



(z) Staff retirement scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme became effective from 1st December, 2000. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme being effective, the Group operated a defined contribution retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the MPF Scheme, except that when an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions.

For certain subsidiary companies of the Group operating in Mainland China, contributions to the government retirement benefits scheme are charged to the profit and loss account as incurred.

(aa) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(ab) Cash equivalents

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

4. TURNOVER AND REVENUE

Turnover represents the aggregate of the gross amounts of rental income, fee income in respect of construction contracts (in the case of long term construction contracts, the fee income is adjusted to reflect the stage of completion to the extent that this was not previously recognised), proceeds from the sale of properties (in the case of pre-sale of properties, proceeds from the pre-sale are adjusted to reflect the stage of completion of construction to the extent that these were not previously recognised), estate management fees, property development consultancy and project management fees, building services income, hotel income, travel services revenue and commissions, plant nursery and florist income, restaurant revenue, wedding services revenue, karaoke club revenue, income from brewery operations and proceeds from the sale of short term investments, after elimination of all significant intra-group transactions.

Revenue from the following activities has been included in turnover:

	GROUP	
	2000 HK\$' million	1999 HK\$' million
Rental income:		
Investment properties	208.3	268.8
Hotel properties	27.9	26.7
Construction and construction-related income	433.4	252.3
Proceeds from the sale of properties	46.1	1,041.8
Estate management fees	21.5	19.7
Property development consultancy and project management fees	0.1	6.0
Hotel operations and management services	972.3	2,939.6
Other operations, including travel services, plant nursery and florist, restaurant operations, wedding services, karaoke club operations and brewery operations	54.9	92.1
Proceeds from the sale of short term investments	15.5	17.3
Turnover	<u>1,780.0</u>	<u>4,664.3</u>

**5. OTHER REVENUE/OTHER OPERATING EXPENSES, NET**

Other revenue/other operating expenses, net, include the following items:

	GROUP	
	2000 HK\$ million	1999 HK\$ million
Other revenue:		
Compensation received from cancellation of a tenancy agreement	-	22.8
Other operating expenses, net:		
Write off/Provisions against advances and interest receivable	(13.1)	(57.5)
Provisions for impairments in values of long term investments	-	(42.7)
Provisions for losses against properties	(106.0)	(406.7)
Provision for tax indemnity in respect of the disposal of overseas subsidiary companies/partnerships in the prior year	(24.2)	-
Write back of provision for guarantee given	29.9	-
Write back of provision against advances and interest receivable	9.6	-
Write back of provision for loss on deposit paid	10.0	-



6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Cost of completed properties sold	40.7	1,426.5
Cost of inventories sold and other services provided	599.7	1,530.5
Staff costs (exclusive of directors' remuneration disclosed in note 8(a)):		
Wages and salaries*	428.1	1,230.2
Staff retirement scheme contributions	18.7	19.9
Less: Unvested contributions forfeited	(7.8)	(7.5)
Net retirement scheme contributions	10.9	12.4
	439.0	1,242.6
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Wages and salaries	(50.1)	(22.5)
Staff retirement scheme contributions	(0.6)	(1.4)
	388.3	1,218.7
Auditors' remuneration:		
Current year provision	4.9	9.2
Prior year underprovision	0.2	-
	5.1	9.2
Loss on disposal of listed investments (after a transfer from the revaluation reserve of a surplus of HK\$8.7 million)	-	5.0

* Inclusive of an amount of HK\$332.6 million (1999 - HK\$1,121.4 million) classified under cost of inventories sold and services provided.



	GROUP	
	2000 HK\$'million	1999 HK\$'million
Depreciation	58.2	153.4
Less: Depreciation capitalised in respect of property development projects and construction contracts	(1.7)	(1.6)
	<u>56.5</u>	<u>151.8</u>
Loss on disposal of fixed assets	3.3	12.9
Write down in value of short term investments	5.7	-
Operating lease rentals:		
Land and buildings	0.8	35.4
Other equipment	1.1	10.1
Amortisation of lease rights	-	1.2
Amortisation of management contracts	-	0.4
and after crediting:		
Gross rental income	236.2	295.5
Less: Outgoings	(57.5)	(78.9)
Net rental income	<u>178.7</u>	<u>216.6</u>
Interest income from:		
Associates	11.8	4.7
Bank balances	33.6	46.5
Other loans and receivables	35.4	27.4
	<u>80.8</u>	<u>78.6</u>
Gain on disposal of listed investments (after a transfer from the revaluation reserve of a deficit of HK\$0.9 million)	2.7	-
Dividend income from:		
Listed investments	0.8	-
Unlisted investments	1.3	1.0

**7. FINANCE COSTS**

	GROUP	
	2000	1999
	HK\$'million	HK\$'million
Interest in respect of:		
Bank loans and overdrafts	506.2	621.1
Other loans, notes payable and exchangeable bonds, wholly repayable within five years	103.2	298.5
Notes payable, not wholly repayable within five years	—	36.9
	<hr/>	<hr/>
	609.4	956.5
Premium provided on exchangeable bonds and convertible bonds	213.1	198.4
	<hr/>	<hr/>
	822.5	1,154.9
Interest capitalised in respect of property development projects and construction contracts	(34.8)	(111.8)
	<hr/>	<hr/>
	787.7	1,043.1
Amortisation of deferred expenditure	23.4	89.9
Write off of deferred expenditure	15.9	5.2
Other loan costs	0.8	—
	<hr/>	<hr/>
Total finance costs	827.8	1,138.2
	<hr/> <hr/>	<hr/> <hr/>



8. DIRECTORS' REMUNERATION

- (a) Details of Directors' remuneration charged to the Group's profit and loss account are set out below:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Fees	1.4	1.2
Salaries and other allowances	10.3	12.5
Performance related/discretionary bonuses	0.7	0.4
Staff retirement scheme contributions	0.2	0.3
	<hr/> 12.6	<hr/> 14.4

The remuneration of the Directors fell within the following bands:

HK\$	2000 Number of Directors	1999 Number of Directors
Nil - 1,000,000	5	7
1,000,001 - 1,500,000	2	1
1,500,001 - 2,000,000	-	2
2,000,001 - 2,500,000	1	1
6,000,001 - 6,500,000	1	1
	<hr/> 1	<hr/> 1

The above Directors' remuneration includes the remuneration received by certain Directors of the Company from RHIHL, the listed subsidiary company of the Company, in connection with the management of its affairs during the year.

The independent Non-executive Directors of the Company were entitled to a total sum of HK\$0.4 million (1999 - HK\$0.3 million) as Directors' fees, including the fees entitled by those independent Non-Executive Directors for serving as audit committee members, for the year ended 31st December, 2000.

(b) Share options

Details of share options granted by the Company and RHIHL to the Directors of the Company are as follows:

The Company

	Number of shares under options				Total 'million
	Granted on 22nd February, 1994 'million	Granted on 22nd February, 1992 'million	Granted on 22nd February, 1993 'million	Granted on 15th September, 1995 with Original Grant Date ⁽¹⁾ of 22nd February, 1994 'million	
Balance at beginning and at end of year	<u>8.7⁽²⁾</u>	<u>34.0⁽³⁾</u>	<u>1.8⁽⁴⁾</u>	<u>3.1⁽⁵⁾</u>	<u>47.6</u>
Outstanding rights vested with the Directors at end of year	<u>5.2⁽²⁾</u>	<u>24.2⁽³⁾</u>	<u>1.2⁽⁴⁾</u>	<u>1.9⁽⁵⁾</u>	
Exercise price per share (HK\$)	<u>10.4000</u>	<u>0.6656</u>	<u>1.1571</u>	<u>3.5392</u>	

(1) Consequent upon the group reorganisation resulting in the effective merger of Paliburg International Holdings Limited ("PIHL"), formerly the immediate listed holding company of the Company, and the Company on 17th August, 1995 (the "Group Reorganisation") and in accordance with the terms of the executive share option scheme of PIHL ("PIHL Option Scheme"), the outstanding options held under the PIHL Option Scheme ("PIHL Options") lapsed on 17th August, 1995 and in conjunction therewith, the Company granted the same number of options to subscribe for the new consolidated shares of HK\$1.00 each of the Company under the executive share option scheme of the Company ("PHL Options") at the same prices and otherwise on the same terms as held by and applicable to the holders of the then outstanding PIHL Options. The above Original Grant Dates are the dates of grant of the PIHL Options and are used to determine the timing when the rights to exercise the PHL Options vest with the holders thereof.

(2) The options for 5.2 million shares are exercisable at any time. The options for the remaining 3.5 million shares are exercisable in stages commencing seven years from the date of grant.

(3) The options for 24.2 million shares are exercisable at any time. The options for the remaining 9.8 million shares are exercisable in stages commencing nine years from the Original Grant Date.

(4) The option for 1.2 million shares is exercisable at any time. The option for the remaining 0.6 million shares is exercisable in stages commencing eight years from the Original Grant Date.

(5) The option for 1.9 million shares is exercisable at any time. The option for the remaining 1.2 million shares is exercisable in stages commencing seven years from the Original Grant Date.

**RHIHL****Number of ordinary shares under options**

	Granted on 22nd February, 1992 'million	Granted on 5th August, 1993 'million	Total 'million
Balance at beginning and at end of year	<u>41.3⁽¹⁾</u>	<u>1.2⁽²⁾</u>	<u>42.5</u>
Outstanding rights vested with the Directors at end of year	<u>31.3⁽¹⁾</u>	<u>0.8⁽²⁾</u>	
Exercise price per ordinary share (HK\$)	<u>0.7083</u>	<u>1.1083</u>	

(1) The options for 31.3 million ordinary shares are exercisable at any time. The options for the remaining 10.0 million ordinary shares are exercisable in stages commencing nine years from the date of grant.

(2) The option for 0.8 million ordinary shares is exercisable at any time. The option for the remaining 0.4 million ordinary shares is exercisable in stages commencing eight years from the date of grant.

Under the terms of grant, the options granted on the shares of the Company and RHIHL are not transferrable and, in the absence of a readily available market value, the Directors are unable to arrive at an accurate assessment of the value of the options granted to the respective Directors.

There was no arrangement under which a Director waived or agreed to waive any remuneration.

9. SENIOR EXECUTIVES' EMOLUMENTS

- (a) The five highest-paid individuals included three (1999 - one) Director(s), details of whose remuneration are disclosed in note 8 to the financial statements. The emoluments of the other two (1999 - four) individuals, who were not Directors, are as follows:

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Salaries and other allowances	3.1	9.9
Performance related/discretionary bonuses	-	1.5
Staff retirement scheme contributions	0.1	0.1
	<u>3.2</u>	<u>11.5</u>

The emoluments of the two (1999 - four) individuals fell within the following bands:

HK\$	2000 Number of individuals	1999 Number of individuals
1,000,001 - 1,500,000	1	-
1,500,001 - 2,000,000	1	-
2,000,001 - 2,500,000	-	1
2,500,001 - 3,000,000	-	2
3,000,001 - 3,500,000	-	1
	<u>-</u>	<u>1</u>

The emoluments in the prior year included emoluments received by those individuals from RHIHL in connection with the management of its affairs during that year.