

## 6. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

- (a) Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Fees:		
Executive Directors	<b>500</b>	600
Independent non-executive Directors	<b>200</b>	200
	<b>700</b>	800
Other emoluments to executive Directors:		
Salaries, allowances and benefits in kind	<b>3,765</b>	4,134
Retirement benefit scheme contributions	<b>201</b>	177
	<b>3,966</b>	4,311
Total Directors' remuneration	<b>4,666</b>	5,111

The remuneration of the Directors fell within the following bands:

	<b>Number of directors 2000</b>	Number of directors 1999
Nil - HK\$1,000,000	<b>8</b>	6
HK\$1,000,001 - HK\$1,500,000	–	1
HK\$2,000,001 - HK\$2,500,000	–	1
HK\$3,000,001 - HK\$3,500,000	<b>1</b>	–
	<b>9</b>	8

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

**6. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES** (cont'd)

- (b) The five highest paid employees during the year included two (1999: two) Directors, details of whose remuneration are set out above. The details of the remuneration of the remaining three (1999: three) non-Director, highest paid employees are as follows:

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Salaries and other benefits	<b>4,434</b>	4,479
Retirement benefit scheme contributions	<b>208</b>	208
	<b>4,642</b>	4,687

The remuneration of the above non-Director, highest paid employees fell within the following bands:

	<b>Number of employees 2000</b>	Number of employees 1999
Nil - HK\$1,000,000	<b>1</b>	1
HK\$1,000,001 - HK\$1,500,000	<b>1</b>	1
HK\$2,500,001 - HK\$3,000,000	<b>1</b>	1
	<b>3</b>	3

**7. TAX**

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in the Mainland China and overseas countries have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	<b>3,032</b>	1,611
Mainland China and overseas tax	<b>38,615</b>	25,887
Deferred tax (note 27)	<b>(792)</b>	–
	<b>40,855</b>	27,498
Share of tax attributable to:		
Associates	<b>8,969</b>	7,478
Jointly controlled entities	<b>566</b>	44
	<b>9,535</b>	7,522
Tax charge for the year	<b>50,390</b>	35,020

There was no significant unprovided deferred tax for the year (1999: Nil).

**8. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is a loss of HK\$47,027,000 (1999: a loss of HK\$9,231,000).

**9. DIVIDENDS**

No interim dividend was paid during the year and the Directors do not recommend the payment of any final dividend for the year (1999: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$65,309,000 (1999: HK\$60,119,000) and on the weighted average number of 2,675,136,092 (1999: 2,675,136,092) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2000 and 1999 have not been shown as the options outstanding during these years had no dilutive effect on the basic earnings per share for these years.

## 11. FIXED ASSETS

### GROUP

	Hotel properties HK\$'000	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Plant, machinery and equipment HK\$'000	Construction in progress HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	1,671,000	1,278,391	793,651	231,744	58	103,390	4,078,234
Additions	4,903	–	1,407	2,174	2,820	3,373	14,677
Disposals	(1,709)	–	–	(453)	–	(1,024)	(3,186)
Disposal of subsidiaries	–	–	–	(3,174)	–	–	(3,174)
Surplus on revaluation, net	13,806	23,201	–	–	–	–	37,007
Impairment in value	–	–	(3,646)	(1,209)	–	–	(4,855)
Exchange realignment	–	95	–	–	–	–	95
At 31 December 2000	1,688,000	1,301,687	791,412	229,082	2,878	105,739	4,118,798
Analysis of cost or valuation:							
At cost	–	–	547,182	229,082	2,878	105,739	884,881
At carrying value	–	–	244,230	–	–	–	244,230
At 2000 valuation	1,688,000	1,301,687	–	–	–	–	2,989,687
	1,688,000	1,301,687	791,412	229,082	2,878	105,739	4,118,798
Accumulated depreciation:							
At beginning of year	–	–	58,797	81,971	–	63,430	204,198
Provided for the year	–	–	24,337	11,289	–	13,135	48,761
Disposals	–	–	–	(110)	–	(858)	(968)
Disposals of subsidiaries	–	–	–	(667)	–	–	(667)
At 31 December 2000	–	–	83,134	92,483	–	75,707	251,324
Net book value:							
At 31 December 2000	1,688,000	1,301,687	708,278	136,599	2,878	30,032	3,867,474
At 31 December 1999	1,671,000	1,278,391	734,854	149,773	58	39,960	3,874,036

**11. FIXED ASSETS** (cont'd)

The net book values of the Group's leasehold land and buildings and investment and hotel properties are analysed as follows:

	Leasehold land and buildings		Investment properties		Hotel properties	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Long term leases in Hong Kong	227,219	235,481	970,377	960,955	–	–
Long term leases in the Mainland China	–	–	320,000	307,000	556,000	531,000
Medium term leases in the Mainland China	481,059	499,373	–	–	1,132,000	1,140,000
Freehold in other location	–	–	11,310	10,436	–	–
At 31 December	708,278	734,854	1,301,687	1,278,391	1,688,000	1,671,000

Certain of the Group's leasehold land and buildings in Hong Kong were reclassified from investment properties in 1998 at their then carrying value of HK\$247,876,000, as valued on 30 June 1998 by a firm of independent professional valuers, Chesterton Petty Limited, on an open market value basis.

Except for the revaluation of the Group's freehold property which was conducted by Paragon Appraisal Services, Inc., a firm of independent professional valuers, the Group's investment and hotel properties were revalued by Chesterton Petty Limited. All these properties were revalued on an open market basis, based on their existing use, at 31 December 2000.

The surplus of HK\$21,342,000 and the deficit of HK\$4,727,000 arising from the revaluation of hotel properties, which have taken into account the amount attributable to minority interests of HK\$2,809,000, are credited/charged to the hotel property revaluation reserve and profit and loss account, respectively.

The surplus of HK\$21,251,000 arising from the revaluation of investment properties, which has taken into account the amount attributable to minority interests of HK\$1,950,000, is credited to investment property revaluation reserve.

Had the leasehold land and buildings and hotel properties of the Group been carried at historical cost less accumulated depreciation, their carrying values as at 31 December 2000 would have been HK\$185,932,000 (1999: HK\$194,195,000) and HK\$1,508,286,000 (1999: HK\$1,559,312,000), respectively.

The Group's hotel properties in Beijing are situated on a piece of land with land use rights expiring in October 2006. Based on the legal opinion obtained from the legal advisers on the laws of the PRC, the land use rights can be renewed for a further period of 26 years up to October 2032 upon payment of land premium. It is the intention of the Directors to renew the land use rights in due course.

**12. PROPERTIES UNDER DEVELOPMENT**

	<b>GROUP</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
At beginning of the year	<b>962,126</b>	944,666
Exchange realignment	<b>10</b>	103
Additions during the year	<b>111,721</b>	212,132
Interest capitalised during the year	–	7,535
Transfer to cost of sales	<b>(7,919)</b>	(41,068)
Transfer from deposits paid for the acquisition of properties under development	–	8,336
Transfer to properties held for sale	–	(149,578)
Provision for diminution in value	–	(20,000)
At 31 December	<b>1,065,938</b>	962,126

The Group's properties under development are analysed as follows:

	<b>GROUP</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Long term leases in Hong Kong	<b>86,169</b>	85,084
Medium term leases in the Mainland China	<b>979,769</b>	877,042
At 31 December	<b>1,065,938</b>	962,126

In 1995, the Group exchanged a piece of land situated in Mainland China with a carrying value of approximately HK\$223,577,000 for another piece of land situated in Mainland China with an independent third party. The application for the issue of the relevant land title certificate was still in progress as at 31 December 2000.

**13. INTERESTS IN SUBSIDIARIES**

	<b>COMPANY</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>1,599,923</b>	1,599,923
Due from subsidiaries	<b>4,699,045</b>	4,838,570
Due to subsidiaries	<b>(1,026,592)</b>	(966,210)
	<b>5,272,376</b>	5,472,283
Provision for permanent diminutions in value	<b>(273,200)</b>	(273,200)
	<b>4,999,176</b>	5,199,083

Particulars of the Company's principal subsidiaries as at 31 December 2000 are set out in note 35 to the financial statements.

**14. INTERESTS IN ASSOCIATES**

	<b>GROUP</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>320,935</b>	309,371
Due from associates	<b>73,224</b>	93,886
	<b>394,159</b>	403,257

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's associates as at 31 December 2000 are set out in note 36 to the financial statements.

**15. INTERESTS IN JOINTLY CONTROLLED ENTITIES**

	<b>GROUP</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>479,035</b>	486,452
Due from jointly controlled entities	<b>118,778</b>	109,110
	<b>597,813</b>	595,562

Included in the amounts due from jointly controlled entities is an unsecured loan of HK\$84,112,000 (1999: HK\$84,558,000), which bears interest at 6.435% per annum and has no fixed terms of repayment. The remaining amounts due from jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's jointly controlled entities as at 31 December 2000 are set out in note 37 to the financial statements.

**16. LONG TERM INVESTMENTS AND ADVANCE TO AN INVESTEE COMPANY**

	<b>GROUP</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Long term investments:		
Unlisted equity investments, at cost	<b>121,748</b>	121,748
Amortisation of investment cost	<b>(19,365)</b>	(17,965)
Less: Provision for other-than-temporary impairment in value	<b>(51,779)</b>	(64,800)
	<b>50,604</b>	38,983
Advance to an investee company	<b>12,751</b>	12,751

The advance to an investee company is unsecured and interest-free. In the opinion of the Directors, no part of the amount will be repayable within the next twelve months and, accordingly, the amount is shown as non-current.



**16. LONG TERM INVESTMENTS AND ADVANCE TO AN INVESTEE COMPANY** (cont'd)

Particulars of the investments at 31 December 2000 are as follows:

Name	Place of registration	Equity interest held by subsidiaries	Equity interest attributable to the Group	Principal activities
江蘇江山製藥有限公司 Jiangsu Jiangshan Pharmaceutical Company Limited ("JJP") (Note 1)	PRC	28.6%	14.6%	Manufacturing and marketing of pharmaceutical products
江蘇江源熱電有限公司 Jiangsu Jiang Yuan Thermal Power Company Limited ("JJYTP") (Note 2)	PRC	50%	25.6%	Thermal power plant operator

Notes:

1. The investment in JJP is not regarded as an associate of the Group as, in the opinion of the Directors, the Group is not in a position to exercise significant influence over the financial and operating policy decisions of JJP.
2. JJYTP is a co-operative joint venture for a term of twenty five years. The sharing of profit during the joint venture period and the sharing of net assets at the expiration of the joint venture period are governed by the joint venture contract and are not in proportion to the joint venture partners' equity ratio. In the opinion of the Directors, the Group is not in a position to exercise significant influence over the financial and operating policy decisions of JJYTP. Accordingly, JJYTP is not regarded as an associate of the Group.

In the opinion of the Directors, the above investments are worth at least their carrying values.

**17. INVENTORIES**

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Raw materials	32,238	19,445
Work in progress	1,408	64
Finished goods	34,978	99,534
Hotel inventories	13,016	12,727
	<b>81,640</b>	<b>131,770</b>

The carrying amount of inventories carried at net realisable value included in the above is HK\$17,724,000 (1999: HK\$85,960,000).

**18. OTHER INVESTMENTS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Listed investments in Hong Kong:				
At cost	<b>8,541</b>	16,425	–	–
Provision for impairment in value	<b>(407)</b>	–	–	–
	<b>8,134</b>	16,425	–	–
At carrying value	<b>3,731</b>	20,023	–	–
Provision for impairment in value	<b>(2,803)</b>	(13,786)	–	–
	<b>928</b>	6,237	–	–
	<b>9,062</b>	22,662	–	–
Unlisted investments outside Hong Kong:				
At fair value	<b>1,138</b>	1,138	<b>1,138</b>	1,138
At carrying value	<b>15,566</b>	15,566	–	–
Due from an investee company	<b>50,871</b>	50,871	–	–
Provision for impairment in value	<b>(66,437)</b>	(66,437)	–	–
	<b>1,138</b>	1,138	<b>1,138</b>	1,138
	<b>10,200</b>	23,800	<b>1,138</b>	1,138
Market value of Hong Kong listed investments at 31 December	<b>8,407</b>	19,148	–	–

Included in listed investments at 31 December 1999 was a gross amount of HK\$20,023,000 which was stated at the equity valuation at the date when the status of the investee company was changed from interest in an associate to other investment in the prior year. In the prior year, provision of HK\$13,786,000 had been made against this investment after taking into account of its market value at the balance sheet date which was HK\$2,723,000 and the reserve attributable to this investee company of HK\$3,514,000 which, upon disposal, would be released and credited to the profit and loss account. During the year, certain listed investments with equity valuation, net of provision for impairment in value of HK\$5,074,000 were partially disposed of and the relevant portion of reserve attributable to the investee company, was released to the profit and loss account.

In addition, the Directors consider that the accumulated provision for the remaining portion of this investment of HK\$2,803,000 as at 31 December 2000 was adequate after taking into account of its market value of HK\$273,000 and the reserves attributable thereto of HK\$655,000.