



Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries are the ownership and operation of hotels and associated properties and the provision of hotel management and related services. The Company's subsidiaries are also the registered proprietors of various trademarks and service marks in various countries, including the brand names "Shangri-La", "Traders", "Rasa", "Summer Palace" and "Shang Palace" and related devices and logos.

The principal activities of the Company's associated companies are the leasing of office, commercial, residential and exhibition hall space and serviced apartments as well as the ownership and operation of hotels.

An analysis of the Group's performance for the year by geographical and business segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 61.

The details of dividends paid and proposed during the year are set out in note 9 to the accounts.

RESERVES

The movements in reserves during the year are set out in notes 24 and 25 to the accounts.

DONATIONS

Charitable donations and other donations made by the Group during the year amounted to US\$42,000.

FIXED ASSETS

The details of movements in fixed assets during the year are set out in note 13 to the accounts.

PRINCIPAL PROPERTIES

The details of the principal hotels and investment properties are set out in note 34 to the accounts.

SHARE CAPITAL

The details of share capital are set out in note 22 to the accounts.



SUBSIDIARIES AND ASSOCIATED COMPANIES

The details of the Company's principal subsidiaries and associated companies are set out in note 33 to the accounts.

PARTICULARS OF BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The particulars of bank loans, overdrafts and other borrowings as at 31 December 2002 are set out in notes 21 and 27 to the accounts.

RESULTS, ASSETS AND LIABILITIES

The results, assets and liabilities of the Group for the last five financial years are set out on page 120.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Mr YE Longfei (<i>Chairman</i>)	
Mr KUOK Khoon Ho	(resigned as Deputy Chairman and Managing Director on 23 August 2002)
Mr KUOK Khoon Loong, Edward	(appointed on 21 March 2003)
Mr Thaddeus Thomas BECZAK	
Mr Giovanni ANGELINI	
Mr LUI Man Shing	(appointed on 22 March 2002)
Mr NG Si Fong, Alan	(appointed on 23 August 2002)
# Madam KUOK Oon Kwong	
# Mr John David HAYDEN	
# Mr HO Kian Guan	
# Mr LEE Yong Sun	
* Mr Alexander Reid HAMILTON	
* Mr TOW Heng Tan	(appointed on 1 January 2003)
# Mr HO Kian Cheong	
(<i>Alternate to Mr HO Kian Guan</i>)	
Mr YOUNG Chun Hui	(resigned on 11 March 2002)
Mr Tomas Campos ZITA, JR.	(resigned on 11 March 2002)
* Mr QUEK Poh Huat	(resigned on 1 June 2002)
* Mr TAN Soo Nan	(appointed on 1 June 2002 and resigned on 31 December 2002)

Non-executive Directors

* *Independent Non-executive Directors*

Mr YE Longfei, Mr Thaddeus Thomas BECZAK and Madam KUOK Oon Kwong retire by rotation in accordance with Article 99(A) and Messrs KUOK Khoon Loong, Edward, NG Si Fong, Alan and TOW Heng Tan retire in accordance with Article 102(B) of the Company's Bye-Laws. All retiring Directors except Mr Thaddeus Thomas BECZAK, being eligible, offer themselves for re-election. Mr Thaddeus Thomas BECZAK has informed the Board that he will not offer himself for re-election.



Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr YE Longfei, aged 61, is the Chairman of the Company. He was appointed as an executive Director of the Company in December 1997 and was appointed as Chairman of the Company in October 2000. He is also the Chairman of Kerry Holdings (China) Co., Ltd. and a Director of Kerry Beverages Limited and Kerry Holdings Limited. Prior to joining the Kuok Group, Mr Ye was the Chief Executive of the “Shanghai Desk” in Hong Kong, a co-operative arrangement between the Shanghai Municipal Government and Arthur Andersen & Co. (HK), from 1991 to 1995. Before taking up his assignment in Hong Kong, Mr Ye had served in various positions in the Shanghai Municipal Government. Mr Ye graduated from the Shanghai Fudan University in physics and is a graduate of the research institute of physics at the Shanghai Fudan University.

Mr KUOK Khoon Ho, aged 52, was appointed as an executive Director of the Company in September 1997. He joined the Kuok Group in 1976. He is currently a Director of Kerry Holdings Limited, Kerry Group Limited, Shangri-La Hotels (Malaysia) Berhad, Malaysia and Shangri-La Hotel Public Company Limited, Thailand, of which he is the Managing Director. He graduated from McGill University, Canada with a bachelor’s degree in Commerce. He has extensive experience in hotel management, property development and corporate management. He is a brother of Madam Kuok Oon Kwong and Mr Kuok Khoon Loong, Edward.

Mr KUOK Khoon Loong, Edward, aged 50, was appointed as an executive Director of the Company in March 2003. He is the Chairman of Kerry Properties Limited, the Chairman and Managing Director of Shangri-La International Hotels (Pacific Place) Limited and a Vice Chairman of Kerry Holdings Limited. Mr Kuok is also the Chairman of the Board of EDSA Properties Holdings Inc. and Kuok Philippine Properties, Inc. He has been with the Kuok Group since 1978. He has a Master’s degree in Economics from the University of Wales in the United Kingdom. Mr Kuok is a brother of Madam Kuok Oon Kwong and Mr Kuok Khoon Ho.

Mr Thaddeus Thomas BECZAK, aged 52, was appointed as an executive Director of the Company in August 1997. He is the Deputy Chairman of SCMP Group Limited and the Publisher of South China Morning Post Publishers Limited. He is also an executive Director of Kerry Holdings Limited and Kerry Properties Limited. He is a Director of Post Publishing Public Company Limited. From November 1997 until December 2002, Mr Beczak was the Chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited. He is a member of the Advisory Committee to the Securities and Futures Commission in Hong Kong. Prior to joining the Kuok Group, Mr Beczak was a Managing Director of J.P. Morgan Inc. and President of J.P. Morgan Securities Asia Ltd. Mr Beczak is a graduate of Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the Board of Advisors of the School of Foreign Service of Georgetown University.

Mr Giovanni ANGELINI, aged 57, was appointed as an executive Director of the Company in June 1999. He joined the Shangri-La Asia Group in August 1993 and at present, is the Managing Director and Chief Executive Officer of Shangri-La International Hotel Management Limited. Previously, he was the Vice President, Operations of Shangri-La Hotels and Resorts and the General Manager of Island Shangri-La, Hong Kong. Mr Angelini graduated from The Institute Volonta (University of Rome) in Business Administration. He is an experienced hotel/hospitality industry operator and during his past 38 years in the industry, he has managed quality hotels in Hong Kong, Singapore, Korea, Mexico, Bermuda and in his native country, Italy.



Mr LUI Man Shing, aged 59, was appointed as an executive Director of the Company in March 2002. Mr Lui joined the Kuok Group in 1977. He was previously Managing Director of Kerry (Thailand) Co. Ltd. and Shangri-La Hotel Public Company Limited, Thailand ("SHPCL"), both are companies incorporated in Thailand. In 1992, Mr Lui returned to Hong Kong to oversee the planning and development of the Kuok Group's investments and hotel projects in China. At present, he is the Vice Chairman of SHPCL, the Managing Director of Kerry Beverages Limited and a Director of a number of companies within the Shangri-La Asia Group and the Kuok Group (including Kerry Holdings Limited and Kerry Trading Co. Limited).

Mr NG Si Fong, Alan, aged 49, was appointed as an executive Director of the Company in August 2002. Mr Ng is currently the Senior Group Director of Projects of Shangri-La International Hotel Management Limited, overseeing the Shangri-La Asia Group's new hotels development and refurbishment of the existing hotels. Prior to taking up the current position in March 2002, Mr Ng was the Project Director of Kerry Properties (H.K.) Limited and a Director of Kerry Project Management (H.K.) Limited, both being wholly-owned subsidiaries of Kerry Properties Limited. He joined the Kerry Group in 1990 and has since handled over twenty project developments, many of which have been the Kerry Group's signature projects, including top-end luxury residential developments and grade A commercial properties. Mr Ng is a chartered engineer by profession and has over 24 years of experience in design, construction and project management of various types of building and civil engineering projects.

Non-executive Directors

Madam KUOK Oon Kwong, aged 56, was appointed as a non-executive Director of the Company in November 1999. She is an Advocate & Solicitor (Barrister-at-Law) from Gray's Inn, London. In 1986, she was appointed Company Secretary of Shangri-La Hotel Limited, Singapore ("SHL"). This appointment enabled her to gain experience in handling the corporate and legal affairs of a listed company and also in hotel operations. In 1988, she joined the Board of SHL and is currently its Executive Chairman. Madam Kuok is also a Director of a number of companies within the Shangri-La Asia Group including Shangri-La Hotel Public Company Limited, Thailand, Shangri-La Hotels (Malaysia) Berhad, Malaysia, of which she is the Managing Director, and certain subsidiaries of SHL. Madam Kuok is a sister of Mr Kuok Khoon Ho and Mr Kuok Khoon Loong, Edward.

Mr John David HAYDEN, aged 61, was appointed as an executive Director of the Company in December 1997. Mr Hayden has held the position of Managing Director and Chief Executive Officer of Shangri-La International Hotel Management Limited since 1993 and retired from this position with effect from 30 June 1999. After his retirement, Mr Hayden remains as a non-executive Director of the Company and acts as an adviser to the Board. Mr Hayden is a graduate of the University of Natal, South Africa (B.A. Law) and Cornell University, U.S.A. (B.S. Hotel Administration).

Mr HO Kian Guan, aged 57, was appointed as a non-executive Director of the Company in May 1993. He is the Executive Chairman of the Keck Seng Group of companies including Keck Seng (Malaysia) Berhad (a company listed on the Kuala Lumpur Stock Exchange) and Keck Seng Investments (Hong Kong) Limited (a company listed on The Stock Exchange of Hong Kong Limited). He also serves on the boards of Shangri-La Hotel (Kowloon) Limited, Shangri-La International Hotels (Hangzhou) Limited, Shangri-La Hotel Limited, Singapore and Shangri-La Hotel Public Company Limited, Thailand. He is a brother of Mr Ho Kian Cheong.



Report of the Directors

Mr LEE Yong Sun, aged 58, was appointed as a non-executive Director of the Company in December 2001. He is the Vice Chairman of Kerry Holdings Limited and also a Director of Kerry Group Limited. He has been with the Kuok Group since 1971. He graduated from the University of Singapore with a degree in Accountancy (B. Acc. Honours). He is a Certified Public Accountant (Singapore) and has extensive experience in banking, accounting and management.

Mr Alexander Reid HAMILTON, aged 61, was appointed as an independent non-executive Director of the Company in November 2001. He is a Director of a number of companies including CITIC Pacific Limited, COSCO International Holdings Limited, COSCO Pacific Limited, Esprit Holdings Limited and DBS Kwong On Bank Limited. He is a member of the Institute of Chartered Accountants of Scotland, a fellow member of the Hong Kong Society of Accountants and a fellow member of the Institute of Directors. He was a partner in Price Waterhouse for 16 years and has more than 20 years of audit and accounting experience. Mr Hamilton is the Chairman of the Board's Audit Committee.

Mr TOW Heng Tan, aged 47, was appointed as an independent non-executive Director of the Company in January 2003. Mr Tow joined Temasek Holdings (Private) Limited ("Temasek") in September 2002. He is currently the Managing Director, Strategic Development (ASEAN/KBB/PLE) of Temasek, covering ASEAN investments and development initiatives for knowledge-based businesses (KBB) and promising local enterprises (PLE). He is also a Director of ComfortDelGro Corporation Limited and International Enterprise Singapore. Mr Tow started his career with the then Coopers & Lybrand. Later, he was an investment banker with Schroders International Merchant Bankers Ltd in Singapore and the Managing Director of Lum Chang Securities Pte Ltd. He was a Senior Director of DBS Vickers Securities (Singapore) Pte Ltd, after Lum Chang Securities was folded into Vickers Ballas which then merged with DBS Securities to form DBS Vickers.

Mr HO Kian Cheong, aged 53, was appointed as an alternate Director to Mr Ho Kian Guan in June 1993. He is a Director of the Keck Seng Group of companies including Keck Seng (Malaysia) Berhad and Keck Seng Investments (Hong Kong) Limited. He is also an alternate Director of Shangri-La Hotel (Kowloon) Limited and Shangri-La International Hotels (Hangzhou) Limited. He is a brother of Mr Ho Kian Guan.



PARTICULARS OF SECURITIES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31 December 2002, the Directors had the following interests in the securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) (the "Associated Corporations") as recorded in the register required to be kept under Section 29 of the SDI Ordinance:

(i) The Company

Name of Director	Number of ordinary shares	Notes
Mr YE Longfei	Nil	–
Mr KUOK Khoon Ho	3,510	1
	385,150	2
Mr Thaddeus Thomas BECZAK	500,000	3
Mr Giovanni ANGELINI	100,000	1
Mr LUI Man Shing	Nil	–
Mr NG Si Fong, Alan	Nil	–
Madam KUOK Oon Kwong	151,379	1
	192,011	4
Mr John David HAYDEN	Nil	–
Mr HO Kian Guan	167,475	1
	126,755,718	5
Mr LEE Yong Sun	Nil	–
Mr Alexander Reid HAMILTON	Nil	–
Mr HO Kian Cheong	24,514	1
(Alternate to Mr HO Kian Guan)	124,046,553	5

(ii) Associated Corporation

Name of Company	Name of Director	Number of ordinary shares	Notes
Shangri-La Hotels (Malaysia) Berhad	Mr KUOK Khoon Ho	10,000	5
	Madam KUOK Oon Kwong	10,000	5
Shangri-La Hotel Public Company Limited	Mr LUI Man Shing	10,000	1

Notes:

- 1 Personal interests held by the relevant Directors.
- 2 Deemed interest held by the relevant Director through a discretionary trust.
- 3 Interest held by the relevant Director and his spouse jointly.
- 4 Family interest held by the spouse of the relevant Director.
- 5 Deemed corporate interests held through companies controlled by the relevant Directors.

Save as mentioned above, as at 31 December 2002, none of the Directors had any other interest in the securities of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.



Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which any Director had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKSE"), the Company disclosed below that during the year and up to the date of this report, the following Directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors of the Company have been appointed/were appointed as Directors to represent the interests of the Company and/or the Group.

- (i) Mr KUOK Khoon Loong, Edward and Madam KUOK Oon Kwong are non-executive Directors of Allgreen Properties Limited ("Allgreen"), a company listed on the Singapore Exchange Securities Trading Limited.

Allgreen Group of companies ("Allgreen Group") has a diversified portfolio of properties in Singapore including serviced apartments. Shangri-La Hotel Limited, Singapore ("SHL") also owns a serviced apartment and condominium development in Singapore. While SHL and the Allgreen Group may compete with each other in the area of serviced apartment business, the Directors believe that this competition does not pose any material threat to SHL's business prospects because:

- SHL is principally engaged in the hotel business;
- the serviced apartment business is an ancillary part of SHL's hotel business;
- SHL's serviced apartment business is effectively marketed on the strength of Shangri-La International Hotel Management Limited ("SLIM") Group's renowned, high-quality services; and
- Mr KUOK Khoon Loong, Edward and Madam KUOK Oon Kwong are only non-executive Directors of Allgreen.

- (ii) Madam KUOK Oon Kwong is a non-executive Director of Tanjong Aru Hotel Sdn. Bhd. ("TAHSB"), a company which owns Shangri-La's Tanjong Aru Resort, Kota Kinabalu ("TAH").

While TAH may compete with Shangri-La's Rasa Ria Resort ("RRR"), a hotel in Kota Kinabalu owned by the Group, the Directors believe that this competition does not pose any material threat to RRR's business prospects because both TAH and RRR are managed by SLIM. Besides, on 17 July 2002, the Group completed the acquisition of the Kuok Group's entire 40% interest in TAHSB (the "Acquisition") (details of the Acquisition were stated under the later section headed "Connected Transactions" of this report). TAH is now under the Group's hotel portfolio.



(iii) Messrs HO Kian Guan and HO Kian Cheong are substantial shareholders and executive Directors of the companies which own the Holiday Inn Riverside Wuhan and the River View Hotel Singapore. While such businesses may compete with the Group's hotel businesses in Wuhan and Singapore, the Directors believe that this competition does not pose any material threat to the Group's hotel business prospects because:

- the target customers are different; and
- the Group's hotel business is effectively marketed on the strength of the SLIM Group's renowned and high-quality services.

The abovementioned competing businesses are operated and managed by companies with independent management and administration. In addition, the Board of Directors of the Company is independent of the boards of the abovementioned companies carrying on the competing businesses. Accordingly, the Group is capable of carrying on its business independent of, and at arm's length from, the competing businesses mentioned above.

SHARE OPTIONS

Executive Share Option Scheme

The executive share option scheme of the Company was approved by the shareholders of the Company (the "Shareholders") on 16 December 1997 (the "Executive Option Scheme").

The Executive Option Scheme is designed to give executive Directors of, managers of or other employees holding an executive, managerial, supervisory or similar position in the Company or any of its subsidiaries an interest in preserving and maximising shareholder value in the longer term, to enable the Company to attract and retain individuals with experience and ability, and to provide individuals with incentives for future performance.

A summary of the Executive Option Scheme has been disclosed in the Company's 2001 Annual Report.

In September 2001, the HKSE amended the requirements for share option schemes under the Listing Rules. These new requirements make some of the provisions of the Executive Option Scheme no longer applicable.

At the Special General Meeting of the Company held on 24 May 2002 (the "Adoption Date"), the Shareholders approved the adoption of a new share option scheme (the "New Option Scheme") (details of which are set out below) and the termination of the operation of the Executive Option Scheme (such that no further options shall thereafter be offered under the Executive Option Scheme but in all other respects the provisions of the Executive Option Scheme shall remain in full force and effect).



Report of the Directors

New Option Scheme

The purpose of the New Option Scheme is to motivate Eligible Persons (Note 1) to optimise their future contribution to the Company, its Subsidiaries (Note 2) and Associates (Note 2), and Invested Entities (Note 2) (collectively referred to as the “Enlarged Group”) and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Enlarged Group, and additionally in the case of Executives (Note 2), to enable the Enlarged Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The maximum number of shares in the Company (the “Shares”) in respect of which options may be granted under the New Option Scheme (and under any other share option scheme) shall not in aggregate exceed 10 per cent. of the Shares in issue as at the Adoption Date (the “Scheme Mandate Limit”). Shares which may be issued upon the exercise of all options granted under the Executive Option Scheme and outstanding as at the Adoption Date shall not be included in the calculation of the Scheme Mandate Limit as at the Adoption Date. The Company may from time to time as the Board may think fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the New Option Scheme (and any other share option scheme) shall not exceed 10 per cent. of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme (and under any other share option scheme) shall not exceed 30 per cent. of the Shares in issue from time to time.

As at the date of this report, a total of 200,795,991 Shares (representing approximately 9.21% of the existing issued share capital thereof) are available for issue under the New Option Scheme.

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed one per cent. of the Shares in issue from time to time.

The period under which an option must be exercised shall be such period as the Board of Directors may in its absolute discretion determine at the time of grant, save that such period shall not be more than 10 years commencing on the date of grant of an option. The minimum period for which an option must be held before it can be exercised is determined by the Board of Directors upon the grant of an option. The amount payable on acceptance of an option is HK\$1. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.



The exercise price for any particular option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall not be less than whichever is the highest of (a) the nominal value of a Share; (b) the closing price of the Shares as stated in HKSE's daily quotation sheets on the date of the Board resolution approving the grant of options (the "Offer Date"), which must be a day on which HKSE is open for the business of dealing in securities (the "Business Day"); and (c) the average of the closing prices of the Shares as stated in HKSE's daily quotation sheets for the five Business Days immediately preceding the Offer Date.

The New Option Scheme will expire on 23 May 2012.

Notes:

1. "Eligible Person" means any of the following persons:
 - (a) an Executive;
 - (b) a director or proposed director (including an independent non-executive director) of any member of the Enlarged Group;
 - (c) a direct or indirect shareholder of any member of the Enlarged Group;
 - (d) a supplier of goods or services to any member of the Enlarged Group;
 - (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Enlarged Group;
 - (f) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Enlarged Group;
 - (g) a landlord or tenant (including a sub-tenant) of any member of the Enlarged Group;
 - (h) any person approved by the shareholders of the Company; and
 - (i) an Associate of any of the foregoing persons
2. The terms "Associates", "Executives", "Invested Entities" and "Subsidiaries" are defined under the circular to Shareholders dated 17 April 2002.



Report of the Directors

Details of the outstanding option shares as at 31 December 2002 which have been granted under the Executive Option Scheme are as follows:

Date of grant	Tranche	No. of option shares held as at 1 January 2002	No. of option shares granted during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	Transfer from other category during the year	Transfer to other category during the year	Adjustment made during the year (Note 4)	No. of option shares held as at 31 December 2002	Exercise price per option share (Note 4) HK\$	Exercisable Period	
1. Directors												
Mr YE Longfei	1 May 1998	I	100,000	-	-	-	-	(3,240)	96,760	8.26	1 May 1999 - 30 April 2008	
	1 May 1998	II	100,000	-	-	-	-	(3,240)	96,760	8.26	1 May 2000 - 30 April 2008	
	1 May 1998	III	100,000	-	-	-	-	(3,240)	96,760	8.26	1 May 2001 - 30 April 2008	
	15 January 2000	I	200,000	-	-	-	-	(6,178)	193,822	8.82	15 January 2001 - 14 January 2010	
	15 January 2000	II	200,000	-	-	-	-	(6,178)	193,822	8.82	15 January 2002 - 14 January 2010	
	15 January 2001	I	350,000	-	-	-	-	(10,394)	339,606	8.18	15 January 2002 - 14 January 2011	
	15 January 2001	II	350,000	-	-	-	-	(10,394)	339,606	8.18	15 January 2003 - 14 January 2011	
Mr KUOK Khoon Ho	1 May 1998	I	400,000	-	-	-	-	(12,959)	387,041	8.26	1 May 1999 - 30 April 2008	
	1 May 1998	II	400,000	-	-	-	-	(12,959)	387,041	8.26	1 May 2000 - 30 April 2008	
	1 May 1998	III	400,000	-	-	-	-	(12,959)	387,041	8.26	1 May 2001 - 30 April 2008	
	15 January 2000	I	250,000	-	-	-	-	(7,722)	242,278	8.82	15 January 2001 - 14 January 2010	
	15 January 2000	II	250,000	-	-	-	-	(7,723)	242,277	8.82	15 January 2002 - 14 January 2010	
	15 January 2001	I	150,000	-	-	-	-	(4,455)	145,545	8.18	15 January 2002 - 14 January 2011	
	15 January 2001	II	150,000	-	-	-	-	(4,455)	145,545	8.18	15 January 2003 - 14 January 2011	
Mr Thaddeus Thomas BFCZAK	1 May 1998	I	400,000	-	-	-	-	(12,959)	387,041	8.26	1 May 1999 - 30 April 2008	
	1 May 1998	II	400,000	-	-	-	-	(12,959)	387,041	8.26	1 May 2000 - 30 April 2008	
	1 May 1998	III	400,000	-	-	-	-	(12,959)	387,041	8.26	1 May 2001 - 30 April 2008	
	15 January 2000	I	250,000	-	-	-	-	(7,722)	242,278	8.82	15 January 2001 - 14 January 2010	
	15 January 2000	II	250,000	-	-	-	-	(7,723)	242,277	8.82	15 January 2002 - 14 January 2010	
	15 January 2001	I	50,000	-	-	-	-	(1,485)	48,515	8.18	15 January 2002 - 14 January 2011	
	15 January 2001	II	50,000	-	-	-	-	(1,485)	48,515	8.18	15 January 2003 - 14 January 2011	
Mr Giovanni ANGELINI	1 May 1998	I	150,000	-	-	-	-	(4,859)	145,141	8.26	1 May 1999 - 30 April 2008	
	1 May 1998	II	150,000	-	-	-	-	(4,859)	145,141	8.26	1 May 2000 - 30 April 2008	
	1 May 1998	III	150,000	-	-	-	-	(4,861)	145,139	8.26	1 May 2001 - 30 April 2008	
	15 January 2000	I	275,000	-	-	-	-	(8,495)	266,505	8.82	15 January 2001 - 14 January 2010	
	15 January 2000	II	275,000	-	-	-	-	(8,495)	266,505	8.82	15 January 2002 - 14 January 2010	
	15 January 2001	I	150,000	-	-	-	-	(4,455)	145,545	8.18	15 January 2002 - 14 January 2011	
	15 January 2001	II	150,000	-	-	-	-	(4,455)	145,545	8.18	15 January 2003 - 14 January 2011	
Mr John David HAYDEN	1 May 1998	I	400,000	-	-	-	-	(12,959)	387,041	8.26	1 May 1999 - 30 April 2008	
	1 May 1998	II	400,000	-	-	-	-	(12,959)	387,041	8.26	1 May 2000 - 30 April 2008	
	1 May 1998	III	400,000	-	-	-	-	(12,959)	387,041	8.26	1 May 2001 - 30 April 2008	
Mr Tomas Campos ZITA, JR. (Note 1)	1 May 1998	I	100,000	-	-	-	(100,000)	-	-	8.26	1 May 1999 - 30 April 2008	
	1 May 1998	II	100,000	-	-	-	(100,000)	-	-	8.26	1 May 2000 - 30 April 2008	
	1 May 1998	III	100,000	-	-	-	(100,000)	-	-	8.26	1 May 2001 - 30 April 2008	
	15 January 2000	I	200,000	-	-	-	(200,000)	-	-	8.82	15 January 2001 - 14 January 2010	
	15 January 2000	II	200,000	-	-	-	(200,000)	-	-	8.82	15 January 2002 - 14 January 2010	
	15 January 2001	I	50,000	-	-	-	(50,000)	-	-	8.18	15 January 2002 - 14 January 2011	
	15 January 2001	II	50,000	-	-	-	(50,000)	-	-	8.18	15 January 2003 - 14 January 2011	
Mr YOUNG Chun Hui (Note 2)	1 May 1998	I	150,000	-	-	-	(150,000)	-	-	8.26	1 May 1999 - 30 April 2008	
	1 May 1998	II	150,000	-	-	-	(150,000)	-	-	8.26	1 May 2000 - 30 April 2008	
	1 May 1998	III	150,000	-	-	-	(150,000)	-	-	8.26	1 May 2001 - 30 April 2008	
	15 January 2000	I	100,000	-	-	-	(100,000)	-	-	8.82	15 January 2001 - 14 January 2010	
	15 January 2000	II	100,000	-	-	-	(100,000)	-	-	8.82	15 January 2002 - 14 January 2010	
	15 January 2001	I	50,000	-	-	-	(50,000)	-	-	8.18	15 January 2002 - 14 January 2011	
	15 January 2001	II	50,000	-	-	-	(50,000)	-	-	8.18	15 January 2003 - 14 January 2011	



	Date of grant	Tranche	No. of				Transfer from other category during the year	Transfer to other category during the year	Adjustment made during the year (Note 4)	No. of		Exercisable Period
			option shares held as at 1 January 2002	No. of option shares granted during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year				option shares held as at 31 December 2002	Exercise price per option share (Note 4) HK\$	
2. Continuous Contract Employees	1 May 1998	I	1,520,000	-	-	(50,000)	100,000	-	(50,866)	1,519,134	8.26	1 May 1999 - 30 April 2008
	1 May 1998	II	1,520,000	-	-	(50,000)	100,000	-	(50,866)	1,519,134	8.26	1 May 2000 - 30 April 2008
	1 May 1998	III	1,520,000	-	-	(50,000)	100,000	-	(50,870)	1,519,130	8.26	1 May 2001 - 30 April 2008
	15 January 2000	I	2,160,000	-	-	(85,000)	200,000	(50,000)	(68,731)	2,156,269	8.82	15 January 2001 - 14 January 2010
	15 January 2000	II	2,160,000	-	-	(85,000)	200,000	(50,000)	(68,745)	2,156,255	8.82	15 January 2002 - 14 January 2010
	15 January 2001	I	1,530,000	-	-	(50,000)	50,000	(35,000)	(44,389)	1,450,611	8.18	15 January 2002 - 14 January 2011
	15 January 2001	II	1,530,000	-	-	(50,000)	50,000	(35,000)	(44,414)	1,450,586	8.18	15 January 2003 - 14 January 2011
3. Other Participants	1 May 1998	I	1,100,000	-	-	-	150,000	-	(40,497)	1,209,503	8.26	1 May 1999 - 30 April 2008
	1 May 1998	I	50,000	-	-	-	-	-	(1,620)	48,380	8.26	1 May 1999 - 30 November 2003 (Note 3)
	1 May 1998	II	1,100,000	-	-	-	150,000	-	(40,497)	1,209,503	8.26	1 May 2000 - 30 April 2008
	1 May 1998	II	50,000	-	-	-	-	-	(1,620)	48,380	8.26	1 May 2000 - 30 November 2003 (Note 3)
	1 May 1998	III	1,100,000	-	-	-	150,000	-	(40,501)	1,209,499	8.26	1 May 2001 - 30 April 2008
	1 May 1998	III	50,000	-	-	-	-	-	(1,620)	48,380	8.26	1 May 2001 - 30 November 2003 (Note 3)
	15 January 2000	I	745,000	-	-	-	150,000	-	(27,646)	867,354	8.82	15 January 2001 - 14 January 2010
	15 January 2000	II	745,000	-	-	-	150,000	-	(27,651)	867,349	8.82	15 January 2002 - 14 January 2010
	15 January 2001	I	120,000	-	-	-	85,000	-	(6,087)	198,913	8.18	15 January 2002 - 14 January 2011
	15 January 2001	II	120,000	-	-	-	85,000	-	(6,090)	198,910	8.18	15 January 2003 - 14 January 2011
	Total:			<u>26,370,000</u>	<u>-</u>	<u>-</u>	<u>(420,000)</u>	<u>1,720,000</u>	<u>(1,720,000)</u>	<u>(815,454)</u>	<u>25,134,546</u>	

Notes:

- Mr Tomas Campos ZITA, JR. resigned as Director of the Company with effect from 11 March 2002. The options granted to Mr ZITA remain exercisable following his resignation as he is still an executive Director in several of the Company's subsidiaries and therefore, an Executive of the Group. Those options were re-classified to the category of "Continuous Contract Employees" during the year.
- Mr YOUNG Chun Hui resigned as Director of the Company with effect from 11 March 2002 and resigned from the Group with effect from 1 September 2002. Pursuant to the terms of the Executive Option Scheme, the Board of Directors approved the extension of the exercisable period of the options granted to Mr YOUNG until the respective expiry dates of the option period. These options were re-classified to the category of "Other Participants" during the year.
- During the year, pursuant to the terms of the Executive Option Scheme, the Board of Directors approved the extension of the exercisable period of these options for another one year up to 30 November 2003.
- Following the change in the capital structure of the Company arising from the various repurchases of the Company's own shares and the issue of scrip dividend shares on 19 November 2002, adjustments have been made to the number of outstanding option shares granted under the Executive Option Scheme and the exercise prices of such option shares pursuant to the Executive Option Scheme on 30 December 2002. The respective exercise prices have been adjusted from HK\$8.00, HK\$8.55 and HK\$7.94 to HK\$8.26, HK\$8.82 and HK\$8.18 respectively.
- No options were cancelled under the Executive Option Scheme during the year.



Report of the Directors

Details of the outstanding option shares as at 31 December 2002 which have been granted under the New Option Scheme are as follows:

	Date of grant	Tranche	No. of option shares held as at 1 January 2002	No. of option shares granted during the year	No. of option shares exercised during the year	No. of option shares lapsed during the year	Transfer from other category during the year	Transfer to other category during the year	No. of option shares held as at 31 December 2002	Exercise price per option share HK\$	Exercisable Period
1. Directors											
Mr YE Longfei	29 May 2002	I	-	500,000	-	-	-	-	500,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	500,000	-	-	-	-	500,000	6.81	29 May 2004 - 28 May 2012
Mr KUOK Khoon Ho	29 May 2002	I	-	500,000	-	-	-	-	500,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	500,000	-	-	-	-	500,000	6.81	29 May 2004 - 28 May 2012
Mr Thaddeus Thomas BECZAK	29 May 2002	I	-	75,000	-	-	-	-	75,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	75,000	-	-	-	-	75,000	6.81	29 May 2004 - 28 May 2012
Mr Giovanni ANGELINI	29 May 2002	I	-	600,000	-	-	-	-	600,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	600,000	-	-	-	-	600,000	6.81	29 May 2004 - 28 May 2012
Mr LUI Man Shing	29 May 2002	I	-	150,000	-	-	-	-	150,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	150,000	-	-	-	-	150,000	6.81	29 May 2004 - 28 May 2012
Mr NG Si Fong, Alan (Note 1)	29 May 2002	I	-	-	-	-	60,000	-	60,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	-	-	-	60,000	-	60,000	6.81	29 May 2004 - 28 May 2012
Madam KUOK Oon Kwong	29 May 2002	I	-	150,000	-	-	-	-	150,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	150,000	-	-	-	-	150,000	6.81	29 May 2004 - 28 May 2012
Mr John David HAYDEN	29 May 2002	I	-	75,000	-	-	-	-	75,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	75,000	-	-	-	-	75,000	6.81	29 May 2004 - 28 May 2012
Mr HO Kian Guan	29 May 2002	I	-	75,000	-	-	-	-	75,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	75,000	-	-	-	-	75,000	6.81	29 May 2004 - 28 May 2012
Mr LEE Yong Sun	29 May 2002	I	-	75,000	-	-	-	-	75,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	75,000	-	-	-	-	75,000	6.81	29 May 2004 - 28 May 2012
Mr Alexander Reid HAMILTON	29 May 2002	I	-	75,000	-	-	-	-	75,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	75,000	-	-	-	-	75,000	6.81	29 May 2004 - 28 May 2012
2. Continuous Contract Employees	29 May 2002	I	-	5,600,000	-	(135,000)	-	(60,000)	5,405,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	5,600,000	-	(135,000)	-	(60,000)	5,405,000	6.81	29 May 2004 - 28 May 2012
3. Other Participants	29 May 2002	I	-	695,000	-	-	-	-	695,000	6.81	29 May 2003 - 28 May 2012
	29 May 2002	II	-	695,000	-	-	-	-	695,000	6.81	29 May 2004 - 28 May 2012
Total :			<u>-</u>	<u>17,140,000</u>	<u>-</u>	<u>(270,000)</u>	<u>120,000</u>	<u>(120,000)</u>	<u>16,870,000</u>		

Notes:

- Mr NG Si Fong, Alan was appointed as Director of the Company with effect from 23 August 2002. The options granted to Mr NG on 29 May 2002 were re-classified from the category of "Continuous Contract Employees" to the category of "Directors" during the year.
- The closing price per share of the Shares trading on the HKSE on 28 May 2002 (i.e. the business day immediately before the grant on 29 May 2002) was HK\$6.80.
- The Directors consider that it is not appropriate to disclose the value of options granted during the year as the market price of the Shares as at 31 December 2002 was below the exercise price of the options granted during the year and any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain.
- No options were cancelled under the New Option Scheme during the year.

Subsequent to 31 December 2002, no option shares have lapsed under the two schemes.



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2002, details of options granted under the Executive Option Scheme and the New Option Scheme to the Directors/former Directors of the Company who held office during the year were stated in the previous section headed "Share Options" of this report.

Apart from the aforesaid, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

CONNECTED TRANSACTIONS

During the year and in the normal course of business, the Company and its subsidiaries had various commercial transactions with certain connected persons including member companies of the Kuok Group. The Kuok Group has a controlling interest in the share capital of the Company. These transactions are considered to be connected transactions under the Listing Rules and related party transactions under the Hong Kong Statement of Standard Accounting Practice No. 20 "Related Party Disclosures". Details of these transactions are as follows:

1 Payment of office expenses

The Company reimbursed Kerry Trading Co. Limited, a company within the Kuok Group, and Kerry Holdings Limited, a substantial shareholder of the Company, for US\$1,202,000 (2001: US\$1,170,000) and US\$527,000 (2001: US\$561,000), respectively on costs reimbursement basis for office premises, administration and related expenses.

2 Land rental

- (A) Payment of land rental amounting to US\$683,000 (2001: US\$700,000) to Brown Swallow Development Corporation and Green Mangrove Realty Inc., companies within the Kuok Group, for lease of land where Shangri-La's Mactan Island Resort, Cebu is constructed. Rental payments are computed at a certain percentage of the hotel's rooms, food and beverage and dry goods and service revenues under a contract for 25 years which commenced on 12 March 1990. The percentages are comparable to those paid by another subsidiary of the Company in the Philippines to an independent third party.
- (B) Payment of land rental amounting to US\$1,035,000 (2001: US\$1,002,000) to Edsa Properties Holdings, Inc., an associated company of the Kuok Group, for lease of land where Edsa Shangri-La, Manila is constructed. Rental payments are computed at a certain percentage of the hotel's rooms, food and beverage and dry goods and service revenues under a contract for 25 years which commenced on 28 August 1992. The percentage is comparable to those paid by another subsidiary of the Company in the Philippines to an independent third party.



Report of the Directors

3 Unsecured shareholders' loans and guarantees

The Group provided financial assistance to certain companies in prior years. The balances of these financial assistance as at the respective year end date of 2002 and 2001 are listed below:

(i) *Unsecured shareholders' loans*¹

	Loan balance	
	2002 US\$'000	2001 US\$'000
a. Non-wholly owned subsidiaries		
- Harbin Shangri-La Hotel Co., Ltd. ²	14,993	18,843
- Changchun Shangri-La Hotel Co., Ltd. ³	24,540	29,070
- Shenyang Traders Hotel Ltd. ³	27,350	30,350
- Beihai Shangri-La Hotel Ltd. ³	23,130	23,130
- Shangri-La International Hotels (Pacific Place) Limited ⁴	15,600	15,600
- Traders Yangon Company Limited ("THYN")		
: interest bearing portion ⁵	36,624	21,862
: non-interest bearing portion	32,859	32,859
- Shangri-La Yangon Company Limited		
: interest bearing portion ⁵	1,733	1,492
: non-interest bearing portion	23,732	23,732
- Traders Square Company Limited	4,160	4,160
- Central Laundry Pte Ltd ("CLPL")	86	569
b. Associated company		
- Cuscaden Properties Pte Ltd ("CPPL")	30,631	28,831
c. Investee company		
- PT Saripuri Permai Hotel	1,640	1,950

(ii) *Guarantees executed in favour of banks for securing bank loans/facilities granted¹⁸⁶*

	Amount of guarantees given	
	2002 US\$'000	2001 US\$'000
a. Non-wholly owned subsidiaries		
- THYN	-	13,580
- Wuhan Shangri-La Hotel Co., Ltd.	3,623	6,900
b. Associated companies		
- CPPL	3,144	4,831
- Beijing Jia Ao Real Estate Development Co., Ltd.	29,759	29,759

Notes:

- Please refer to 2000 annual report for other details of the financial assistance provided. Terms of such financial assistance (except those set out in Notes 2 to 5 below) remain unchanged as at year end of 2002.
- Under a supplementary agreement, this loan will be non-interest bearing for all the years from 2001 to 2003.
- The Group has waived all the current year's loan interest of these subsidiaries amounting to US\$2,088,000 (2001: US\$4,651,000).
- Under a supplemental agreement, the quarterly instalment repayments of the loan have been deferred commencing from 31 March 2002 and will be resumed on 31 March 2003.
- Under a supplementary agreement, the loan interest rate has been changed from 5% per annum to 2.5% per annum commencing 1 April 2002.
- The amount of guarantees disclosed is stated with reference to the utilised bank loans/facilities balance.
- Following the completion of the acquisition of the remaining 40% equity interest in Sentosa Beach Resort Pte Ltd ("SEN") on 22 November 2002, SEN is now a wholly owned subsidiary of the Group. Balance of unsecured shareholders' loans granted to SEN by the Group as at 31 December 2001 and 2000 was US\$6,499,000 and US\$6,920,000, respectively.



Report of the Directors

- 4 During the year, there were other connected transactions covering fees paid and received which need to be disclosed herein in accordance with the requirements of the waivers granted by the Listing Division of the HKSE.
- (A) The Group received hotel management and related services and royalty fees totalling US\$1,670,000 (2001: US\$1,986,000) from certain companies within the Kuok 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. The terms under these agreements are comparable to other agreements with the Group's subsidiaries and associated companies and with third parties under management contracts.
- (B) Payment of insurance premium, godown and transportation rental amounting to US\$1,256,000 (2001: US\$945,000) to various companies within the Kuok Group (other than a Malaysian company as mentioned in (C) below). The fees are determined with reference to relevant industry practices.
- (C) Payment of insurance premium amounting to US\$496,000 (2001: US\$548,000) by Shangri-La Hotels (Malaysia) Berhad, Malaysia ("SHMB") Group of companies to a Malaysian company within the Kuok Group. The fees are determined with reference to relevant industry practices.
- (D) Payment of renovation project services fees and reimbursement of staff cost amounting to US\$185,000 (2001: US\$239,000) by Shangri-La Hotel Limited, Singapore ("SHL") to a company within the Kuok Group. The project services fees are comparable to those charged by independent project consultants.
- (E) Receipt of laundry services fees of US\$749,000 and US\$477,000 (2001: US\$784,000 and US\$497,000) by CLPL on normal commercial terms from two companies within the Kuok Group and SEN, respectively.

In accordance with the requirements of the respective waivers, the Directors of the Company confirm that:

- (a) In relation to all the items 4(A) to 4(E)
- these transactions were entered into in the ordinary and usual course of business of the Company;
 - these transactions were entered into in accordance with the terms of the agreement governing such transactions;
 - these transactions were conducted either on normal commercial terms or (where there is no available comparison) on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and
- (b) In relation to items 4(C), 4(D) and 4(E)
- the aggregate value of each of such transactions in the financial year was less than HK\$10 million or 3% of the book value of the net tangible assets of the Company as disclosed in the latest published audited consolidated accounts, whichever is the higher.



5 During the year, the Group had also completed the following acquisition transactions with certain connected persons:

- (a) On 25 January 2002, SHMB completed the acquisition of a further 33,750,000 fully paid ordinary shares of RM1 each representing 25% equity interest in Pantai Dalit Beach Resort Sdn. Bhd. (“PDBR”) which owns Shangri-La’s Rasa Ria Resort and Dalit Bay Golf and Country Club in Sabah, Malaysia from PPB Group Berhad (a company within the Kuok Group) for a cash consideration of RM28.7 million (equivalent to US\$7.5 million). 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 65.78% considering that SHL, which holds 25% equity interest in PDBR, became a wholly owned subsidiary of the Group on 5 March 2002 and the Group’s disposal of 0.75% equity interest in SHMB on 8 April 2002.
- (b) On 17 July 2002, a wholly owned subsidiary of SHL completed the acquisition of 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 RM61.4 million (equivalent to US\$16.2 million) from Kuok Brothers Sdn. Bhd. and PPB Group Berhad, companies within the Kuok Group.
- (c) On 22 November 2002, a wholly owned subsidiary of SHL completed the acquisition of the remaining 12,000,000 fully paid ordinary shares of S\$1 each representing 40% equity interest in SEN from its minority shareholder, Mr Prajogo Pangestu, for a total cash consideration of S\$14.2 million (equivalent to US\$8.2 million).

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2002, the interests of the substantial shareholders in the shares of the Company as recorded in the register required to be kept under Section 16 of the SDI ordinance were as follows:

Name	Number of ordinary shares
Kerry Group Limited (“KGL”)	987,306,500
Kerry Holdings Limited (“KHL”)	987,306,500
Caninco Investments Limited (“CIL”)	437,597,878
Darmex Holdings Limited (“DHL”)	218,425,226

Notes:

- 1 KHL is a subsidiary of KGL and, accordingly, the shares in which KHL is shown to be interested are also included in the shares in which KGL is shown to be interested.
- 2 Both CIL and DHL are the subsidiaries of KGL and KHL. Accordingly, the shares in which CIL and DHL are shown to be interested are also included in the shares in which KGL and KHL are shown to be interested.
- 3 The shares in which KGL and KHL are shown to be interested include those shares held by a subsidiary of Shangri-La Hotel Public Company Limited, Thailand.

Apart from the aforesaid, as at 31 December 2002, the Company had not been notified of any interest amounting to 10% or more of the issued share capital of the Company.



Report of the Directors

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year and up to the date of this report, except as disclosed in note 22 to the accounts, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda.

SERVICE CONTRACTS

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the forthcoming annual general meeting.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the five largest customers combined and the five largest suppliers combined are less than 10% of the Group's total turnover and purchases respectively.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the year.

REMUNERATION COMMITTEE

A Remuneration Committee of the Board of Directors was set up on 17 October 1997 to review matters relating to the compensation and the incentives proposed for senior management and executive Directors of the Company. The Committee currently comprises five members including the Chairman, two executive Directors and two non-executive Directors, one of them being independent.

AUDIT COMMITTEE

The Company set up an Audit Committee of the Board of Directors on 25 August 1998. The Committee comprises three non-executive Directors, two of them being independent. The Committee acts in accordance with written terms of reference. The current Committee members are Mr Alexander Reid HAMILTON, Mr HO Kian Guan and Mr TOW Heng Tan. The Committee reviewed the Group's 2002 audited accounts before they were tabled for the Board's review and approval.



AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

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

YE Longfei
Director

A handwritten signature in black ink, appearing to read 'K. H. Ho'.

KUOK Khoon Ho
Director

Hong Kong, 21 March 2003