

Notes to the Financial Statements

For the Year ended 31st December, 2000

39. Commitments (continued)

At the balance sheet date, the Group and the Company had commitments to make payments in the following year under non-cancellable operating leases in respect of land and buildings as follows:

	THE GROUP		THE COMPANY	
	2000 HK'000	1999 HK'000	2000 HK'000	1999 HK'000
Operating leases which expire:				
Within one year	142	987	142	480
In the second to fifth years inclusive	4,612	1,981	—	1,981
Over five years	—	158	—	—
	4,754	3,126	142	2,461

40. Contingent liabilities

	THE GROUP		THE COMPANY	
	2000 HK'000	1999 HK'000	2000 HK'000	1999 HK'000
(a) Corporate guarantee given by the Company for banking facilities granted to subsidiaries	—	—	50,000	50,000
Extent of the Group's share of facilities utilised in respect of guarantees given to financial institutions, an equipment supplier and other parties to secure credit facilities granted to subsidiaries	—	—	71,500	—
Other guarantees issued to:				
Associates	2,357	74,878	—	73,000
A joint venture partner	—	88,943	—	—
Outsiders	278,689	325,193	780	780
	281,046	489,014	122,280	123,780

- (b) In February, 1999, a contractor of a property development project in Guangzhou ("Contractor"), Hongkong Macau Centre, initiated legal proceedings against the Company's subsidiaries, China Land and Guangzhou Jiang Nan Property Co., Ltd. ("JNP") in respect of claim for payment of certain site management fee of RMB7.7 million.

In January, 2000, the Contractor amended the legal claim against China Land, JNP and also Eventic Limited ("Eventic"), a wholly owned subsidiary of China Land, increased the claim for site management fee to RMB17.5 million and also claimed for payments of construction costs of RMB65.1 million together with accrued interest thereon. The Group strongly opposed the claims. Subsequent to the balance sheet date, the Contractor made a settlement offer to limit the total claim for payments to RMB65 million. After consultation with legal counsel, the Group decided to accept the settlement offer. A provision of RMB40 million for construction costs was already included in properties under construction in prior years and a further provision of RMB25 million (equivalent to approximately HK\$23 million) for construction costs has been included in properties under construction for the year ended 31st December, 2000. The legal proceedings are still on going, and its outcome depends on the finalisation of a formal settlement offer.

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40. Contingent liabilities (continued)

- (c) In August, 1999, the architect of Hong Kong Macau Centre initiated legal proceedings against Eventic in respect of claim for payment of service fees and other expenses of HK\$0.6 million and HK\$6.6 million respectively.

Eventic strongly opposed the claims and made a counterclaim for loss and damages suffered due to insufficient supervisory services provided by the architect.

In view of the counterclaim made by Eventic, the architect amended its total claims to HK\$7.7 million. At the date of this report, proceedings are still on going. After taking into consideration of the advice of the Group's legal counsel, the directors consider the outcome of the proceedings will not have material adverse financial effect in the Group.

41. Pledge of assets

At 31st December, 2000, the following assets were pledged to secure credit facilities granted to the Group:

- (a) Investment properties with a carrying value of HK\$32,130,000 (1999: HK\$77,930,000)
- (b) Certain property, plant and equipment with a carrying value of HK\$238,033,000 (1999: HK\$52,522,000)
- (c) Bank deposits of HK\$612,351,000

A subsidiary of China Land has issued two debentures in favour of a bank by way of creating a first floating charge on its entire interest in Shenzhen Longchen pledged with carrying value of HK\$618,999,000 its right to toll fee income to another bank to secure the credit facilities.

At 31st December, 1999, interests in securities of HK\$53,500,000 were also pledged to secure credit facilities granted to the Group.

42. Retirement and pension plans

The Company and its subsidiaries in Hong Kong do not operate retirement schemes covering their local permanent employees. The amount of provision for long service payments and the related charge to the income statement for the year are immaterial.

The employees in the joint venture subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The joint venture companies are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

At the balance sheet date, there were no significant forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

Notes to the Financial Statements

For the Year ended 31st December, 2000

43. Segmental information

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

By principal activity:

	Turnover		Contribution to profit (loss) from operations	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Manufacturing				
Tires	2,654,732	2,462,357	(32,397)	(175,961)
Heavy industry	133,676	228,273	(19,572)	(13,369)
Cables	—	172,477	—	(4,869)
Consumer goods	208,549	207,702	5,467	(41,896)
Beer	—	147,746	—	(72,455)
Electronic products	92,579	84,430	(73)	(1,934)
Pharmaceutical products	—	33,494	30,241	(48,768)
	3,089,536	3,336,479	(16,334)	(359,252)
Telecommunications and information technology	—	411,013	—	544,598
Property investment	17,920	—	2,743	—
Hotel operation	38,469	—	(4,191)	—
Newspaper publishing	9,819	—	(7,626)	—
Others	2,314	2,732	(52,715)	(39,921)
	3,158,058	3,750,224	(78,123)	145,425
Investment in shares, interest bearing notes and bank deposits	—	—	(649,103)	1,083,879
Result on dilution/disposal of associates	—	—	14,977	(13,109)
	3,158,058	3,750,224	(712,249)	1,216,195
Finance costs			(88,487)	(96,938)
Share of results of associates and subsidiaries not consolidated			(12,147)	(25,616)
(Loss) profit before taxation			(812,883)	1,093,641

Notes to the Financial Statements

For the Year ended 31st December, 2000

43. Segmental information (continued)

By geographical market:

	Turnover		Contribution to profit (loss) from operations	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Hong Kong	13,873	413,745	(647,819)	1,564,126
The PRC, other than Hong Kong	3,144,185	3,336,479	(55,713)	(357,665)
Overseas	—	—	(8,717)	9,734
	3,158,058	3,750,224	(712,249)	1,216,195
Finance costs			(88,487)	(96,938)
Share of results of associates and subsidiaries not consolidated			(12,147)	(25,616)
(Loss) profit before taxation			(812,883)	1,093,641

44. Post balance sheet events

The following events have occurred subsequent to the balance sheet date:

- The Group entered into agreement to dispose of certain investment properties to a third party at a consideration of HK\$14 million.
- The Group entered into agreement with an independent third party for the acquisition of the entire issued share capital of Silvercomb Property Limited ("Silvercomb") for a consideration of HK\$106 million. Silvercomb is mainly engaged in property investment and trading in Hong Kong and the PRC.
- During the year, the Group disposed of its interest in a 65% owned subsidiary, Optima Media Holding Limited ("Optima") and entire interest in two other subsidiaries to Sing Pao Media Group Limited ("Sing Pao Media" formerly known as Huey Tai International Limited) at a consideration of HK\$110 million.

Optima is engaged in newspaper publishing under the name of "Sing Pao Newspaper". The other two subsidiaries are mainly engaged in producing the "Wide Angle" magazine and operating a general information based internet website.

The Group also entered into agreements to acquire 604,822,656 shares in Sing Pao Media, representing approximately 38.65% of the issued share capital, at a price of HK\$0.22 per share.

Following the completion of the above disposal and acquisition, the Group is required to make a cash offer in January 2001 for all the shares in Sing Pao Media not already owned by the Group.

Upon the close of the cash offer in February 2001, the Group holds 1,192,379,870 shares in Sing Pao Media, representing approximately 76.2% of the issued share capital, and further reduced its interest to 74.99%.