

Human Resources

The success of an enterprise hinges on the pooled wisdom, teamwork, diligence and innovative spirit of its employees. Capable staff are indispensable to the long-term development of a corporation. The Company recruits a wide range of talented individuals according to its needs, making appropriate job deployment or assignment of duties based on the potential and aspirations of each staff member. Moreover, guidance and training are provided to staff in line with the development plans of the Company, to achieve mutual growth and share the success accomplished through the concerted efforts of employees and the Company as a whole.

Remuneration and Benefits

A set of effective remuneration policies has been formulated to determine remuneration and benefits for all staff. Through its performance appraisal mechanism, the Company carries out an annual review in accordance with the business performance of the Company, individual performance of staff, and market remuneration levels, to offer staff a reasonable and competitive compensation package. During the year, the Group completed the acquisition of a controlling stake in Shanghai Industrial United Holdings Co. Ltd. and Liaoning Herbapex Pharmaceutical (Group) Co. Ltd., which are primarily engaged in the medicine business. Consequently, the total number of employees rose markedly over the previous year, to 7,409 (2003: 3,700), of whom 6,823 were stationed in Mainland China (2003: 3,109). This year, staff salaries, allowances and bonuses (including Directors) totalled HK\$364.63 million (2003: HK\$326.23 million). Meanwhile, to ensure effective recruitment and retention of talent, the Company offers staff a compensation package that includes a pension scheme, cash allowances, and medical and personal accident insurance.

As well as operating a defined contribution pension scheme for all qualified employees, in compliance with Hong Kong's Mandatory Provident Fund Schemes Ordinance, the Company also operates a mandatory provident fund scheme. All employees who join the Company after the enactment of the Ordinance are required to participate. Assets of the two schemes are administered separately by an independent custodian, in accordance with relevant laws and regulations. During the year, payment to retirement benefits schemes was approximately HK\$24.21 million (2003: HK\$20.40 million).

A share option scheme flexibly provides incentives to Directors and employees. The Company adopted a new share option scheme on 31st May 2002, and granted options to subscribe for 27.25 million shares. During the year ended 31st December 2004, options to subscribe for approximately 10.47 million shares were exercised and 500,000 shares lapsed. In addition, the Company adopted the share option scheme of Mergen Biotech Limited ("Mergen"), as approved by the Shareholders of the Company at its extraordinary general meeting held on 28th May 2004. The first batch of Mergen share options was granted on 31st December 2004. The Group owns an 85 percent interest in Mergen, a subsidiary whose principal asset is a 73.26 percent stake in Shanghai Sunway Biotech Co., Ltd., which specializes in developing and manufacturing anti-cancer medicines. The primary purpose of adopting the Mergen share option scheme was to offer eligible participants the opportunity to have a financial stake in the Company, encouraging them to meet their work performance, with the aim to appreciate Mergen's value. Details of the Company's and Mergen's share option schemes are contained in note 33 to the financial statements.

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Employee Training

The Company values the vital contribution made by its employees, and places great emphasis on fostering staff capabilities and supporting their growth. We also recognise that, in a knowledge-based and increasingly competitive environment, a competent, dedicated and committed team of employees can crucially contribute to improve business performance. During the year, the Company offered a variety of internal training programmes and corporate exchange activities to staff at all levels, with a view to expanding their job-related knowledge. These included seminars on specific topics, interpretations of laws and regulations, financial management, and seminars on corporate investment for its member enterprises. Meanwhile, allowances are available to staff to take job-related courses. This scheme seeks to encourage employees to continue their education after work, improve themselves and broaden their mind horizons, allowing them to make a greater contribution to the Company.

Employee Relations

The Company devotes a great deal of energy to communicating with employees at all levels and encourages them to express opinions directly to the management about the Company's operation, future development strategies, and other matters of interest to employees. Regular staff meetings are held to explain new investment initiatives, business prospects, and management philosophy, among other matters, to give employees a better understanding of the companies they belong to, and help them perform their duties with dedication and an awareness of the development direction of the Group. Since most staff are stationed either in Hong Kong or Shanghai, in order to enhance communication, the Company arranges visits between both cities and exchange meetings for the management staff of member enterprises. This helps staff share knowledge and exchange experience, which cultivates teamwork, and enhances their identification and sense of belonging with the corporation.