



On behalf of the Board of Directors, I am pleased to present the eighth Annual Report of Shangri-La Asia Limited.

## GENERAL

After the corporate reorganisation in late 1999, the Company submitted a delisting proposal to Shangri-La Hotel Limited, Singapore ("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 which increased its shareholding in SHL to 99.11%. SHL was delisted from the Singapore Exchange Securities Trading Limited on 23 February 2001.

## RESULTS

The consolidated profit attributable to shareholders for the year ended 31 December 2000 was US\$77 million (US3.48 cents per share) compared to US\$69 million (US3.51 cents per share) in 1999.

## DIVIDENDS

The Directors recommend a final dividend of HK8 cents per share. With the interim dividend of HK7 cents per share paid in September 2000, the total dividend for 2000 is HK15 cents per share.

## CORPORATE DEBTS AND FINANCIAL CONDITIONS

During the year, subsidiaries that the Group acquired in late 1999, disposed of an aggregate of 62,728,000 fully paid shares in the Company listed on The Stock Exchange of Hong Kong Limited, for a cash consideration of US\$72.3 million. These shares were held by the respective subsidiaries before the Company acquired its controlling interest in them.

On 4 July 2000, the Group executed a loan agreement with a consortium of banks for a US\$600 million unsecured loan facility with a final maturity on 4 July 2005. Funds from this facility were drawn to prepay US\$237 million of outstanding debt at the corporate level which was originally scheduled for repayment in March 2001 and to pay down the outstanding balance of US\$35 million of another loan in July 2000. Further drawdowns from this facility were made to redeem the final US\$221.3 million face value of the 2.875% convertible bonds issued by Shangri-La Asia Capital Limited, a wholly-owned subsidiary of the Company (the "Convertible Bonds").

Other subsidiaries of the Group repaid US\$64.7 million of maturing debt. The Group satisfactorily complied with all covenants under its loan agreements.

## REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company repurchased and cancelled Convertible Bonds with a face value of US\$14.1 million realizing a profit of approximately US\$0.2 million and as mentioned above wholly redeemed the outstanding Convertible Bonds on 16 December 2000 as scheduled.

In addition, the Company repurchased a total of 2,724,000 fully paid shares on The Stock Exchange of Hong King Limited, all of which were duly cancelled.



## Chairman's Statement

### SHARE OPTION SCHEME

In terms of the Executive Share Option Scheme adopted by the Company on 16 December 1997 (the "Option Scheme"), subsequent to 31 December 2000, the Directors granted additional options on 5,340,000 shares to eligible executives of the Group at a subscription price of HK\$7.94 per share. The exercise of these new options is governed by a two-year vesting scale. According to the terms of the Option Scheme, options on 4,500,000 shares have so far lapsed. As of this date, the options outstanding aggregate to 28,060,000 shares.

### PROJECTS/RENOVATIONS

The market in The People's Republic of China ("PRC") is exhibiting signs of recovery. This is expected to gain further momentum after the country's admission to the World Trade Organization which is generally believed likely in 2001. Given the lead time to implement new projects, the Group is reconsidering its earlier decision to defer the development of hotel projects in Shanghai and Fuzhou. It has also acquired additional land adjacent to the Pudong Shangri-La in Shanghai with the intent to expand that hotel's facilities. The Group believes that the opening of these projects will be well timed to benefit from the favourable market conditions expected. The PRC will remain the main focus of the Group's development efforts.

During the year, renovations were completed at the Garden Wing of the Shangri-La Hotel, Singapore and the Shangri-La Hotel, Hangzhou. Renovations are currently underway at the Shangri-La's Golden Sands Resort, Penang and Shangri-La's Rasa Sentosa Resort, Singapore and are expected to be completed in late 2001. Major renovations planned for late 2001 include Shangri-La Hotel, Kuala Lumpur, Shangri-La Hotel, Bangkok, Kowloon Shangri-La, Hong Kong and China World Hotel, Beijing. Renovations will be spread over 18 to 24 months to minimize guest inconvenience and loss of revenue. The Group believes the renovations are essential to preserve the competitive advantage of these hotels.

### MANAGEMENT CONTRACTS

A key strategy for enhancement of earnings and shareholder value involves the pursuit of management contract opportunities. During the year, the Group signed five management contracts for hotels being developed in Zhongshan, Zhengzhou, Nanjing (all in the PRC), Dubai (United Arab Emirates) and Muscat (Sultanate of Oman). These hotels, which collectively will have an inventory of 1,910 rooms, are expected to progressively open for business between mid 2001 and early 2005.

### FUTURE PROSPECTS

Economic recovery in the region gathered momentum in 2000, although political uncertainties overshadowed economic recovery in Indonesia, the Philippines and Fiji. Economic growth in the PRC has been a source of continuing stability in the region. With the country's admission to the World Trade Organization likely to occur in 2001, there is general optimism about a more favourable economic environment in the country going forward. Hotels in most countries in the region have experienced a good rebound in occupancies and average rates.

Although there is some concern about the fall-out of an economic slow-down in the United States of America, it is generally believed that both intra-regional and local spending will help the hotel industry sustain a reasonable growth rate.



Over time, domestic travel in the PRC is expected to offer attractive opportunities for the hotel industry and provide a stable demand base for hotels to improve their yields progressively. Meanwhile, the Group continues to explore and implement profit optimization opportunities. These comprise roll-out of computerized yield management systems at key hotels, review of distribution channels and room pricing, expanding the scope of regional and group purchasing and improving process efficiencies.

#### **TECHNOLOGY**

The Group's new interactive website was launched in July 2000. Hotel guests in the Group's key city hotels have access to broad band high speed internet access in their guestrooms or at business centres. The Group has also embarked on a major intra-net project to improve accessibility to important information to its business managers for their day-to-day decision making.

#### **ACKNOWLEDGEMENT**

The year witnessed a turn-round in the Group's operations, with operating profits before finance costs improving by 58.7%. This is expected to gain momentum in 2001 and beyond. This success is largely attributable to the hard work, commitment and professionalism of the management and staff of the Group. On behalf of the Board, I wish to thank them for their conscientious efforts.

A handwritten signature in black ink, appearing to read 'L. F. Ye'.

**YE Longfei**  
*Chairman*

Hong Kong, 22 March 2001