

# Notes to the Financial Statements

For the year ended 31st December, 2000

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited, also incorporated in Hong Kong.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 41.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

### **Goodwill**

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess over the purchase consideration of the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary, is credited to reserves.

Any premium or discount arising on the acquisition of an interest in a jointly controlled entity or an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets of the jointly controlled entity or associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

## **2. SIGNIFICANT ACCOUNTING POLICIES — continued**

### **Goodwill — continued**

On the disposal of an investment in a subsidiary, a jointly controlled entity or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

### **Investments in subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are stated at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

### **Interests in joint ventures**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled entities the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant company and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

## **2. SIGNIFICANT ACCOUNTING POLICIES — continued**

### **Interests in joint ventures — continued**

When the group company transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

Investments made by means of joint venture structures which do not result in the Group having joint control are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or investments in securities (where the Group exercises neither control nor significant influence).

### **Interests in associates**

An associate is an enterprise over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

### **Investments in infrastructure projects**

The Group's investments in infrastructure projects are initially recorded at cost. Payments receivable each year under the joint venture and operation management agreements are apportioned between income and reduction of the carrying value of the investments so as to reflect a constant periodic rate of return on the net investment in these infrastructure projects.

Where the estimated recoverable amount of these investments falls below their carrying amount, the carrying amount of the investments, to the extent to which it is considered to be irrecoverable, is written off immediately to the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES — continued

### **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has been passed.

Income from infrastructure projects where the Group is contracted to receive a pre-determined minimum sum over the period of the project is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment in these infrastructure projects.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rental invoiced in advance from letting of properties and plant and machinery under operating leases, is recognised on a straight line basis over the period of the respective leases.

Income from investments in securities is recognised when the Group's right to receive payment has been established.

### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

## 2. SIGNIFICANT ACCOUNTING POLICIES — continued

### Investment properties — continued

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is credited to the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years, including the receivable period.

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, is stated at cost or valuation less depreciation or amortisation at the balance sheet date.

Land and buildings which have been previously classified as investment properties are stated at their valuation immediately prior to transfer less subsequent depreciation. No further valuation will be carried out on these land and buildings.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Construction in progress is stated at cost which includes all construction costs and other direct costs attributable to such projects including borrowing costs capitalised in accordance with the Group's accounting policy. It is not depreciated until completion of construction. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

The cost or valuation of leasehold land is amortised over the period of the lease using the straight line method.

## 2. SIGNIFICANT ACCOUNTING POLICIES — continued

### Property, plant and equipment — continued

The cost of land use rights is amortised over the period of the rights using the straight line method.

Depreciation is provided to write off the cost or valuation of other assets, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

|                                   |   |
|-----------------------------------|---|
| Buildings                         | 4% – 5%   |
| Furniture, fixtures and equipment | 20% – 33 $\frac{1}{3}$ % or over the period of the lease in case of fixtures in rented premises |
| Motor vehicles                    | 20% – 30%   |
| Plant and machinery               | 6 $\frac{2}{3}$ % – 20%   |

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method or, in the case of merchandise held for resale in a department store, cost is calculated using the retail price method. Net realisable value represents the actual or estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2. SIGNIFICANT ACCOUNTING POLICIES — continued

### **Research and development costs**

Expenditure on research and development is charged to the income statement in the period in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off using the straight line method over the life of the project from the date of commencement of commercial operation subject to a maximum of five years.

### **Retirement benefits scheme**

The pension costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme.

### **Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### **Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of operations outside Hong Kong are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

### **Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

## 2. SIGNIFICANT ACCOUNTING POLICIES — continued

### Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks which are repayable within three months from the dates of the advances.

## 3. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

|                                     | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|-------------------------------------|------------------|------------------|
| Sale of goods                       | 2,227,983        | 2,556,388        |
| Income from infrastructure projects | 732,538          | 744,202          |
|                                     | 2,960,521        | 3,300,590        |

## 4. INVESTMENT INCOME

|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|---|------------------|------------------|
| Interest income   | 273,533          | 222,033          |
| Gain on disposal of investments in securities                           | 51,568           | 14,306           |
| Dividend income from listed investments                                 | 14,143           | 11,612           |
| Income from unlisted investments, other than<br>infrastructure projects | 2,913            | 3,698            |
| Rental income from property, plant and equipment                        | 2,387            | 1,620            |
|   | 344,544          | 253,269          |



## 5. PROFIT FROM OPERATIONS

|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|---|------------------|------------------|
| Profit from operations has been arrived at after charging<br>(crediting):                                     |                  |                  |
| Staff costs, including directors' remuneration  |                  |                  |
| Basic salaries and allowances   | 223,769          | 259,006          |
| Bonus   | 55,474           | 50,936           |
| Retirement benefits scheme contributions, net of forfeited<br>contributions of HK\$108,997 (1999: HK\$47,100) | 14,826           | 18,070           |
|   | 294,069          | 328,012          |
| Amortisation of brand names   | —                | 1,320            |
| Auditors' remuneration  | 4,300            | 4,100            |
| Depreciation and amortisation of property, plant and equipment  | 98,588           | 110,986          |
| Impairment loss on unlisted investments, other than<br>infrastructure projects                                | 9,823            | 1,083            |
| Net unrealised loss on investments in securities  | 9,846            | 93,437           |
| Operating lease rentals in respect of equipment and motor<br>vehicles   | 1,755            | 3,080            |
| Operating lease rentals in respect of land and buildings to   |                  |                  |
| — ultimate holding company  | 5,599            | 7,070            |
| — fellow subsidiaries   | 46,799           | 47,229           |
| — others  | 21,193           | 28,057           |
| Research and development costs  | 5,498            | 6,616            |
| Gain on disposal of property, plant and equipment   | (5,780)          | (9,183)          |

## 6. FINANCE COSTS

|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|---|------------------|------------------|
| Interest on:  |                  |                  |
| — bank and other borrowings wholly repayable within<br>five years | 135,560          | 172,772          |
| — loan from ultimate holding company                              | —                | 5,818            |
|   | 135,560          | 178,590          |

## 7. GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--|------------------|------------------|
| (Loss) gain on disposal and partial disposal of interests<br>in subsidiaries         | (2,474)          | 105,025          |
| Gain on disposal and partial disposal of interests in jointly<br>controlled entities | 19,822           | —                |
| Gain on disposal and partial disposal of interests in associates                     | —                | 740              |
|  | 17,348           | 105,765          |

## 8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--|------------------|------------------|
| Directors' fees:                         |                  |                  |
| Executive                                | —                | —                |
| Independent non-executive                | 776              | 896              |
| Other emoluments of executive directors: |                  |                  |
| Basic salaries and allowances            | 20,557           | 17,335           |
| Bonus                                    | 19,501           | 16,645           |
| Retirement benefits scheme contributions | 1,961            | 1,715            |
| <b>Total directors' emoluments</b>       | <b>42,795</b>    | <b>36,591</b>    |

The emoluments of the directors were within the following bands:

|                                | 2000<br>Number of<br>directors | 1999<br>Number of<br>directors |
|--------------------------------|--------------------------------|--------------------------------|
| Up to HK\$1,000,000            | 6                              | 6                              |
| HK\$1,000,001 to HK\$1,500,000 | 3                              | 2                              |
| HK\$3,000,001 to HK\$3,500,000 | 1                              | 1                              |
| HK\$4,000,001 to HK\$4,500,000 | 1                              | 1                              |
| HK\$4,500,001 to HK\$5,000,000 | 1                              | —                              |
| HK\$5,000,001 to HK\$5,500,000 | 1                              | 2                              |
| HK\$5,500,001 to HK\$6,000,000 | 1                              | 1                              |
| HK\$6,000,001 to HK\$6,500,000 | 1                              | 1                              |
| HK\$6,500,001 to HK\$7,000,000 | 1                              | —                              |

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

All the five highest paid employees of the Group in both years were executive directors of the Company. Details of their emoluments are disclosed above.

## 9. TAXATION

|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--|------------------|------------------|
| The charge comprises:                                  |                  |                  |
| Taxation of the Company and its subsidiaries           |                  |                  |
| — Hong Kong Profits Tax                                |                  |                  |
| — current year   | 15,985           | 2,820            |
| — tax refund for prior year                            | —                | (3,199)          |
| — PRC income tax                                       |                  |                  |
| — current year   | 27,725           | 22,624           |
| — overprovision in prior years                         | (10,000)         | (10,000)         |
|  | 33,710           | 12,245           |
| Deferred taxation (note 30)                            | 3,750            | (2,041)          |
| Share of PRC income tax of jointly controlled entities | 34,574           | 24,602           |
| Share of PRC income tax of associates                  | 8,266            | 8,453            |
|  | 42,840           | 33,055           |
|  | 80,300           | 43,259           |

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Pursuant to the relevant laws and regulations in the mainland People's Republic of China (the "PRC"), the Group's PRC subsidiaries, jointly controlled entities and associates are entitled to exemption from PRC income tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to a 50% relief from PRC income tax for the following three years.

The tax holiday for 正大青春寶藥業有限公司 (Chia Tai Qingchunbao Pharmaceutical Co., Ltd.) ("CTQ"), a subsidiary of the Company, expired in 1997. However, pursuant to an approval received from local tax authorities on 16th September, 1998, CTQ was classified as one of the approved "High Technology entities". Accordingly, CTQ is entitled to a preferential PRC income tax rate of 12% for the three years ended 31st December, 2000.

## 9. TAXATION — continued

During the year, a jointly controlled entity, 上海家化聯合股份有限公司 (Shanghai Jahwa United Co., Ltd.), was in its fifth profitable year and was entitled to a 50% relief from PRC income tax at the applicable tax rate of 27%. Its subsidiaries are, however, subject to PRC income tax calculated at 33%.

The tax holiday for 上海東方商廈有限公司 (Shanghai Orient Shopping Centre Ltd.), a subsidiary of the Company, expired in 2000 and is subject to PRC income tax calculated at 33%.

The Group had no significant unprovided deferred taxation for the year.

## 10. PROFIT FOR THE YEAR

Of the Group's profit for the year, a profit of HK\$1,047,568,000 (1999: HK\$727,893,000) has been dealt with in the financial statements of the Company.

## 11. DIVIDENDS

|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--|------------------|------------------|
| Interim dividend of HK11 cents per share<br>(1999: HK11 cents per share)   | 98,590           | 97,447           |
| Proposed final dividend of HK30 cents per share<br>(1999: HK22 cents per share)  | 269,756          | 195,016          |
| Additional final dividend for the prior period due to exercise<br>of share options/issue of new shares on subscription | —                | 54               |
| Overprovision of final dividend resulting from repurchased<br>of shares  | (351)            | —                |
|  | 367,995          | 292,517          |

The amount of the final dividend proposed for the year ended 31st December, 2000 has been calculated by reference to 899,185,000 (1999: 886,435,000) ordinary shares in issue as at the date of this report.

## 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

|  | 2000              | 1999              |
|--|-------------------|-------------------|
| Earnings:  |                   |                   |
| Profit for the year and earnings<br>for the purpose of basic and diluted earnings<br>per share | HK\$1,134,669,000 | HK\$1,011,252,000 |
| Number of shares:  |                   |                   |
| Weighted average number of ordinary shares<br>for the purpose of basic earnings per share      | 891,633,057       | 883,609,477       |
| Effect of dilutive potential ordinary shares<br>— share options                                | 17,897,513        | 22,488,093        |
| Weighted average number of ordinary shares<br>for the purpose of diluted earnings per share    | 909,530,570       | 906,097,570       |

## 13. INVESTMENT PROPERTY

|  | THE GROUP<br>HK\$'000 |
|--|-----------------------|
| At valuation<br>At 31st December, 1999 and 31st December, 2000 | 12,000                |

The Group's investment property is situated in the PRC and is held under medium-term land use rights.

The investment property was revalued at 31st December, 2000 by DTZ Debenham Tie Leung Limited, an independent property valuer, on an open market value existing use basis. This valuation did not give rise to any surplus or deficit.

## 14. PROPERTY, PLANT AND EQUIPMENT

|   | Land and<br>buildings<br>HK\$'000 | Furniture,<br>fixtures and<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Construction<br>in progress<br>HK\$'000 | Total<br>HK\$'000 |
|---|-----------------------------------|---|-------------------------------|------------------------------------|---|-------------------|
| <b>THE GROUP</b>                          |                                   |   |                               |                                    |   |                   |
| <b>COST OR VALUATION</b>                  |                                   |   |                               |                                    |   |                   |
| At 1st January, 2000                      | 260,425                           | 247,986   | 41,535                        | 941,955                            | 19,571                                  | 1,511,472         |
| Additions                                 | 72                                | 11,351  | 2,351                         | 8,816                              | 68,465                                  | 91,055            |
| Transfers/reclassifications               | 3,188                             | 4,492   | 2,276                         | 9,970                              | (19,926)                                | —                 |
| Disposals                                 | —                                 | (12,234)  | (1,485)                       | (34,403)                           | —                                       | (48,122)          |
| Eliminated on disposal of a<br>subsidiary | —                                 | (188)   | —                             | —                                  | —                                       | (188)             |
| At 31st December, 2000                    | 263,685                           | 251,407   | 44,677                        | 926,338                            | 68,110                                  | 1,554,217         |
| Comprising:                               |                                   |   |                               |                                    |   |                   |
| At cost                                   | 262,685                           | 251,407   | 44,677                        | 926,338                            | 68,110                                  | 1,553,217         |
| At valuation — 1996                       | 1,000                             | —   | —                             | —                                  | —                                       | 1,000             |
|   | 263,685                           | 251,407   | 44,677                        | 926,338                            | 68,110                                  | 1,554,217         |
| <b>DEPRECIATION AND<br/>AMORTISATION</b>  |                                   |   |                               |                                    |   |                   |
| At 1st January, 2000                      | 34,312                            | 86,681  | 30,603                        | 369,213                            | —                                       | 520,809           |
| Provided for the year                     | 9,280                             | 27,950  | 4,794                         | 56,564                             | —                                       | 98,588            |
| Eliminated on disposals                   | —                                 | (10,205)  | (1,360)                       | (30,997)                           | —                                       | (42,562)          |
| Eliminated on disposal of a<br>subsidiary | —                                 | (169)   | —                             | —                                  | —                                       | (169)             |
| At 31st December, 2000                    | 43,592                            | 104,257   | 34,037                        | 394,780                            | —                                       | 576,666           |
| <b>NET BOOK VALUE</b>                     |                                   |   |                               |                                    |   |                   |
| At 31st December, 2000                    | 220,093                           | 147,150   | 10,640                        | 531,558                            | 68,110                                  | 977,551           |
| At 31st December, 1999                    | 226,113                           | 161,305   | 10,932                        | 572,742                            | 19,571                                  | 990,663           |

**14. PROPERTY, PLANT AND EQUIPMENT — continued**

|                        | Furniture,<br>fixtures and<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------|---|-------------------------------|-------------------|
| <b>THE COMPANY</b>     |   |                               |                   |
| <b>COST</b>            |   |                               |                   |
| At 1st January, 2000   | 16,918  | 7,222                         | 24,140            |
| Additions              | 2,439   | —                             | 2,439             |
| At 31st December, 2000 | 19,357  | 7,222                         | 26,579            |
| <b>DEPRECIATION</b>    |   |                               |                   |
| At 1st January, 2000   | 8,415   | 5,137                         | 13,552            |
| Provided for the year  | 3,495   | 1,455                         | 4,950             |
| At 31st December, 2000 | 11,910  | 6,592                         | 18,502            |
| <b>NET BOOK VALUE</b>  |   |                               |                   |
| At 31st December, 2000 | 7,447   | 630                           | 8,077             |
| At 31st December, 1999 | 8,503   | 2,085                         | 10,588            |



#### 14. PROPERTY, PLANT AND EQUIPMENT — continued

|   | THE GROUP |          |
|---|-----------|----------|
|   | 2000      | 1999     |
|   | HK\$'000  | HK\$'000 |
| The net book value of the Group's property interests comprises: |           |          |
| Properties held under   |           |          |
| — long leases in Macau  | 1,371     | 1,419    |
| — medium-term leases in Hong Kong                               | 136,711   | 141,318  |
| — medium-term land use rights in the PRC                        | 12,448    | 12,745   |
| Buildings situated outside Hong Kong                            | 69,563    | 70,631   |
|   | 220,093   | 226,113  |

The Group's land and buildings stated at 1996 valuation were valued at 31st December, 1996 by an independent firm of professional property valuers on an open market value basis before being transferred from investment properties. No further valuation has been carried out on these properties.

#### 15. INTERESTS IN SUBSIDIARIES

|                               | THE COMPANY |            |
|-------------------------------|-------------|------------|
|                               | 2000        | 1999       |
|                               | HK\$'000    | HK\$'000   |
| Unlisted shares, at cost      | 800,077     | 761,198    |
| Amounts due from subsidiaries | 12,398,987  | 12,279,936 |
|                               | 13,199,064  | 13,041,134 |
| Amounts due to subsidiaries   | —           | 77,815     |

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable after one year. Details of the Company's principal subsidiaries at 31st December, 2000 are set out in note 41.

## 16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

|  | THE GROUP |           | THE COMPANY |          |
|--|-----------|-----------|-------------|----------|
|  | 2000      | 1999      | 2000        | 1999     |
|  | HK\$'000  | HK\$'000  | HK\$'000    | HK\$'000 |
| Share of net assets of jointly controlled entities | 1,603,120 | 1,454,551 | —           | —        |
| Amounts due from jointly controlled entities       | 179,623   | 269,603   | —           | 176,856  |
|  | 1,782,743 | 1,724,154 | —           | 176,856  |

The amounts due from jointly controlled entities are unsecured and repayable after one year. Except for an amount of approximately HK\$168.2 million (1999: HK\$92.8 million) which bears interest at commercial rate, the remaining balance is non-interest bearing.

Details of the Group's principal jointly controlled entities at 31st December, 2000 are set out in note 42.

## 17. INTERESTS IN ASSOCIATES

|                                   | THE GROUP |          |
|-----------------------------------|-----------|----------|
|                                   | 2000      | 1999     |
|                                   | HK\$'000  | HK\$'000 |
| Share of net assets of associates | 277,880   | 207,905  |

Details of the Group's principal associates at 31st December, 2000 are set out in note 44.

## 18. INVESTMENTS IN INFRASTRUCTURE AND OTHER PROJECTS

|  | THE GROUP |           |
|--|-----------|-----------|
|  | 2000      | 1999      |
|  | HK\$'000  | HK\$'000  |
| Unlisted investment in infrastructure projects                     |           |           |
| — Yanan Road, at cost  | 1,405,344 | 1,405,344 |
| — Inner Ring Road and the North-South Elevated Expressway, at cost | 4,649,400 | 4,649,400 |
| Less: Capital receipts from infrastructure projects                | (361,740) | (265,518) |
|  | 5,693,004 | 5,789,226 |
| Other unlisted investments, at cost in                             |           |           |
| — the PRC  | 127,887   | 39,657    |
| — Hong Kong  | 5         | 5         |
| Less: Impairment loss  | (13,227)  | (3,404)   |
|  | 114,665   | 36,258    |
| Amounts due from investees, net of provision                       | 10,392    | 3,534     |
|  | 5,818,061 | 5,829,018 |

The Group's investment in Yanan Road at 31st December, 2000 represents a 50.2% interest in the registered capital 上海延安路高架道路發展有限公司 Shanghai Yanan Road Elevated Road Development Co., Ltd. ("Shanghai Yanan Road JV") which is a sino-foreign cooperative joint venture company established under the laws of the PRC for the period from 6th November, 1995 to 31st December, 2017 and is engaged in the construction, operation, management and maintenance of an elevated road in Shanghai, the PRC.

## 18. INVESTMENTS IN INFRASTRUCTURE AND OTHER PROJECTS — continued

Under the terms of the relevant joint venture agreement and operation management agreement, the Group is contracted to receive a pre-determined sum from Shanghai Yanan Road JV in quarterly instalments during the period from March 1997 to December 2017 as a return on its investment. Should the operating profit of Shanghai Yanan Road JV be inadequate to pay the required contracted instalments to the Group, then the shortfall and interest accrued thereon will be paid by the PRC joint venture partner of Shanghai Yanan Road JV. Any excess of the operating profit of Shanghai Yanan Road JV over the contracted instalment will not be shared by the Group and is attributable to the PRC joint venture partner. At the expiry of the cooperative period, the exclusive right to operate the Yanan Road will revert to the Shanghai Municipal People's Government at nil consideration and the remaining assets and liabilities of Shanghai Yanan Road JV will be attributable to the PRC joint venture partner.

The Group's investment in Inner Ring Road and the North-South Elevated Expressway at 31st December, 2000 represents a 35% interest in the registered capital of 上海新建設發展有限公司 Shanghai New Construction Development Co., Ltd. ("Shanghai New Construction JV") which is a sino-foreign cooperative joint venture company established under the laws of the PRC for the period from 18th April, 1997 to 30th April, 2017 and is engaged in the operation, management and maintenance of the Inner Ring Road and the North-South Elevated Expressway in Shanghai, the PRC.

Under the terms of the relevant joint venture agreement and operation management agreement, the Group is contracted to receive a pre-determined minimum sum from Shanghai New Construction JV in quarterly instalments during the period from June 1997 to April 2017 as a return on the investment. Should the profits of Shanghai New Construction JV available for distribution be inadequate to pay the required contracted minimum instalments to the Group, then the shortfall will be paid by the PRC joint venture partner of Shanghai New Construction JV. Any excess of profit of Shanghai New Construction JV available for distribution over the contracted minimum instalment, except to the extent of any additional amount payable to the Group pursuant to the operation management agreement, will not be shared by the Group and is attributable to the PRC joint venture partner. At the expiry of the cooperation period, the exclusive right to operate and manage the Inner Ring Road and the North-South Elevated Expressway will revert to the Shanghai Municipal People's Government at nil consideration and the remaining assets and liabilities of Shanghai New Construction JV will be attributable to the PRC joint venture partner.

In addition to the infrastructure projects, the Group's other unlisted investments include principally interests in various companies established in the PRC which are engaged in the provision of printing services, manufacture of paper products, manufacture, sale of packaging materials and operation of a training centre. Pursuant to various addendums to the joint venture agreements with the respective PRC joint venture partners, the Group has forfeited its economic interests in connection with the operation and management of these companies in return for the receipt of contracted annual payments. The results, assets and liabilities of these investee companies are insignificant to the Group.

## 18. INVESTMENTS IN INFRASTRUCTURE AND OTHER PROJECTS — continued

The amounts due from investees are unsecured and repayable as follows:

|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--|------------------|------------------|
| Portion carries interest at commercial rates               |                  |                  |
| Within one year  | 2,377            | 1,157            |
| Between one to two years                                   | —                | 2,377            |
| No fixed repayment terms                                   | 7,000            | —                |
|  | 9,377            | 3,534            |
| Non-interest bearing portion without fixed repayment terms | 1,015            | —                |
|  | 10,392           | 3,534            |

In the opinion of the directors, for the purpose of the preparation of the Group's consolidated financial statements, the above joint ventures are not regarded as the Group's subsidiaries, jointly controlled entities or associates because they carry contracted returns over the period of the respective joint venture.

In the opinion of the directors, the underlying value of the above unlisted investments are at least equal to their carrying values.

## 19. INVESTMENTS IN SECURITIES

|   | THE GROUP        |                  | THE COMPANY      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| <b>Other investments</b>                            |                  |                  |                  |                  |
| Equity securities:                                  |                  |                  |                  |                  |
| Listed  | 273,761          | 280,638          | 22,197           | 128              |
| Unlisted  | 186,216          | —                | —                | —                |
|   | 459,977          | 280,638          | 22,197           | 128              |
| Comprising:   |                  |                  |                  |                  |
| Listed  |                  |                  |                  |                  |
| Hong Kong   | 245,724          | 280,638          | 22,197           | 128              |
| PRC   | 28,037           | —                | —                | —                |
| Unlisted  |                  |                  |                  |                  |
| PRC   | 46,986           | —                | —                | —                |
| United States of America                            | 131,040          | —                | —                | —                |
| Others  | 8,190            | —                | —                | —                |
|   | 459,977          | 280,638          | 22,197           | 128              |
| Market value of listed securities                   | 273,761          | 280,638          | 22,197           | 128              |
| Carrying amount analysed for reporting purposes as: |                  |                  |                  |                  |
| Current   | 248,792          | 128              | 22,197           | 128              |
| Non-current   | 211,185          | 280,510          | —                | —                |
|   | 459,977          | 280,638          | 22,197           | 128              |

## 20. DEPOSITS PAID ON ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The deposits were paid by the Group in connection with the acquisition of property, plant and equipment for new production facilities in Hong Kong.

## 21. INVENTORIES

|                             | THE GROUP |          |
|-----------------------------|-----------|----------|
|                             | 2000      | 1999     |
|                             | HK\$'000  | HK\$'000 |
| Raw materials               | 309,031   | 400,701  |
| Work in progress            | 15,520    | 13,339   |
| Finished goods              | 63,662    | 66,183   |
| Merchandise held for resale | 29,837    | 32,732   |
|                             | 418,050   | 512,955  |

At 31st December, 1999, raw materials of approximately HK\$9.4 million and finished goods of approximately HK\$8.6 million were carried at net realisable value.

## 22. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging from 30 days to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of HK\$184,053,000 (1999: HK\$166,673,000) and their aged analysis is as follows:

|                       | THE GROUP |          |
|-----------------------|-----------|----------|
|                       | 2000      | 1999     |
|                       | HK\$'000  | HK\$'000 |
| Trade receivables:    |           |          |
| Within 30 days        | 86,505    | 72,548   |
| Within 31 – 60 days   | 40,347    | 34,272   |
| Within 61 – 91 days   | 29,806    | 28,783   |
| Within 91 – 180 days  | 27,395    | 21,904   |
| Within 181 – 360 days | —         | 9,166    |
|                       | 184,053   | 166,673  |

### 23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$91,860,000 (1999: HK\$82,432,000) and their aged analysis is as follows:

|                       | THE GROUP |          |
|-----------------------|-----------|----------|
|                       | 2000      | 1999     |
|                       | HK\$'000  | HK\$'000 |
| Trade payables:       |           |          |
| Within 30 days        | 63,092    | 57,198   |
| Within 31 – 60 days   | 11,901    | 13,172   |
| Within 61 – 90 days   | 4,465     | 4,690    |
| Within 91 – 180 days  | 4,581     | 2,430    |
| Within 181 – 360 days | 4,876     | 3,327    |
| Over 360 days         | 2,945     | 1,615    |
|                       | 91,860    | 82,432   |

### 24. SHORT-TERM BORROWINGS

|   | THE GROUP |          | THE COMPANY |          |
|---|-----------|----------|-------------|----------|
|   | 2000      | 1999     | 2000        | 1999     |
|   | HK\$'000  | HK\$'000 | HK\$'000    | HK\$'000 |
| Current portion of long-term bank loans (note 29) | 585,000   | 585,000  | 585,000     | 585,000  |
| Short-term bank loans                             | 14,673    | 41,215   | —           | —        |
| Other short-term loans                            | 16,067    | 9,346    | —           | —        |
|   | 615,740   | 635,561  | 585,000     | 585,000  |



## 25. ISSUED CAPITAL

|  | Number of<br>ordinary shares | Amount<br>HK\$'000 |
|--|------------------------------|--------------------|
| Authorised:  |                              |                    |
| Ordinary shares of HK\$0.10 each                                       |                              |                    |
| — at 1st January, 1999, 31st December, 1999<br>and 31st December, 2000 | 2,000,000,000                | 200,000            |
| Issued and fully paid:   |                              |                    |
| Ordinary shares of HK\$0.10 each                                       |                              |                    |
| — at 1st January, 1999   | 881,320,000                  | 88,132             |
| — exercise of share options  | 4,760,000                    | 476                |
| — at 31st December, 1999   | 886,080,000                  | 88,608             |
| — exercise of share options  | 13,370,000                   | 1,337              |
| — shares repurchased and cancelled                                     | (1,594,000)                  | (159)              |
| — at 31st December, 2000   | 897,856,000                  | 89,786             |

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

| Month of repurchase | Number of<br>ordinary shares<br>of HK\$0.10<br>each | Price per share (HK\$) |        | Aggregate<br>consideration<br>paid<br>HK\$'000 |
|---------------------|---|------------------------|--------|--|
|                     |   | Highest                | Lowest |  |
| May 2000            | 1,594,000   | 12.95                  | 12.75  | 20,513   |

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits of the Company as set out in note 27.

## 25. ISSUED CAPITAL — continued

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

All the shares issued by the Company during the year ranked pari passu with the then existing shares in all respects.

## 26. SHARE OPTION SCHEMES

- (a) Pursuant to the Company's share option scheme adopted on 17th May, 1996 (the "Scheme"), the Company may grant options to executive directors and full time employees of the Company or its subsidiaries to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Options granted are exercisable not earlier than six months nor later than three and a half years after the date the options are granted. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time.

A summary of the movements during the year in the share options granted under the Scheme is as follows:

| Month of grant | Exercise price per share<br>HK\$ | Number of share options |                           |                           |
|----------------|----------------------------------|-------------------------|---------------------------|---------------------------|
|                |                                  | Outstanding at 1.1.2000 | Exercised during the year | Outstanding at 31.12.2000 |
| July 1996      | 8.808                            | 4,000,000               | (4,000,000)               | —                         |
| August 1996    | 8.808                            | 7,000,000               | (7,000,000)               | —                         |
| April 1997     | 30.912                           | 8,400,000               | —                         | 8,400,000                 |
| May 1997       | 30.912                           | 3,500,000               | —                         | 3,500,000                 |
| August 1998    | 10.432                           | 24,240,000              | (2,370,000)               | 21,870,000                |
| January 2000   | 9.568                            | 23,300,000              | —                         | 23,300,000                |
|                |                                  | 70,440,000              | (13,370,000)              | 57,070,000                |

## 26. SHARE OPTION SCHEMES — continued

- (b) Pursuant to the share option scheme of SIIC Medical Science and Technology (Group) Limited (“SIIC MedTech”), a subsidiary of the Company, SIIC MedTech may grant options to executive directors and full time employees of SIIC MedTech or its subsidiaries to subscribe for shares in SIIC MedTech for a consideration of HK\$1 for each lot of share options granted. Options granted are exercisable commencing on the expiry of three years after the date the options are granted and expiring on such date as determined by the board of directors of SIIC Medical or 10th November, 2009, whichever is the earlier. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of SIIC MedTech from time to time.

A summary of the movements during the year in the share options granted under the SIIC MedTech option scheme is as follows:

| Month of grant | Exercise price per share HK\$ | Number of SIIC MedTech share options |                         |                           |
|----------------|-------------------------------|--------------------------------------|-------------------------|---------------------------|
|                |                               | Outstanding at 1.1.2000              | Granted during the year | Outstanding at 31.12.2000 |
| January 2000   | 1.69                          | —                                    | 39,200,000              | 39,200,000                |

The above SIIC MedTech options are exercisable at any time during the three years commencing on the expiry of three years after the date the options are granted.

Consideration received for share options granted during the year was negligible.

- (c) In July 2000, pursuant to an agreement entered into by the Company, SII International Holding Limited and SAIL Technology Holding Limited (“SAIL Technology”), the Company acquired the entire equity interest of Active Services Limited (“Active Services”), a company incorporated in the British Virgin Islands. The sole asset of Active Services is an investment in a jointly controlled entity which is engaged in the development of communication infrastructure and cable networks and the provision of information technology and internet-related services. The consideration for the acquisition of Active Services was satisfied by the payment of US\$120,000,000 in cash and the granting by the Company to SAIL Technology an option to subscribe for a maximum of 50,000,000 shares or a minimum of 1,000,000 shares of HK\$0.10 each in the Company at an exercise price of HK\$15.90, subject to adjustment. The option period commenced from six months after the completion date on 29th September, 2000 and ending on the expiry of eighteen months from the completion date.

## 27. ACCUMULATED PROFITS

|   | THE GROUP |           | THE COMPANY |           |
|---|-----------|-----------|-------------|-----------|
|   | 2000      | 1999      | 2000        | 1999      |
|   | HK\$'000  | HK\$'000  | HK\$'000    | HK\$'000  |
| At 1st January  | 2,082,180 | 1,402,869 | 1,543,720   | 1,108,344 |
| Profit for the year                                   | 1,134,669 | 1,011,252 | 1,047,568   | 727,893   |
| Transfers, net of minority interests' share (note 28) | (49,196)  | (39,424)  | —           | —         |
| Dividends (note 11)                                   | (367,995) | (292,517) | (367,995)   | (292,517) |
| Shares repurchased and cancelled:                     |           |           |             |           |
| Premium on shares                                     | (20,354)  | —         | (20,354)    | —         |
| Transfer  | (159)     | —         | (159)       | —         |
| At 31st December                                      | 2,779,145 | 2,082,180 | 2,202,780   | 1,543,720 |

The accumulated profits of the Group include HK\$11.1 million (1999: HK\$56.5 million) retained by jointly controlled entities and HK\$48.5 million (1999: HK\$41.4 million) retained by associates.

The Company's reserve available for distribution to shareholders as at 31st December, 2000 represents the accumulated profits of HK\$2,202.8 million (1999: HK\$1,543.7 million).

## 28. OTHER RESERVES

|   | Share<br>premium<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Investment<br>property<br>revaluation<br>reserve<br>HK\$'000 | Translation<br>reserve<br>HK\$'000 | Goodwill<br>H\$'000 | PRC<br>statutory<br>reserves<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|--|--|------------------------------------|---------------------|--|-------------------|
| <b>THE GROUP</b>  |                              |  |  |                                    |                     |  |                   |
| At 1st January, 1999  | 9,150,364                    | —  | —  | 9,593                              | (170,969)           | 99,704                                   | 9,088,692         |
| Premium arising on issue of shares  | 45,932                       | —  | —  | —                                  | —                   | —  | 45,932            |
| Expenses incurred in connection with<br>the issue of shares   | (35)                         | —  | —  | —                                  | —                   | —  | (35)              |
| Exchange difference arising from<br>translation of financial statements<br>of PRC operations  | —                            | —  | —  | 152                                | —                   | —  | 152               |
| Revaluation surplus, net of minority<br>interests' share  | —                            | —  | 299  | —                                  | —                   | —  | 299               |
| Share of exchange difference arising<br>from translation of financial<br>statements of PRC operations of<br>a jointly controlled entity | —                            | —  | —  | (43)                               | —                   | —  | (43)              |
| Share of PRC statutory reserves of<br>an associate  | —                            | —  | —  | —                                  | —                   | (3,675)                                  | (3,675)           |
| Share of goodwill arising on<br>acquisition of subsidiaries by a<br>jointly controlled entity   | —                            | —  | —  | —                                  | (7,212)             | —  | (7,212)           |
| Share of goodwill arising on<br>acquisition of a subsidiary by an<br>associate, net of minority<br>interests' share                     | —                            | —  | —  | —                                  | (3,613)             | —  | (3,613)           |
| Realised on disposal of associates  | —                            | —  | —  | —                                  | (63)                | (1,440)                                  | (1,503)           |
| Realised on disposal and partial<br>disposal of interests in<br>subsidiaries  | —                            | —  | —  | (1,183)                            | 91,944              | (4,231)                                  | 86,530            |
| Transfers, net of minority interests'<br>share (note 27)  | —                            | —  | —  | —                                  | —                   | 39,424                                   | 39,424            |
| At 31st December, 1999  | 9,196,261                    | —  | 299  | 8,519                              | (89,913)            | 129,782                                  | 9,244,948         |

## 28. OTHER RESERVES — continued

|  | Share<br>premium<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Investment<br>property<br>revaluation<br>reserve<br>HK\$'000 | Translation<br>reserve<br>HK\$'000 | Goodwill<br>H\$'000 | PRC<br>statutory<br>reserves<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|--|--|------------------------------------|---------------------|--|-------------------|
| At 1st January, 2000   | 9,196,261                    | —  | 299  | 8,519                              | (89,913)            | 129,782                                  | 9,244,948         |
| Premium arising on issue of shares   | 120,275                      | —  | —  | —                                  | —                   | —  | 120,275           |
| Expenses incurred in connection<br>with the issue of shares  | (90)                         | —  | —  | —                                  | —                   | —  | (90)              |
| Transfer arising on shares<br>repurchased and cancelled  | —                            | 159  | —  | —                                  | —                   | —  | 159               |
| Exchange difference arising from<br>translation of financial<br>statements of PRC operations   | —                            | —  | —  | (141)                              | —                   | —  | (141)             |
| Share of exchange difference<br>arising from translation of<br>financial statements of PRC<br>operations of a jointly controlled<br>entity | —                            | —  | —  | (213)                              | —                   | —  | (213)             |
| Share of PRC statutory reserves of<br>an associate   | —                            | —  | —  | —                                  | —                   | (130)                                    | (130)             |
| Share of goodwill arising on<br>acquisition of subsidiaries by<br>jointly controlled entities  | —                            | —  | —  | —                                  | (23,394)            | —  | (23,394)          |
| Goodwill arising on acquisition of<br>subsidiaries/additional interests<br>in a subsidiary   | —                            | —  | —  | —                                  | (414,901)           | —  | (414,901)         |
| Goodwill arising on acquisition of<br>jointly controlled entities  | —                            | —  | —  | —                                  | (482,661)           | —  | (482,661)         |
| Capital reserve arising on<br>acquisition of an associate  | —                            | —  | —  | —                                  | 6,169               | —  | 6,169             |
| Realised on disposal and partial<br>disposal of a jointly controlled<br>entity   | —                            | —  | —  | (90)                               | 684                 | (1,368)                                  | (774)             |
| Realised on disposal and partial<br>disposal of interests in<br>subsidiaries   | —                            | —  | —  | —                                  | 2,112               | —  | 2,112             |
| Transfers, net of minority interests'<br>share (note 27)   | —                            | —  | —  | —                                  | —                   | 49,196                                   | 49,196            |
| At 31st December, 2000   | 9,316,446                    | 159  | 299  | 8,075                              | (1,001,904)         | 177,480                                  | 8,500,555         |

28. OTHER RESERVES — continued

|  | Share<br>premium<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|--|--------------------------------|-------------------|
| <b>THE COMPANY</b>   |                              |  |                                |                   |
| At 1st January, 1999   | 9,150,364                    | —  | 1,137,728                      | 10,288,092        |
| Premium arising on issue of<br>shares                          | 45,932                       | —  | —                              | 45,932            |
| Expenses incurred in<br>connection with the issue of<br>shares | (35)                         | —  | —                              | (35)              |
| At 31st December, 1999   | 9,196,261                    | —  | 1,137,728                      | 10,333,989        |
| Premium arising on issue of<br>shares                          | 120,275                      | —  | —                              | 120,275           |
| Expenses incurred in<br>connection with the issue of<br>shares | (90)                         | —  | —                              | (90)              |
| Transfer arising on shares<br>repurchased and cancelled        | —                            | 159  | —                              | 159               |
| At 31st December, 2000   | 9,316,446                    | 159  | 1,137,728                      | 10,454,333        |

The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

PRC statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries, jointly controlled entities and associates.

## 29. LONG-TERM BANK BORROWINGS

|   | THE GROUP |           | THE COMPANY |           |
|---|-----------|-----------|-------------|-----------|
|   | 2000      | 1999      | 2000        | 1999      |
|   | HK\$'000  | HK\$'000  | HK\$'000    | HK\$'000  |
| Bank loans  | 1,755,000 | 2,340,000 | 1,755,000   | 2,340,000 |
| Less: Bank loans due within one year included under current liabilities (note 24) | (585,000) | (585,000) | (585,000)   | (585,000) |
| Amount due after one year   | 1,170,000 | 1,755,000 | 1,170,000   | 1,755,000 |
| The loans are repayable as follows:   |           |           |             |           |
| Within one year   | 585,000   | 585,000   | 585,000     | 585,000   |
| Between one to two years  | 1,170,000 | 585,000   | 1,170,000   | 585,000   |
| Between two to five years   | —         | 1,170,000 | —           | 1,170,000 |
|   | 1,755,000 | 2,340,000 | 1,755,000   | 2,340,000 |



### 30. DEFERRED TAXATION

|                                | THE GROUP |          |
|--------------------------------|-----------|----------|
|                                | 2000      | 1999     |
|                                | HK\$'000  | HK\$'000 |
| Balance brought forward        | 71,050    | 73,091   |
| Movement for the year (note 9) | 3,750     | (2,041)  |
| Balance carried forward        | 74,800    | 71,050   |

The deferred tax liability represents principally the tax effect of timing differences arising as a result of the excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements.

The Group and the Company had no significant unprovided deferred taxation at the balance sheet date.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of property in the PRC as it is not expected that the potential deferred taxation liability will crystallise in the foreseeable future.

**31. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|---|------------------|------------------|
| Profit from ordinary activities before taxation                                   | 1,314,567        | 1,129,811        |
| Dividend income from listed investments   | (14,143)         | (11,612)         |
| Income from unlisted investments, other than infrastructure projects              | (2,913)          | (3,698)          |
| Interest income   | (273,533)        | (222,033)        |
| Interest on borrowings  | 135,560          | 178,590          |
| Rental income   | (2,387)          | (1,620)          |
| Share of results of jointly controlled entities                                   | (225,649)        | (145,618)        |
| Share of results of associates  | (42,475)         | (40,638)         |
| Amortisation of brand names   | —                | 1,320            |
| Depreciation and amortisation of property, plant and equipment                    | 98,588           | 110,986          |
| Net unrealised loss on investments in securities                                  | 9,846            | 93,437           |
| Gain on disposal of investments in securities                                     | (51,568)         | (14,306)         |
| Gain on disposal of property, plant and equipment                                 | (5,780)          | (9,183)          |
| Loss (gain) on disposal and partial disposal of interests in subsidiaries         | 2,474            | (105,025)        |
| Gain on disposal and partial disposal of interests in associates                  | —                | (740)            |
| Gain on disposal and partial disposal of interests in jointly controlled entities | (19,822)         | —                |
| Impairment loss on unlisted investments, other than infrastructure projects       | 9,823            | 1,083            |
| Impairment loss on interest in a jointly controlled entity                        | 2,100            | —                |
| Decrease in inventories   | 94,889           | 60,924           |
| Decrease (increase) in trade and other receivables                                | 6,525            | (33,421)         |
| Increase in trade and other payables  | 122,574          | 85,343           |
| <b>Net cash inflow from operating activities</b>                                  | <b>1,158,676</b> | <b>1,073,600</b> |

### 32. PURCHASE OF A SUBSIDIARY

|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|---|------------------|------------------|
| Net assets acquired:  |                  |                  |
| Interest in a jointly controlled entity   | 164,411          | —                |
|   | 164,411          | —                |
| Goodwill arising on acquisition of the subsidiary   | 390,000          | —                |
| Goodwill arising on the subsidiary's acquisition of a jointly controlled entity           | 381,589          | —                |
|   | 771,589          | —                |
|   | 936,000          | —                |
| Satisfied by:   |                  |                  |
| Cash consideration paid   | 936,000          | —                |
| Net outflow of cash and cash equivalents in connection with the purchase of a subsidiary: |                  |                  |
| Cash paid   | (936,000)        | —                |

The subsidiary acquired during the year did not have any significant impact on the Group's cash flows or operating results for the year.

### 33. DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES

|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|---|------------------|------------------|
| Net assets disposed of:   |                  |                  |
| Property, plant and equipment   | 19               | 371,203          |
| Brand names   | —                | 36,636           |
| Interest in associates  | —                | 2,126            |
| Other unlisted investments  | —                | 5,353            |
| Inventories   | 16               | 190,264          |
| Trade and other receivables   | 452              | 295,799          |
| Bank balances and cash  | 312              | 78,625           |
| Trade and other payables  | (437)            | (403,110)        |
| Taxation payable  | —                | (1,236)          |
| Short-term bank and other borrowings  | —                | (214,653)        |
| Minority interests  | —                | (189,447)        |
| Long-term loans   | —                | (31,280)         |
| Net assets  | 362              | 140,280          |
| Attributable goodwill previously written off against reserves                                   | 2,112            | 91,944           |
| Translation reserve realised on disposal  | —                | (1,183)          |
| PRC statutory reserves realised on disposal   | —                | (4,231)          |
| Share of a subsidiary's net assets reclassified on becoming a Group's jointly controlled entity | —                | (86,908)         |
| (Loss) gain on disposal and partial disposal of interests in subsidiaries                       | (2,474)          | 105,025          |
|   | —                | 244,927          |

**33. DISPOSAL AND PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARIES — continued**

|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--|------------------|------------------|
| Satisfied by:  |                  |                  |
| Cash consideration received  | —                | 244,927          |
| Analysis of net inflow of cash and cash equivalents in connection with the disposal and partial disposal of interests in subsidiaries: |                  |                  |
| Cash consideration received  | —                | 244,927          |
| Bank balances and cash disposed of   | (312)            | (78,625)         |
| Net (outflow) inflow of cash and cash equivalents in connection with the disposal and partial disposal of interests in subsidiaries    | (312)            | 166,302          |

The subsidiary disposed of during the year ended 31st December, 2000 did not have significant impact on the Group's cash flows or operating results for the year.

The subsidiaries disposed of during the year ended 31st December, 1999 contributed HK\$95,904,000 to the Group's net operating cash flows, paid HK\$6,228,000 in respect of the net returns on investments and servicing of finance, paid HK\$1,264,000 in respect of taxation, utilised HK\$17,878,000 for investing activities and paid HK\$39,533,000 in respect of financing activities.

### 34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

|  | Issued capital,<br>share premium<br>and capital<br>redemption<br>reserve<br>HK\$'000 | Minority<br>interests<br>HK\$'000 | Bank and<br>other loans<br>HK\$'000 | Loan from<br>ultimate<br>holding<br>company<br>HK\$'000 |
|--|--|-----------------------------------|-------------------------------------|---|
| At 1st January, 1999   | 9,238,496  | 318,630                           | 2,677,381                           | 193,500   |
| Issue of shares for cash   | 46,408   | —                                 | —                                   | —   |
| Expenses incurred in connection with the issue of shares                                     | (35)   | —                                 | —                                   | —   |
| Capital contributions in cash by minority shareholders of subsidiaries                       | —  | 206,350                           | —                                   | —   |
| Eliminated on disposal and partial disposal of interests in subsidiaries                     | —  | (189,447)                         | (245,933)                           | —   |
| Share of profits by minority shareholders of subsidiaries                                    | —  | 75,300                            | —                                   | —   |
| Minority interests' share of investment property revaluation reserve of a subsidiary         | —  | 608                               | —                                   | —   |
| Minority interests' share of goodwill arising on acquisition of a subsidiary by an associate | —  | (286)                             | —                                   | —   |
| Dividends paid to minority shareholders of subsidiaries                                      | —  | (41,748)                          | —                                   | —   |
| Borrowings raised  | —  | —                                 | 243,457                             | —   |
| Repayments during the year   | —  | —                                 | (284,344)                           | (193,500)   |
| At 31st December, 1999   | 9,284,869  | 369,407                           | 2,390,561                           | —   |
| Issue of shares for cash   | 121,612  | —                                 | —                                   | —   |
| Expenses incurred in connection with the issue of shares                                     | (90)   | —                                 | —                                   | —   |
| Shares repurchased and cancelled   |  |                                   |                                     |   |
| Consideration paid   | (20,513)   | —                                 | —                                   | —   |
| Premium charged to accumulated profits   | 20,354   | —                                 | —                                   | —   |
| Transfer   | 159  | —                                 | —                                   | —   |
| Capital contributions in cash by minority shareholders of subsidiaries                       | —  | 1,946                             | —                                   | —   |
| Acquired on increasing the Group's interest in a subsidiary                                  | —  | (25,332)                          | —                                   | —   |
| Share of profits by minority shareholders of subsidiaries                                    | —  | 99,598                            | —                                   | —   |
| Dividends paid to minority shareholders of subsidiaries                                      | —  | (48,764)                          | —                                   | —   |
| Borrowings raised  | —  | —                                 | 25,319                              | —   |
| Repayments during the year   | —  | —                                 | (630,140)                           | —   |
| At 31st December, 2000   | 9,406,391  | 396,855                           | 1,785,740                           | —   |

### 35. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company were committed to make the following rental payments for land and buildings in the next year under non-cancellable operating leases which expire:

|                                       | THE GROUP        |                  | THE COMPANY      |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Within one year                       | 5,247            | 2,427            | 4,132            | 67               |
| In the second to fifth year inclusive | 1,139            | 7,116            | 151              | 5,237            |
| After five years                      | 43,321           | 47,173           | —                | —                |
|                                       | 49,707           | 56,716           | 4,283            | 5,304            |

Included in the above are operating lease commitments of approximately HK\$49 million (1999: HK\$53.6 million) and HK\$4.3 million (1999: HK\$5.3 million) payable by the Group and the Company respectively to connected parties.

The Group and the Company had no significant operating lease commitments for equipment and motor vehicles at the balance sheet date.

### 36. CAPITAL COMMITMENTS

|   | THE GROUP        |                  |
|---|------------------|------------------|
|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Capital expenditure contracted for but not provided in the financial statements in respect of |                  |                  |
| — investments in PRC subsidiaries and jointly controlled entities                             | 45,480           | 186,373          |
| — acquisition of property, plant and equipment  | 160,340          | 43,761           |
|   | 205,820          | 230,134          |
| Capital expenditure authorised but not contracted for in respect of                           |                  |                  |
| — investments in the PRC  | 186,916          | —                |
| — acquisition of property, plant and equipment  | —                | 1,024            |
|   | 186,916          | 1,024            |

### 36. CAPITAL COMMITMENTS — continued

In addition to the above, the Group's share of capital commitments of the jointly controlled entities are as follows:

|   | THE GROUP        |                  | THE COMPANY      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Capital expenditure contracted for but not provided in the financial statements in respect of |                  |                  |                  |                  |
| — investments in PRC subsidiaries and jointly controlled entities                             | 9,202            | 1,011            | 3,042            | —                |
| — acquisition of property, plant and equipment  | 128,173          | 59,643           | —                | —                |
|   | 137,375          | 60,654           | 3,042            | —                |
| Capital expenditure authorised but not contracted for in respect of                           |                  |                  |                  |                  |
| — investments in PRC jointly controlled entities  | —                | 8,411            | —                | —                |
| — acquisition of property, plant and equipment  | 22,959           | 60,369           | —                | —                |
|   | 22,959           | 68,780           | —                | —                |



### 37. OTHER COMMITMENTS

At the balance sheet date, there were outstanding interest rate hedging contracts entered into by the Company with certain financial institutions to hedge the floating interest rate risk of the Company's bank loans of US\$225 million (1999: US\$300 million).

### 38. CONTINGENT LIABILITIES

|  | THE GROUP        |                  | THE COMPANY      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Guarantees given to banks in respect of banking facilities extended to |                  |                  |                  |                  |
| — subsidiaries   | —                | —                | 220,120          | 335,673          |
| — a jointly controlled entity  | —                | 4,673            | —                | 4,673            |
| — a third party  | —                | 4,673            | —                | —                |
|  | —                | 9,346            | 220,120          | 340,346          |

Details of contingent liabilities given by the Group and the Company to connected persons are set out in note 40 (I)(c).

### 39. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate defined contribution retirement benefits schemes for their qualifying employees. The assets of the schemes are held separately in funds which are under the control of independent trustees. The retirement benefits scheme contributions charged to the income statement represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the schemes prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the balance sheet date, no forfeited contributions are available to reduce the contribution payable in the future years.

#### 40. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

##### (I) Connected persons

- (a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions with the connected parties during the year, and significant balances with them at the balance sheet date, are as follows:

| Connected parties   | Nature of transactions   | THE GROUP        |                  |
|---|--|------------------|------------------|
|   |  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| <b>Transactions</b>                                       |  |                  |                  |
| <i>Ultimate holding company:</i>                          |  |                  |                  |
| Shanghai Industrial Investment (Holdings) Company Limited | Interest paid (note i)<br>Rentals paid on land and buildings (note ii) | —<br>8,245       | 5,818<br>7,070   |
| <i>Fellow subsidiaries:</i>                               |  |                  |                  |
| South Pacific International Limited                       | Sale of cigarettes (note iii)  | —                | 29,006           |
| Nanyang Brothers Properties Limited                       | Rentals paid on land and buildings (note ii)                           | —                | 5,216            |
| Nanyang Enterprises Properties Limited                    | Rentals paid on land and buildings (note ii)                           | 19,800           | 21,600           |
| SIIC Estate Company Limited                               | Rentals paid on land and buildings (note ii)                           | 969              | 375              |
| 上海實業發展有限公司 (Shanghai SIIC Development Ltd.)               | Rentals paid on land and buildings (note ii)                           | 18,979           | 18,979           |
| 上海上實(集團)有限公司 (SIIC Shanghai Holdings Co., Ltd.)           | Rentals paid on land and buildings (note ii)                           | 1,589            | 1,059            |

#### 40. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES — continued

##### (I) Connected persons — continued

| Connected parties  | Nature of transactions  | THE GROUP        |                  |
|--|---|------------------|------------------|
|  |   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| <i>Joint venture partners of the Company's PRC subsidiaries:</i>   |   |                  |                  |
| 上海家化(集團)有限公司<br>(Shanghai Jahwa<br>(Holdings) Co., Ltd.)<br>("SJC") (formerly known<br>as 上海家化聯合公司<br>(Shanghai Jahwa<br>Company)) | Trademark fees (note iv)  | —                | 7,837            |
| 中國(杭州)青春集團公司<br>(China (Hangzhou)<br>Qingchunbao Group Co.)<br>("China Qingchunbao")<br>and its subsidiaries                       | Sales of finished medicine<br>and health products<br>(note iii) | 28,913           | 15,154           |
|  | Purchase of raw materials<br>(note iii)                         | 1,429            | 1,007            |
| <b>Balances</b>  |   |                  |                  |
| <i>Joint venture partner of the Company's PRC subsidiary:</i>  |   |                  |                  |
| China Qingchunbao and its<br>subsidiaries  | Balance at 31st December  |                  |                  |
|  | — trade receivables   | 2,543            | 3,483            |
|  | — short-term loan (note v)                                      | —                | 9,346            |
|  | — trade payable   | 173              | 143              |
| <i>Directors</i>   | Balance at 31st December  |                  |                  |
|  | — accrued emoluments  | 4,204            | 2,667            |

#### 40. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES — continued

##### (I) Connected persons — continued

*Notes:*

- (i) The interest was charged at 8% per annum on the outstanding loan balance pursuant to the loan agreement entered into in 1996. The loan was fully repaid in 1999.
- (ii) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers or estimated by the directors at the time when the tenancy agreements were entered into.
- (iii) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage profit mark-up.
- (iv) The trademark fees were charged commencing 1st January, 1998 in accordance with the joint venture agreement entered into in 1995 for the usage of 17 groups of trademarks. The trademark fees were established on the basis of a certain percentage applied on the net sales of products using the 17 groups of trademarks.  
  
SJC ceased to be a connected party to the Group.
- (v) The loan is unsecured, interest-bearing and repayable on demand.
- (vi) These transactions were carried out in accordance with the terms of the agreement entered into between the relevant parties.

(b) Details of operating lease commitments with connected parties are set out in note 35.

(c) As at 31st December, 2000, the Company had given guarantees amounting to approximately HK\$35 million (1999: HK\$38 million) to various banks in respect of credit facilities granted to The Wing Fat Printing Company, Limited (“Wing Fat”) which is 93.1% indirectly owned by the Group. Also, the Group had provided advances to Wing Fat for financing its operations. As at 31st December, 2000, the Group had advanced approximately HK\$159 million (1999: HK\$159 million) to Wing Fat. The advances are unsecured, interest-free and have no fixed repayment terms. The guarantees given and advances made by the Group were the only financial assistance given by Wing Fat’s shareholders to Wing Fat.

Moreover, as at 31st December, 2000, the Company had given a guarantee amounting to HK\$5 million (1999: HK\$5 million) to a bank in respect of credit facilities granted to SIIC MedTech which is 63.9% indirectly owned by the Group. As at 31st December, 1999, the Company had also given a guarantee amounting to HK\$4.7 million to a bank in favor of Shanghai Orient Shopping Centre Ltd. (“Shanghai Orient Shopping Centre”) which is a 51% indirectly held subsidiary of the Company. The guarantee was released during the year ended 31st December, 2000.

The guarantees given by the Group were the only financial assistances given by the shareholders of SIIC MedTech to SIIC MedTech.

#### 40. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES — continued

##### (I) Connected persons — continued

In addition, as at 31st December, 1999, China Qingchunbao had given guarantees totalling HK\$33.7 million to certain banks in respect of credit facilities extended to one of the Group's PRC subsidiaries. The guarantees were released during the year ended 31st December, 2000.

##### (II) Related parties, other than connected persons

The significant transactions with related parties, other than connected persons, during the year, and significant balances with them at the balance sheet date, are as follows:

| Related parties   | Nature of transactions   | THE GROUP        |                  |
|---|--|------------------|------------------|
|   |  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| <b>Transactions</b>   |  |                  |                  |
| <i>Jointly controlled entities:</i>                             |  |                  |                  |
| Sonconpak Limited   | Purchase of packing materials (note 40(I)(a)(iii))             | 1,712            | 2,860            |
| Dragon Wealth Assets Limited                                    | Service income (note 40(I)(a)(vi))                             | 1,914            | —                |
|   | Promotional expense paid (note 40(I)(a)(vi))                   | 7,453            | —                |
| Dragon Wealth Investments Limited                               | Purchase of finished goods (note 40(I)(a)(iii))                | 2,944            | —                |
|   | Material cost received (note 40(I)(a)(iii))                    | 1,520            | —                |
| <i>Associates:</i>  |  |                  |                  |
| 上海申永燙金材料有限公司<br>(Shanghai Shen Yong<br>Stamping Foil Co., Ltd.) | Purchase of property, plant and equipment (note 40(I)(a)(iii)) | —                | 6,119            |

40. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES — continued

(II) Related parties, other than connected persons — continued

| Related parties   | Nature of transactions   | THE GROUP        |                  |
|---|--|------------------|------------------|
|   |  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| <b>Balances</b>   |  |                  |                  |
| <i>Jointly controlled entities:</i>                             |  |                  |                  |
| Sonconpak Limited   | Balance at 31st December<br>— trade payable                          | —                | 526              |
| Shanghai Jahwa  | Balance at 31st December<br>— long-term receivable                   | —                | 62,654           |
| Dragon Wealth Assets Limited                                    | Balance at 31st December<br>— long-term receivable                   | 3,120            | —                |
| 上海三維制藥有限公司<br>(Shanghai Sunve<br>Pharmaceutical Co., Ltd.)      | Balance at 31st December<br>— long-term receivable                   | —                | 114,199          |
| Mergen Holdings Ltd.  | Balance at 31st December<br>— long-term receivable                   | 176,113          | 92,750           |
| <i>Associates:</i>  |  |                  |                  |
| 上海申永燙金材料有限公司<br>(Shanghai Shen Yong<br>Stamping Foil Co., Ltd.) | Balance at 31st December<br>— trade receivable                       | 18,004           | 30,343           |
| 濟南泉永印務有限公司<br>(Jinan Quanyong Printing Co.,<br>Ltd.)            | Balance at 31st December<br>— short-term loan<br>(note 40 (l)(a)(v)) | 3,738            | —                |

#### 41. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2000 are as follows:

| Name of subsidiary   | Place of incorporation or establishment/ operations | Nominal value of issued and fully paid share capital/ registered capital        | Percentage of issued/ registered capital |                           | Principal activities  |
|--|---|---|--|---------------------------|---|
|  |   |   | held by the Company/ subsidiaries        | attributable to the Group |   |
| S.I. Infrastructure Holdings Limited                           | British Virgin Islands/<br>Hong Kong                | US\$1   | 100%                                     | 100%                      | Investment holding  |
| SIHL Treasury Limited  | Hong Kong   | Ordinary shares<br>— HK\$2  | 100%                                     | 100%                      | Provision of treasury management services                   |
| SIIC Medical Science and Technology (Group) Limited            | Cayman Islands/<br>Hong Kong                        | Ordinary shares<br>— HK\$62,000,000   | 63.9%                                    | 63.9%                     | Investment holding  |
| 正大青春寶藥業有限公司<br>(Chia Tai Qingchunbao Pharmaceutical Co., Ltd.) | PRC   | RMB128,500,000  | 60%                                      | 35.1%                     | Manufacture and sale of Chinese medicine and health food    |
| Nanyang Tobacco (Marketing) Company, Limited                   | British Virgin Islands/PRC and Macau                | Ordinary shares<br>— US\$1<br>— HK\$100,000,000                                 | 100%                                     | 100%                      | Sale and marketing of cigarettes and raw materials sourcing |
| Nanyang Brothers Tobacco Company, Limited                      | Hong Kong   | Ordinary shares<br>— HK\$2<br><br>Non-voting deferred shares<br>— HK\$8,000,000 | 100%                                     | 100%                      | Manufacture of cigarettes                                   |

#### 41. PRINCIPAL SUBSIDIARIES — continued

| Name of subsidiary                                   | Place of incorporation or establishment/ operations | Nominal value of issued and fully paid share capital/ registered capital | Percentage of issued/ registered capital |                           | Principal activities   |
|--|---|--|--|---------------------------|--|
|  |   |  | held by the Company/ subsidiaries        | attributable to the Group |  |
| 上海東方商廈有限公司<br>(Shanghai Orient Shopping Centre Ltd.) | PRC   | RMB37,340,000  | 51%                                      | 51%                       | Management and operation of a shopping centre                    |
| The Wing Fat Printing Company, Limited               | Hong Kong   | Ordinary shares<br>— HK\$2,000,000                                       | 93.1%                                    | 93.1%                     | Manufacture and sale of packaging materials and printed products |
|  |   | Non-voting deferred shares<br>— HK\$1,829,510                            | —  | —                         |  |

With the exception of S. I. Infrastructure Holdings Limited and SIHL Treasury Limited, all the above subsidiaries are indirectly held by the Company.

None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.



## 42. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities at 31st December, 2000 and which are all established in the PRC are as follows:

| Name of jointly controlled entity   | Percentage of registered capital |                           | Principal activities   |
|---|----------------------------------|---------------------------|--|
|   | held by the subsidiaries         | attributable to the Group |  |
| Mergen Ltd.   | 50%                              | 50%                       | Research and development of biotechnology products                         |
| 上海光明乳業股份有限公司<br>(Shanghai Bright Dairy and Food Co., Ltd.)  | 40%                              | 40%                       | Manufacture, distribution and sale of dairy and related products           |
| 上海匯眾汽車制造有限公司<br>(Shanghai Huizhong Automotive Manufacturing Company Limited) ("Shanghai Huizhong")                              | 50%                              | 50%                       | Manufacture and sale of automobile components and spare parts              |
| 上海萬眾汽車零件有限公司<br>(Shanghai Wanzhong Automotive Components Co., Ltd.)   | 50%                              | 50%                       | Manufacture and sale of automobile components and spare parts              |
| 上海家化聯合股份有限公司<br>(Shanghai Jahwa United Co., Ltd.) (formerly known as 上海家化有限公司<br>(Shanghai Jahwa Co., Ltd.)) ("Shanghai Jahwa") | 40%                              | 25.6%                     | Manufacture, distribution and sale of personal care and cosmetics products |

**42. PRINCIPAL JOINTLY CONTROLLED ENTITIES — continued**

| Name of jointly controlled entity                       | Percentage of registered capital |                           | Principal activities   |
|---|----------------------------------|---------------------------|--|
|   | held by the subsidiaries         | attributable to the Group |  |
| 上海三維制藥有限公司<br>(Shanghai Sunve Pharmaceutical Co., Ltd.) | 48%                              | 48%                       | Manufacture and sale of pharmaceutical products  |
| 上海三維生物技術有限公司<br>(Shanghai Sunve Biotech Co., Ltd.)      | 90%                              | 49.8%                     | Manufacture and sale of pharmaceutical products  |
| 上海市信息投資股份有限公司<br>(Shanghai Information Investment Inc.) | 20%                              | 20%                       | Development of communication infrastructure and cable network and provision of internet-related services |

All the above jointly controlled entities are indirectly held by the Company.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

A summary of the financial information of Shanghai Huizhong, the major jointly controlled entity of the Group, is set out in note 43.

**43. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP'S MAJOR JOINTLY CONTROLLED ENTITY**

The following is a summary of the financial information extracted from the audited financial statements of Shanghai Huizhong for the year ended 31st December, 2000:

**Results for the year:**

For the year ended 31st December

|   | Shanghai Huizhong |                  |
|---|-------------------|------------------|
|   | 2000<br>HK\$'000  | 1999<br>HK\$'000 |
| Turnover  | 3,122,674         | 3,078,728        |
| Profit from ordinary activities before taxation                           | 305,872           | 302,066          |
| Profit from ordinary activities before taxation attributable to the Group | 152,936           | 151,033          |

**Financial position:**

At 31st December

|                                      | 2000        | 1999      |
|--------------------------------------|-------------|-----------|
|                                      | HK\$'000    | HK\$'000  |
| Non-current assets                   | 1,476,572   | 1,515,070 |
| Current assets                       | 1,641,733   | 1,339,481 |
| Current liabilities                  | (1,135,719) | (965,419) |
| Net assets                           | 1,982,586   | 1,889,132 |
| Net assets attributable to the Group | 991,293     | 944,566   |

#### 44. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31st December, 2000 and which are all established in the PRC are as follows:

| Name of associates  | Percentage of registered capital |                           | Principal activities   |
|---|----------------------------------|---------------------------|--|
|   | held by the subsidiaries         | attributable to the Group |  |
| 濟南泉永印務有限公司<br>(Jinan Quanyong Printing Co., Ltd.)                 | 48%                              | 45%                       | Provision of printing services                               |
| 上海申永燙金材料有限公司<br>(Shanghai Shen Yong Stamping Foil Co., Ltd.)      | 29%                              | 27%                       | Manufacture of stamping foil                                 |
| 上海實業交通電器有限公司<br>(Shanghai SIIC Transportation Electric Co., Ltd.) | 30%                              | 30%                       | Manufacture, distribution and sale of automobile components  |
| 上海乾通汽車附件有限公司  | 31.5%                            | 31.5%                     | Manufacture, distribution and sales of automobile components |
| 浙江天外煙草印刷有限公司<br>(Zhejiang Tianwai Tobaccos Printing Co., Ltd.)    | 35%                              | 33%                       | Provision of printing services                               |

All the above associates are indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

#### 45. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit by principal activity and geographical region is as follows:

|   | Turnover         |                  | Operating profit |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| <b>Activity</b>                           |                  |                  |                  |                  |
| Consumer Products/Retailing               | 1,694,550        | 1,460,517        | 130,036          | 61,940           |
| Infrastructure and Modern Logistics       | 732,537          | 744,202          | 731,938          | 743,421          |
| SIIC MedTech                              | 533,434          | 1,095,871        | 112,660          | 148,411          |
|   | 2,960,521        | 3,300,590        | 974,634          | 953,772          |
| Less: Net central administrative expenses |                  |                  | (66,164)         | (53,660)         |
| Add: Interest income — net                |                  |                  | 137,973          | 43,443           |
| Operating profit                          |                  |                  | 1,046,443        | 943,555          |
| <b>Geographical region</b>                |                  |                  |                  |                  |
| Mainland People's Republic of China       | 2,229,556        | 2,721,479        | 912,031          | 824,504          |
| Other Asian countries                     | 460,858          | 312,228          | 34,173           | 1,925            |
| Hong Kong                                 | 124,372          | 123,324          | 16,940           | 122,781          |
| Other areas                               | 145,735          | 143,559          | 11,490           | 4,562            |
|   | 2,960,521        | 3,300,590        | 974,634          | 953,772          |
| Less: Net central administrative expenses |                  |                  | (66,164)         | (53,660)         |
| Add: Interest income — net                |                  |                  | 137,973          | 43,443           |
| Operating profit                          |                  |                  | 1,046,443        | 943,555          |

#### 46. POST BALANCE SHEET EVENTS

- (a) Subsequent to the balance sheet date, Shanghai Jahwa obtained the approval from the Shanghai Stock Exchange (“SSE”) for the listing of its “A” shares on the SSE. Shanghai Jahwa issued 80,000,000 “A” shares of nominal value of RMB1 per share at an issue price of RMB9.18 per share which raised a total of RMB712.62 million (approximately HK\$666 million). The “A” shares were listed on the SSE on March 15, 2001. Subsequent to the listing of Shanghai Jahwa “A” shares, the Group’s interest in Shanghai Jahwa was diluted and a gain on deemed disposal was generated.

The proceeds from the issue of “A” shares will be mainly used by Shanghai Jahwa to develop new markets, extend sales network and expand its research and technology centre.

- (b) In March 2001, Mighty Technology Limited, a newly incorporated wholly owned subsidiary of the Company, has entered into a share purchase agreement with Semiconductor Manufacturing International Corporation (“SMIC”), a company incorporated in the Cayman Islands, for the purchase of approximately 11% interest in SMIC at a consideration of approximately US\$110 million (approximately HK\$858 million). As at the report date, 62.5% of the consideration was paid.

SMIC is an investment holding company and its subsidiary is a wholly-foreign-owned enterprise established in the PRC and will be engaged in the manufacturing and marketing of advanced technology semiconductors.