Avenue, Hankou, Wuhan 430015, The People's Republic of China	Hotel operation	Medium lease
Makati Shangri-La, Manila Ayala Avenue, corner Makati Avenue, Makati City, Metro Manila 1200, The Philippines	Hotel operation	Medium lease
Edsa Shangri-La, Manila 1 Garden Way, Ortigas Center, Mandaluyong City 1650, Metro Manila, The Philippines	Hotel operation	Medium lease
Shangri-La's Mactan Island Resort, Cebu Punta Engano Road, Mactan Island, Cebu, The Philippines	Hotel operation	Medium lease
Shangri-La's Fijian Resort, Yanuca Island Yanuca Island, Sigatoka, Nadroga, Fiji	Hotel operation	Long lease
Fiji Mocambo, Nadi Namaka Hill, Nadi, Fiji	Hotel operation	Long lease
Shangri-La Hotel, Singapore 22 & 28 Orange Grove Road, Singapore 258350	Hotel operation	Freehold
Shangri-La Apartments, Singapore 1 Anderson Road, Singapore 259983	Residential rental	Freehold



Notes to the Accounts

For the year ended 31 December 2001

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	Lease term
Shangri-La Residences, Singapore No.1A Lady Hill Road, Singapore 258685	Residential rental	Freehold
Shangri-La's Rasa Sentosa Resort, Singapore 101 Siloso Road, Sentosa, Singapore 098970	Hotel operation	Long lease
Shangri-La Hotel, Kuala Lumpur UBN Complex, 11 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	Hotel operation	Freehold
Shangri-La Hotel, Penang Magazine Road, 10300 Penang, Malaysia	Hotel operation	Long lease
Shangri-La's Golden Sands Resort, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Sayang Resort, Penang Batu Feringgi Beach, 11100 Penang, Malaysia	Hotel operation	Freehold
Shangri-La's Rasa Ria Resort Dalit Bay Golf & Country Club, Sabah Pantai Dalit, 89208 Tuaran, Sabah, Malaysia	Hotel and golf club operation	Long lease
UBN Tower, Kuala Lumpur UBN Complex, 10 Jalan P Ramlee, 50250 Kuala Lumpur, Malaysia	Office and commercial rental	Freehold
UBN Apartments, Kuala Lumpur UBN Complex, 10 Jalan P Ramlee, 50250 Kuala Lumpur, Malaysia	Residential rental	Freehold


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	Lease term
Traders Hotel, Yangon 223 Sule Pagoda Road, Yangon, Myanmar	Hotel operation	Medium lease
Shangri-La Hotel, Bangkok 89 Soi Wat Suan Plu, New Road, Bangrak, Bangkok 10500, Thailand	Hotel operation and office rental	Freehold

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

Address	Existing use	Lease term
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	Medium lease
Shangri-La Hotel, Beijing 29 Zizhuyuan Road, Beijing 100089, The People's Republic of China	Hotel operation	Short lease
Shangri-La Hotel, Hangzhou 78 Beishan Road, Hangzhou 310007, The People's Republic of China	Hotel operation	Medium lease
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	Medium lease
Shangri-La Hotel, Jakarta Kota BNI, Jalan Jend Sudirman Kav. 1, Jakarta 10220, Indonesia	Hotel operation	Medium lease
Beijing Kerry Centre 1 Guanghai Road, Chaoyang District, Beijing 100020, The People's Republic of China	Hotel operation and office, commercial and residential rental	Medium lease



Notes to the Accounts

For the year ended 31 December 2001

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: (Cont'd)

Address	Existing use	Lease term
Shanghai Kerry Centre No. 1515 Nanjing Road West, Jingan District, Shanghai 200040, The People's Republic of China	Office, commercial and residential rental	Medium lease
Traders Hotel, Singapore 1A Cuscaden Road, Singapore 249716	Hotel operation	Long lease
Tanglin Mall, Singapore 163 Tanglin Road, Singapore 247933	Commercial rental	Long lease
Tanglin Place, Singapore 91 Tanglin Road, Singapore 247918	Commercial rental	Freehold
Part of City Square, Johor Bahru Johor, Malaysia	Commercial rental	Long lease

35 SUBSEQUENT EVENTS

- (a) SHMB entered into a Conditional Shares Sale Agreement with PPB Group Berhad to acquire 33,750,000 ordinary shares of RM1 each representing 25% equity interest in PDBR for a cash consideration of RM28,688,000 (equivalent to US\$7,549,000).

The acquisition was completed on 25 January 2002. As a result, SHMB's effective equity interest in PDBR has increased from 50% to 75%. The Group's effective equity interest in PDBR has increased from 52.34% to 66.34% considering that SHL, which holds 25% equity interest in PDBR, is now a wholly owned subsidiary of the Company (note (d)).

- (b) Subsequent to the year end, on 11 March 2002, a wholly owned subsidiary of the Company has invested US\$8,318,000 into ZSH after obtaining the requisite local government approval and business licence. The invested amount represented 51% of the total registered capital of ZSH.

**35 SUBSEQUENT EVENTS (CONT'D)**

(c) Subsequent to the year end, the Group has entered into the following agreements for new bank loan facilities totalling HK\$4,100,000,000 to refinance its borrowings due in 2002 and to meet the requirement of its capital commitment:

- a five-year HK\$500,000,000 unsecured bank loan facility on 11 February 2002.
- five-year HK\$300,000,000 and seven-year HK\$300,000,000 unsecured bank loan facilities on 19 February 2002.
- a five-year HK\$3,000,000,000 unsecured loan agreement with a consortium of banks on 15 March 2002.

These loans are at variable rates of interest at spreads over HIBOR.

(d) On 4 March 2002, the High Court of Singapore confirmed the Proposed Capital Scheme approved at the extraordinary general meeting of SHL held on 2 February 2002 to reduce the issued and paid up capital of SHL by cancelling 1,476,887 issued and fully paid ordinary shares of S\$1 each, being 0.89% equity interest, in the capital of SHL held by all the minority shareholders. Upon filing of the order of the High Court with the Registry of Companies of Singapore on 5 March 2002, SHL becomes a wholly owned subsidiary of the Company. The total consideration payable by SHL to the minority shareholders for all the cancelled shares is S\$5,583,000 (equivalent to US\$3,064,000).

36 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 22 March 2002.