



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain property, plant and equipment, investment properties and investments in securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(b) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

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 within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(b) Group accounting (continued)

(ii) 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 none of the participating parties has unilateral control over the economic activity. A joint venture which involves the establishment of a separate entity in which each venturer has an interest is referred to as a jointly controlled entity.

The consolidated income statement includes the Group's share of the results of jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity and goodwill (net of accumulated amortisation) on acquisition.

(iii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation) on acquisition.

(iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The financial statements of subsidiaries, jointly controlled entity and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(c) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

(ii) Properties under construction

Properties under construction are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for investment purposes. These properties are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the properties are transferred to investment properties at cost less accumulated impairment losses.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(c) Fixed assets (continued)

(iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided at rates sufficient to write off the cost of fixed assets less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings in Mainland China	Over the remaining term of the lease or 5% whichever is the higher
Motor vehicles	12% to 20%
Office equipment, furniture and fixtures	19.2% to 33.33%
Leasehold improvements	20%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in properties under construction and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(d) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(e) Intangibles

(i) Goodwill/capital reserve

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, joint venture or associated company at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 will be included in intangible assets and amortised using the straight-line method over its estimated useful life not exceeding 20 years.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision in SSAP 30 and goodwill previously written off against reserves has not been restated. However, any impairment arising from such goodwill is accounted for in accordance with SSAP 31.

Capital reserve represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(e) Intangibles (continued)

(i) Goodwill/capital reserve (continued)

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the income statement.

(ii) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised over the expected useful life to the Group. Development costs that do not meet the above criteria are expensed as incurred.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(f) Investments in equity securities

(i) Non-trading securities

Investments which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the income statement.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(f) *Investments in equity securities (continued)*

(i) **Non-trading securities (continued)**

Where there is objective evidence that individual investments are impaired the cumulative loss recorded in the revaluation reserve is taken to the income statement.

(ii) **Trading securities**

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

(g) *Properties held for sale*

Properties held for sale are stated at the lower of cost and net realisable value.

Cost is determined by apportionment of the total development costs, including capitalised borrowing costs, attributable to unsold units. Net realisable value is determined on the basis of anticipated sales proceeds, or management estimates based on prevailing market conditions, less all estimated costs to completion and selling expenses.

(h) *Properties under development*

Properties under development for sale are classified under current assets and stated at the lower of cost and net realisable value.

Cost of properties under development comprises costs of acquisition to the Group, development costs, borrowing costs and other direct costs attributable to the development. Net realisable value is determined by reference to anticipated sales proceeds, or management estimates based on prevailing market conditions, less all estimated costs to completion and selling expenses.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(i) Trade debtors

Provision is made against trade debtors to the extent they are considered to be doubtful. Trade debtors in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(m) *Deferred taxation*

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(n) *Revenue recognition*

Revenue from the sale of properties is recognised on the completion of transactions. When properties under development for sale are pre-sold prior to completion, income is recognised on the execution of a binding sales agreement or when the relevant building occupation permit is issued by the relevant authority, whichever is the later. Payments received prior to this stage are recorded as deposits received and included in current liabilities.

Operating lease rental income and license income is recognised on a straight-line basis.

Property management fee income is recognised when the services are rendered.

Sale of trading securities is recognised on trade day or contract date basis, where appropriate.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(o) Retirement benefit costs

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Company to the fund.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(q) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of fixed assets, investment properties, properties held for sale and under development, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude corporate borrowings. Capital expenditure comprises additions to fixed assets (note 12).



Notes to the Financial Statements

For the year ended 31st December 2001

1 Principal accounting policies (continued)

(a) Segment reporting (continued)

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2 Turnover, revenue and segment information

The Group is principally engaged in property investment, property development and management, and business parks development and management.

Revenues recognised during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Turnover		
Sales of properties	361,095	519,591
Gross rental income	11,663	3,419
Property management fee	1,285	836
Sales of trading securities	9,005	41,179
	383,048	565,025
Other revenues		
Net realised and unrealised holding loss on trading securities	-	(2,820)
Realised gain on sales of non-trading securities	12,059	11,167
Interest income	2,456	2,414
Dividend income from listed investments	1,059	616
Others	1,963	425
	17,537	11,802
Total revenues	400,585	576,827



Notes to the Financial Statements

For the year ended 31st December 2001

2 Turnover, revenue and segment information (continued)

Primary reporting format – business segments

The Group is organised into three main business segments:

- Property - development, investment and management of properties
- Business parks - development and management of business parks
- Other operations - infrastructure investment, investment in information technology projects, securities trading and investment

Secondary reporting format – geographical segments

The Group's three business segments operate in two main geographical areas :

- Hong Kong - property investment, property development and management, securities trading and investment
- Mainland China - property investment, property development and management, development and management of business parks, infrastructure investment and investment in information technology projects



Notes to the Financial Statements

For the year ended 31st December 2001

2 Turnover, revenue and segment information (continued)

Primary reporting format – business segments

2001

	Property HK\$'000	Business parks HK\$'000	Other operations HK\$'000	Corporate HK\$'000	Group HK\$'000
Turnover	367,156	6,887	9,005	-	383,048
Segment results	(253,407)	(1,151)	7,824	(55,000)	(301,734)
Finance costs					(41,613)
Non-operating provisions made					(17,245)
Share of results of associated companies	(39,962)	-	(1,871)	-	(41,833)
Share of results of a jointly controlled entity	-	-	(456)	-	(456)
Loss before taxation					(402,881)
Taxation					(846)
Loss after taxation					(403,727)
Minority interests					7,074
Loss attributable to shareholders					(396,653)
Segment assets	1,296,166	828,882	13,039	56,147	2,194,234
Interests in associated companies	86,880	-	8,726	-	95,606
Interest in a jointly controlled entity	-	-	150,773	-	150,773
Total assets					2,440,613
Segment liabilities	621,825	124,678	66,683	406,665	1,219,851
Total liabilities					1,219,851
Capital expenditure	7,911	68,569	-	1,960	78,440
Depreciation	1,090	625	18	1,135	2,868
Other non-cash expenses	236,230	-	24,720	671	261,621



Notes to the Financial Statements

For the year ended 31st December 2001

2 Turnover, revenue and segment information (continued)

Primary reporting format – business segments (continued)

2000

	Property HK\$'000	Business parks HK\$'000	Other operations HK\$'000	Corporate HK\$'000	Group HK\$'000
Turnover	523,846	-	41,179	-	565,025
Segment results	(55,938)	-	11,738	(32,091)	(76,291)
Finance costs					(24,027)
Non-operating provisions made					(255,380)
Share of results of associated companies	(27,471)	-	(687)	-	(28,158)
Share of results of a jointly controlled entity	-	-	708	-	708
Loss before taxation					(383,148)
Taxation					(905)
Loss after taxation					(384,053)
Minority interests					28,242
Loss attributable to shareholders					(355,811)
Segment assets	1,721,486	728,693	43,941	4,259	2,498,379
Interests in associated companies	126,842	-	10,398	-	137,240
Interest in a jointly controlled entity	-	-	168,474	-	168,474
Total assets					2,804,093
Segment liabilities	621,002	147,357	70,622	367,217	1,206,198
Total liabilities					1,206,198
Capital expenditure	151	42,864	73	1,301	44,389
Depreciation	1,045	-	3	1,089	2,137
Other non-cash expenses	73,186	-	262,662	1,305	337,153



Notes to the Financial Statements

For the year ended 31st December 2001

2 Turnover, revenue and segment information (continued)

Secondary reporting format – geographical segments

2001

	Turnover HK\$'000	Operating loss HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	376,161	(295,467)	884,663	2,829
Mainland China	6,887	(6,267)	1,555,950	75,611
	383,048	(301,734)	2,440,613	78,440

2000

	Turnover HK\$'000	Operating loss HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	565,025	(69,696)	1,480,091	1,373
Mainland China	-	(6,595)	1,324,002	43,016
	565,025	(76,291)	2,804,093	44,389

3 Provisions made for operations

	2001 HK\$'000	2000 HK\$'000
Provisions made in relation to:		
Property projects	235,682	73,160
Long-term investment in equity securities	7,475	7,355
Trade debtors	236	-
	243,393	80,515



Notes to the Financial Statements

For the year ended 31st December 2001

4 Operating loss

Operating loss is stated after crediting and charging the following:

	2001	2000
	HK\$'000	HK\$'000
Crediting		
Rental income from		
- investment properties		
Gross income	6,887	-
Less: direct outgoings	(1,237)	-
	5,650	-
- properties held for sale	4,776	3,419
Net foreign exchange gain	-	152
Gain on disposal of a subsidiary	868	-
Gain on disposal of an associated company	-	1
Charging		
Depreciation of fixed assets	3,404	3,080
Less: amounts capitalised to properties under construction	(192)	(690)
amounts capitalised to properties under development	(344)	(253)
	2,868	2,137
Loss on disposal of fixed assets	983	8
Staff costs (including directors' remuneration)	38,182	22,878
Operating lease rentals in respect of land and buildings	5,184	2,920
Auditors' remuneration		
- current year	928	900
- under/(over) provision for previous years	107	(56)
Retirement benefit costs	740	500
Net foreign exchange loss	69	-



Notes to the Financial Statements

For the year ended 31st December 2001

5 Finance costs

	2001	2000
	HK\$'000	HK\$'000
Interest on bank and other borrowings wholly repayable within five years	54,883	66,946
Other borrowing costs	2,447	2,511
Total borrowing costs incurred	57,330	69,457
Less: amounts capitalised to properties under construction	(3,543)	(2,674)
amounts capitalised to properties under development	(12,174)	(42,756)
Total borrowing costs capitalised	(15,717)	(45,430)
	41,613	24,027

6 Non-operating provisions made

	2001	2000
	HK\$'000	HK\$'000
Provisions made for impairment in values of:		
Non-trading securities	-	114,399
Intangible assets	-	63,979
Goodwill arising on acquisition of a subsidiary	-	13,098
Goodwill arising on acquisition of an associated company	-	63,904
Interest in a jointly controlled entity	17,245	-
	17,245	255,380



Notes to the Financial Statements

For the year ended 31st December 2001

7 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax	13	905
Overseas taxation	833	-
	846	905

There was no material unprovided deferred taxation for the year.

8 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$328,766,000 (2000: HK\$614,429,000).

9 Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$396,653,000 (2000: HK\$355,811,000).

The basic loss per share is based on the weighted average of 1,667,935,487 (2000: 1,576,992,134) ordinary shares in issue during the year. Diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.



Notes to the Financial Statements

For the year ended 31st December 2001

10 Retirement benefit costs

Forfeited contributions totalling HK\$481,000 (2000: HK\$343,000) were utilised during the year to reduce future contributions.

Contributions totalling HK\$169,000 (2000: nil) were payable to the fund at the year end and are included in creditors and accruals.

11 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Fees	602	1,800
Salaries, allowances and other benefits	8,800	6,786
Contributions to retirement benefit schemes	210	18
	9,612	8,604

Directors' fees disclosed above include HK\$119,000 (2000:HK\$120,000) paid to independent non-executive directors.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2001	2000
Nil - HK\$1,000,000	17	9
HK\$1,000,001 - HK\$1,500,000	2	-
HK\$2,000,001 - HK\$2,500,000	3	-
HK\$7,500,001 - HK\$8,000,000	-	1



Notes to the Financial Statements

For the year ended 31st December 2001

11 Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2000: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2000: four) highest paid individuals during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries, allowances and other benefits	3,346	5,557
Contributions to retirement benefit schemes	122	212
	3,468	5,769

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2001	2000
HK\$1,000,001 - HK\$1,500,000	-	3
HK\$1,500,001 - HK\$2,000,000	2	1



Notes to the Financial Statements

For the year ended 31st December 2001

12 Fixed assets

Group	Building in Mainland China under		Motor vehicles	Office equipment	Furniture and fixtures	Leasehold improvements	Properties under con- struction	Total
	Investment properties	medium-term lease						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation								
At 1st January 2001	-	10,422	5,450	3,407	1,282	3,945	672,478	696,984
Exchange difference	-	-	-	-	-	-	(10)	(10)
Additions	-	6,566	538	1,314	278	1,588	68,156	78,440
Transfer	139,523	-	-	-	-	-	(139,523)	-
Revaluation surplus	20,605	-	-	-	-	-	-	20,605
Disposals	-	-	(429)	(148)	(464)	(1,140)	-	(2,181)
At 31st December 2001	160,128	16,988	5,559	4,573	1,096	4,393	601,101	793,838
Accumulated depreciation								
At 1st January 2001	-	1,868	1,878	1,471	438	1,103	-	6,758
Charge for the year	-	366	1,047	841	261	889	-	3,404
Disposals	-	-	(300)	(93)	(263)	(401)	-	(1,057)
At 31st December 2001	-	2,234	2,625	2,219	436	1,591	-	9,105
Net book value								
At 31st December 2001	160,128	14,754	2,934	2,354	660	2,802	601,101	784,733
At 31st December 2000	-	8,554	3,572	1,936	844	2,842	672,478	690,226
The analysis of cost or valuation of the above assets is as follows:								
At cost	-	16,988	5,559	4,573	1,096	4,393	601,101	633,710
At professional valuation - 2001	160,128	-	-	-	-	-	-	160,128
	160,128	16,988	5,559	4,573	1,096	4,393	601,101	793,838



Notes to the Financial Statements

For the year ended 31st December 2001

12 Fixed assets (continued)

The Group's interest in investment properties is situated in Mainland China under medium-term lease.

Investment properties were revalued at 31st December 2001 on the basis of their open market value by DTZ Debenham Tie Leung Limited, an independent qualified valuer.

At 31st December 2001, investment properties of HK\$89,454,000 (2000: nil) were pledged to secure a bank loan granted to the Group.

At 31st December 2001, total borrowing costs of HK\$3,543,000 (2000: HK\$2,674,000) were capitalised to properties under construction.

13 Intangible assets

	Group	
	2001 HK\$'000	2000 HK\$'000
Cost	63,979	63,979
Less: provision	(63,979)	(63,979)
	-	-

Intangible assets represent costs incurred during 2000 in the acquisition of technology know-how. At 31st December 2000, a provision for impairment in value of HK\$63,979,000 was made to reflect the decline in value of the underlying assets.



Notes to the Financial Statements

For the year ended 31st December 2001

14 Interests in subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Amounts due from subsidiaries	2,645,135	2,654,302
Less: provision	(1,177,590)	(860,138)
	1,467,545	1,794,164
Amounts due to subsidiaries	(598)	(1,572)
	1,466,947	1,792,592

- (a) Particulars of the principal subsidiaries as at 31st December 2001 which were incorporated and are operating in Hong Kong except otherwise stated are as follows:

Name of subsidiaries	Particulars of issued share capital		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Principal activities
	Number of ordinary shares	Par value per share		
Directly held by the Company:				
Vision Century Secretaries Limited (formerly known as Hing Kong Secretaries Limited)	2	HK\$1	100%	Secretarial and nominee services
Indirectly held by the Company:				
Beijing Gang Lu Real Estate Development Co., Ltd. (i) (iv)	-	US\$11,200,000 (registered capital)	50% (iii)	Property development in Mainland China
Belview Limited	2	HK\$1	100%	Investment holding
Best Keeping Resources Limited	2	HK\$1	100%	Property and golf club membership holding
Best Ridge Investment Limited	2	HK\$1	100%	Securities trading/investment



Notes to the Financial Statements

For the year ended 31st December 2001

14 Interests in subsidiaries (continued)

Name of subsidiaries	Particulars of issued share capital		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Principal activities
	Number of ordinary shares	Par value per share		
Indirectly held by the Company:				
Billion Property Limited (ii)	1	US\$1	100%	Investment holding
Bohan Limited	2	HK\$1	100%	Investment holding
Chaton Limited	2	HK\$1	100%	Securities trading/investment
CPL Investments Limited	2	HK\$1	100%	Property trading/investment
Dalian Wanguo Amenity Centre Company Limited (i) (iv)	-	US\$10,000,000 (registered capital)	88%	Property development in Mainland China
E-Commerce Technology Limited (ii)	1	US\$1	100%	Investment holding
E-Ventures Limited (ii)	1	US\$1	100%	Investment holding
Easykeys Limited (ii)	100	US\$1	72%	Information technology investment
Future Way Consultants Limited (ii)	10	US\$1	100%	Investment holding
Great Project Property Limited	100	HK\$1	50% (iii)	Investment holding
Glory Honour Development Limited	10,000	HK\$1	100%	Property development
Ideal Investment Holdings Limited (ii)	50,000	US\$1	100%	Investment holding
Limbo Enterprises Limited (ii)	1	US\$1	100%	Property development
Maxwin Holdings Limited (ii)	100	US\$1	100%	Investment holding
Million Wealth Development Limited	2	HK\$1	100%	Property development
Mutual Forever Investment Limited	2	HK\$1	100%	Securities investment



Notes to the Financial Statements

For the year ended 31st December 2001

14 Interests in subsidiaries (continued)

Name of subsidiaries	Particulars of issued share capital		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Principal activities
	Number of ordinary shares	Par value per share		
Indirectly held by the Company:				
Pacificwide Holdings Limited (ii)	1	US\$1	100%	Investment holding
Prosper Advance Investments Limited	2	HK\$1	100%	Property development
Rich Ocean Development Limited	10,000	HK\$1	100%	Property development
Shun Yick Kee Limited	2	HK\$1	100%	Securities investment
Tinet Limited (ii)	1	US\$1	100%	Investment holding
Victory Great Investment Limited	2	HK\$1	100%	Property development
Vision Century Administration Limited (formerly known as Hing Kong Administration Limited)	500,000	HK\$1	100%	Management consultancy services
Vision Century Development (Hong Kong) Limited (formerly known as Hing Kong Development (Hong Kong) Limited)	2	HK\$1	100%	Property development
Vision Century Finance Limited (formerly known as Hing Kong Finance Limited)	2	HK\$1	100%	Group financing
Vision Century Investments (Dalian) Limited (formerly known as Hing Kong Investments (Dalian) Limited)	2	HK\$1	100%	Investment holding



Notes to the Financial Statements

For the year ended 31st December 2001

14 Interests in subsidiaries (continued)

Name of subsidiaries	Particulars of issued share capital		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Principal activities
	Number of ordinary shares	Par value per share		
Indirectly held by the Company:				
Vision Century PRC Investments Limited (formerly known as Hing Kong PRC Investments Limited)	2	HK\$1	100%	Investment holding
Vision Century Properties (Hong Kong) Limited (formerly known as Hing Kong Properties (Hong Kong) Limited)	2	HK\$1	100%	Property development
Vision Century Property Management Limited (formerly known as Hing Kong Property Management Limited)	2	HK\$1	100%	Property management
Vision Century Technology Limited (ii) (formerly known as Hing Kong Technology Limited)	1	US\$1	100%	Investment holding
Vision (Shenzhen) Business Park Co., Limited (i) (iv) (formerly known as Shenzhen CyberCity International Co., Limited)	-	RMB100,000,000 (registered capital)	95%	Business park development in Mainland China
Wide Best Development Limited	2	HK\$1	100%	Property development
Yechain Development Limited	2	HK\$1	65%	Property development



Notes to the Financial Statements

For the year ended 31st December 2001

14 Interests in subsidiaries (continued)

Notes:

- (i) Registered and with place of business in Mainland China.
- (ii) Incorporated in the British Virgin Islands.
- (iii) According to the shareholders' agreement of Great Project Property Limited ("GPP"), the Group is able to control more than half of the voting power of the board of directors and that of the shareholders' meeting of GPP and its subsidiaries.
- (iv) Not audited by PricewaterhouseCoopers.

15 Interests in associated companies

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net liabilities	(136,872)	(95,040)
Capital reserve on acquisition of an associated company	(28,917)	(28,916)
	(165,789)	(123,956)
Amounts due from associated companies	261,395	261,196
	95,606	137,240
Investment at cost		
Unlisted shares	40,156	40,156

- (a) The Group's share of results of associated companies includes a provision of HK\$48,000,000 (2000: HK\$32,002,000) representing the Group's share of deficit on revaluation of an investment property held by an associated company.



Notes to the Financial Statements

For the year ended 31st December 2001

15 Interests in associated companies (continued)

- (b) Particulars of the principal associated companies as at 31st December 2001 which were incorporated and are operating in Hong Kong except otherwise stated are as follows:

Name of associated companies indirectly held by the Company	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activities
Beijing Golden Voyage Electronic Technology Company Limited (i) (iii)	50%	Development and sale of education software
Fortune Top Properties Limited	40.002%	Property investment
Longshine Assets Limited (ii) (iii)	40.002%	Investment holding
New Digital Associates Limited (ii) (iii)	50%	Information technology investment
Poly-Strong Development Limited	50%	Property trading

Notes:

- (i) Registered and with place of business in Mainland China.
(ii) Incorporated in the British Virgin Islands.
(iii) Not audited by PricewaterhouseCoopers.
- (c) Extracts of financial information of a significant associated company are set out as follows:

	Unaudited 2001 HK\$'000	Unaudited 2000 HK\$'000
Operating results		
Turnover	28,614	27,414
Loss attributable to shareholders	(100,098)	(70,582)
Financial position		
Investment property	280,000	400,000
Current assets	10,754	3,890
Current liabilities	(26,534)	(23,572)
Shareholders' loans	(652,958)	(653,312)
Other non-current liabilities	(48,000)	(64,000)
Shareholders' deficit	(436,738)	(336,994)



Notes to the Financial Statements

For the year ended 31st December 2001

16 Interest in a jointly controlled entity

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	26,882	27,338
Amount due from a jointly controlled entity	141,136	141,136
	168,018	168,474
Less: provision	(17,245)	-
	150,773	168,474
Investment at cost		
Unlisted shares	23,827	23,827

- (a) Interest in a jointly controlled entity represents the Group's 50% interest in Wuhu Baoda Electric-Power Development Company Limited, a corporation which is registered and operating in Wuhu, Mainland China, which in turn has a 50% interest in a power plant in Wuhu, Mainland China.
- (b) Extracts of financial information of the jointly controlled entity are set out as follows:

	Unaudited 2001 HK\$'000	Unaudited 2000 HK\$'000
Operating results		
Turnover	88,992	94,623
(Loss)/ profit attributable to shareholders	(912)	1,416
Financial position		
Fixed assets	277,138	283,828
Current assets	59,793	38,558
Current liabilities	(890)	(815)
Shareholders' loans	(282,278)	(266,895)
Shareholders' funds	53,763	54,676



Notes to the Financial Statements

For the year ended 31st December 2001

17 Investments in equity securities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Non-current				
Non-trading securities, at fair value				
Listed in Hong Kong	5,318	7,231	-	-
Unlisted	6,465	13,659	6,465	6,465
	11,783	20,890	6,465	6,465
Current				
Trading securities, at fair value				
Listed in Hong Kong	-	4,106	-	-
Non-trading securities, at fair value				
Listed in Hong Kong	-	2,032	-	-
	-	6,138	-	-

18 Properties held for sale

At 31st December 2001, the carrying amount of properties held for sale of the Group that are carried at net realisable value amounted to HK\$452,733,000 (2000: HK\$358,903,000).

19 Properties under development

At 31st December 2001, the carrying amount of properties under development of the Group that are carried at cost and net realisable value amounted to HK\$591,324,000 (2000: HK\$432,086,000) and HK\$87,615,000 (2000: HK\$636,300,000) respectively.



Notes to the Financial Statements

For the year ended 31st December 2001

20 Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors and its ageing analysis is as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within 3 months	9,158	119,509	-	-
3 months to 6 months	279	-	-	-
	9,437	119,509	-	-

Trade debtors represent considerations in respect of sold properties and rental receivables.

Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Rental receivables are billed in advance and are payable by tenants upon receipts of billings.

21 Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest bearing at 1% over Hong Kong Interbank Offered Rate ("HIBOR") and has no fixed terms of repayment.

22 Creditors and accruals

Included in creditors and accruals are trade creditors and its ageing analysis is as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within 3 months	108,953	101,533	-	718
3 months to 12 months	5,285	-	-	-
Over 12 months	-	9,594	-	-
	114,238	111,127	-	718



Notes to the Financial Statements

For the year ended 31st December 2001

23 Convertible bonds

On 31st January 2000, the Company issued ten convertible bonds at a total subscription price of HK\$66,000,000 to China Travel International Investment Hong Kong Limited ("CTII"). The convertible bonds are interest bearing at 2% per annum and are repayable on the date immediately after the end of 30 calendar months from the date of issuance (i.e. 31st July 2002) subject to the terms thereof. The holder of the convertible bonds may at any time before the repayment require the Company to convert the whole but not part only of the principal amount outstanding under each of the ten issued convertible bonds at the conversion price of HK98.6 cents per share. The conversion price is subject to adjustment. The convertible bonds have not been redeemed at the year end.

24 Bank and other borrowings

Group	Bank loans and overdrafts		Other loans		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured	564,641	564,343	101,478	91,300	666,119	655,643
Unsecured	8,265	76,799	-	-	8,265	76,799
	572,906	641,142	101,478	91,300	674,384	732,442
Current portion of bank and other borrowings	(423,673)	(562,022)	(65,600)	(50,000)	(489,273)	(612,022)
	149,233	79,120	35,878	41,300	185,111	120,420



Notes to the Financial Statements

For the year ended 31st December 2001

24 Bank and other borrowings (continued)

Company	Bank loans and overdrafts		Other loans		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured	101,044	57,734	-	-	101,044	57,734
Unsecured	8,265	48,532	-	-	8,265	48,532
	109,309	106,266	-	-	109,309	106,266
Current portion of bank and other borrowings	(109,309)	(106,266)	-	-	(109,309)	(106,266)
	-	-	-	-	-	-

At 31st December 2001, the bank loans, overdrafts and other loans were repayable as follows:

Group	Bank loans and overdrafts		Other loans		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	423,673	562,022	65,600	50,000	489,273	612,022
In the second year	149,233	44,120	35,878	41,300	185,111	85,420
In the third to fifth year	-	35,000	-	-	-	35,000
	572,906	641,142	101,478	91,300	674,384	732,442



Notes to the Financial Statements

For the year ended 31st December 2001

24 Bank and other borrowings (continued)

Company	Bank loans and overdrafts		Other loans		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	109,309	106,266	-	-	109,309	106,266
In the second year	-	-	-	-	-	-
In the third to fifth year	-	-	-	-	-	-
	109,309	106,266	-	-	109,309	106,266

The bank loans, overdrafts and other loans were secured by certain investment properties, completed properties held for sale and under development with carrying values of HK\$752,244,000 (2000: HK\$971,840,000) and bank balances of HK\$44,077,000 (2000: HK\$50,652,000). The shareholders of ultimate holding company also issued letters of undertaking to secure a bank loan of HK\$150,000,000 (2000: nil) granted to the Company, of which HK\$100,000,000 (2000: nil) were utilised as at 31st December 2001.

25 Share capital

	2001		Authorised 2000	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares of HK10 cents each				
At 1st January	2,200,000,000	222,000	1,600,000,000	160,000
Increase in authorised share capital	-	-	600,000,000	60,000
At 31st December	2,200,000,000	222,000	2,200,000,000	220,000



Notes to the Financial Statements

For the year ended 31st December 2001

25 Share capital (continued)

	Issued and fully paid			
	2001		2000	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1st January	1,667,935,487	166,794	1,071,514,419	107,151
Issue of shares	-	-	596,421,068	59,643
At 31st December	1,667,935,487	166,794	1,667,935,487	166,794

26 Warrants

On 22nd July 1997, the Company entered into an agreement with Mr. Chow Nin Mow, Albert ("Mr. Chow") whereby the Company granted and issued to Mr. Chow a total of 120,000,000 unlisted warrants to subscribe for 120,000,000 of the Company's shares of HK10 cents each at a price of HK\$2.88 per share (subject to adjustment), of which 60,000,000 unlisted warrants are exercisable from 23rd July 1999 to 22nd July 2005 and 60,000,000 unlisted warrants are exercisable from 23rd July 2001 to 22nd July 2005 save for certain circumstances as specified in the agreement.

Pursuant to a general offer made by Vision Century Limited ("VCL") to acquire all the issued shares in the share capital (other than those shares already owned by VCL) and unlisted warrants of the Company, VCL purchased 120,000,000 unlisted warrants from Mr. Chow at HK1 cent per warrant for a total consideration of HK\$1,200,000 on 6th March 2001. The warrants were then cancelled by the Company.



Notes to the Financial Statements

For the year ended 31st December 2001

27 Employee share option scheme

On 10th January 2000, the shareholders approved a share option scheme under which the director may, at their discretion, invite any full-time employees or executive directors of any members of the Group to take up options at HK\$1 per option to subscribe for shares of HK10 cents each in the issued share capital of the Company at any time during the ten years from the date of approval. The subscription price will be determined by the board of directors of the Company and will not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date on which an option is granted or the nominal value of the Company's share, whichever is the higher. The maximum number of shares in which options can be granted may not exceed 10% of the issued shares of the Company, excluding any shares issued on the exercise of options, from time to time. No options were offered to any full-time employees or executive directors of any members of the Group under the share option scheme since its adoption.



Notes to the Financial Statements

For the year ended 31st December 2001

28 Reserves

Group	Investment properties		Investment revaluation reserve	(Goodwill)/ capital reserve	Capital redemption reserve	Retained profits/ losses		Total
	Share premium	revaluation reserve				Exchange	(accumulated)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2000	1,313,399	-	(30,153)	-	196	2,075	11,830	1,297,347
Premium on issue of shares	589,107	-	-	-	-	-	-	589,107
Share issue expenses	(3,706)	-	-	-	-	-	-	(3,706)
Capital reduction expenses	(20)	-	-	-	-	-	-	(20)
Deficit on revaluation of non-trading securities	-	-	(17,479)	-	-	-	-	(17,479)
Impairment loss	-	-	47,632	-	-	-	-	47,632
Goodwill arising from acquisition of subsidiaries and an associated company	-	-	-	(203,696)	-	-	-	(203,696)
Impairment of goodwill	-	-	-	77,002	-	-	-	77,002
Exchange differences	-	-	-	-	-	725	-	725
Loss for the year	-	-	-	-	-	-	(355,811)	(355,811)
At 31st December 2000	1,898,780	-	-	(126,694)	196	2,800	(343,981)	1,431,101
Representing:								
Company and subsidiaries	1,898,780	-	-	(126,694)	196	2,520	(212,016)	1,562,786
Associated companies	-	-	-	-	-	-	(135,196)	(135,196)
Jointly controlled entity	-	-	-	-	-	280	3,231	3,511
	1,898,780	-	-	(126,694)	196	2,800	(343,981)	1,431,101



Notes to the Financial Statements

For the year ended 31st December 2001

28 Reserves (continued)

Group	Share	Investment	Investment	(Goodwill)/	Capital	Retained	Total	
	premium	properties	revaluation	capital	redemption	profits/		
	reserve	revaluation	reserve	reserve	reserve	(accumulated		
	HK\$'000	reserve	reserve	reserve	reserve	losses)		
At 1st January 2001	1,898,780	-	-	(126,694)	196	2,800	(343,981)	1,431,101
Surplus on revaluation of investment properties	-	19,575	-	-	-	-	-	19,575
Exchange differences	-	-	-	-	-	(55)	-	(55)
Loss for the year	-	-	-	-	-	-	(396,653)	(396,653)
At 31st December 2001	1,898,780	19,575	-	(126,694)	196	2,745	(740,634)	1,053,968
Representing:								
Company and subsidiaries	1,898,780	19,575	-	(126,694)	196	2,465	(566,380)	1,227,942
Associated companies	-	-	-	-	-	-	(177,029)	(177,029)
Jointly controlled entity	-	-	-	-	-	280	2,775	3,055
	1,898,780	19,575	-	(126,694)	196	2,745	(740,634)	1,053,968

Company	Share	Capital	Retained	Total
	premium	redemption	profits/	
	reserve	reserve	(accumulated	
	HK\$'000	reserve	losses)	
At 1st January 2000	1,313,399	196	168,944	1,482,539
Premium on issue of shares	589,107	-	-	589,107
Share issue expenses	(3,706)	-	-	(3,706)
Capital reduction expenses	(20)	-	-	(20)
Loss for the year	-	-	(614,429)	(614,429)
At 1st January 2001	1,898,780	196	(445,485)	1,453,491
Loss for the year	-	-	(328,766)	(328,766)
At 31st December 2001	1,898,780	196	(774,251)	1,124,725

At 31st December 2001 and 2000, the Company had no distributable reserves.



Notes to the Financial Statements

For the year ended 31st December 2001

29 Notes to the consolidated cash flow statement

(a) Reconciliation of operating loss to net cash inflow from operating activities

	2001	2000
	HK\$'000	HK\$'000
Operating Loss	(301,734)	(76,291)
Interest income	(2,456)	(2,414)
Dividend income	(1,059)	(616)
Depreciation	2,868	2,137
Gain on disposal of a subsidiary	(868)	-
Gain on disposal of an associated company	-	(1)
Realised gain on sales of non-trading securities	(12,059)	(11,167)
Loss on disposal of fixed assets	983	8
Provision for investments in equity securities	7,475	7,355
Provision for properties held for sale and properties under development	235,682	73,160
Provision for trade debtors	236	-
Impairment of fixed assets	-	4,405
Decrease in properties held for sale and properties under development	61,544	83,915
Decrease/(increase) in debtors, deposits and prepayments	122,371	(64,957)
Decrease in investments in equity securities	4,106	21,515
Increase in amount due to ultimate holding company	50,000	-
Increase/(decrease) in creditors and accruals	50,845	(30,952)
(Decrease)/increase in retention money	(12,371)	11,965
Net cash inflow from operating activities	205,563	18,062



Notes to the Financial Statements

For the year ended 31st December 2001

29 Notes to the consolidated cash flow statement (continued)

(b) Sale of a subsidiary

	2001	2000
	HK\$'000	HK\$'000
Net assets disposed of:		
Property under development	10,909	-
Debtors, deposits and prepayments	164	-
Creditors and accruals	(116)	-
	10,957	-
Gain on disposal	868	-
	11,825	-
Satisfied by:		
Cash received	11,825	-

The cash flows contributed and utilised by the subsidiary disposed of during the year were not significant to the Group.



Notes to the Financial Statements

For the year ended 31st December 2001

29 Notes to the consolidated cash flow statement (continued)

(c) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Bank and other borrowings HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January 2000	1,420,550	399,900	167,789	1,988,239
Net cash inflow/(outflow)				
from financing	(3,726)	218,664	(9,983)	204,955
Purchase of subsidiaries	648,750	37,612	55,858	742,220
Share of loss	-	-	(28,242)	(28,242)
At 1st January 2001	2,065,574	656,176	185,422	2,907,172
Net cash inflow/(outflow)				
from financing	-	8,899	(8,621)	278
Share of loss	-	-	(7,074)	(7,074)
Share of reserves	-	-	1,037	1,037
At 31st December 2001	2,065,574	665,075	170,764	2,901,413

30 Contingent liabilities

At 31st December 2001, the Company issued guarantees to the extent of HK\$393,346,000 (2000: HK\$799,894,000) of which HK\$382,546,000 (2000: HK\$568,794,000) was utilised in respect of bank and other borrowings granted to the subsidiaries.

Management anticipates that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.



Notes to the Financial Statements

For the year ended 31st December 2001

31 Commitments

(a) Capital commitments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for	-	159,106	-	-
Authorised but not contracted for	-	-	-	-
	-	159,106	-	-

(b) Commitments under operating leases

At 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Not later than one year	4,065	5,935	-	-
Later than one year and not later than five years	1,753	2,727	-	-
	5,818	8,662	-	-

(c) Future minimum rental payments receivable

As 31st December 2001, the Group had future minimum rental payments receivable under non-cancellable leases as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Not later than one year	15,809	4,480	-	-
Later than one year and not later than five years	20,873	5,092	-	-
Over five years	215	-	-	-
	36,897	9,572	-	-

The Group's operating leases are for terms ranging from one to six years.



Notes to the Financial Statements

For the year ended 31st December 2001

32 Related party transactions

During the year, the Group entered into the following transactions with related parties:

- (a) Billion Property Limited ("Billion"), a wholly-owned subsidiary of the Company, and China Travel Service (Holdings) Hong Kong Limited ("CTSH") entered into an agreement on 19th August 1997 and a supplemental agreement on 10th September 1997 (collectively known as "1997 Tycoon Place Agreements"), pursuant to which Billion acquired from CTSH a 90% interest in Ideal Investment Holdings Limited ("Ideal") and the remaining 10% interest in Ideal is owned by CTSH. Ideal had a one-third interest in the development project known as Tycoon Place at Wong Yue Tang, Tai Po ("Tycoon Place"). According to the 1997 Tycoon Place Agreements, CTSH undertook to finance and bear all costs attributable to Ideal in connection with the completion of Tycoon Place and if any disposal proceeds of Tycoon Place attributable to Ideal were used to discharge any liabilities of those companies which hold Tycoon Place, CTSH would pay to Billion an amount equivalent to 90% of such disposal proceeds to which Ideal would be entitled.

On 4th June 1999, Billion entered into a conditional agreement (the "1999 Tycoon Place Agreement") with CTSH pursuant to which Billion acquired from CTSH of its 10% remaining equity interest in Ideal and the related loan outstanding and owing by Ideal to CTSH. Upon completion of the 1999 Tycoon Place Agreement, Ideal had become a wholly-owned subsidiary of Billion.

As at 31st December 2001, a principal sum of approximately HK\$103.6 million (2000: HK\$103.6 million) was due and owing by CTSH to Billion pursuant to the 1997 Tycoon Place Agreements.

- (b) On 25th August 1998, the Company entered into a conditional agreement with China Travel Hip Kee Godown Hong Kong Limited ("CTHKG"). Pursuant to that agreement (the "538/539 Agreement") between the Company and CTHKG, the parties concerned would jointly develop the property at Hung Hom Inland Lot No.538 (No.1 Cheong Hang Road, Hung Hom, Kowloon) and Hung Hom Inland Lot No.539 (No.20 Winslow Street, Hung Hom, Kowloon) (together the "538/539 Property").



Notes to the Financial Statements

For the year ended 31st December 2001

32 Related party transactions (continued)

CTHKG is the owner of the 538/539 Property. In accordance with the terms of the 538/539 Agreement, the Company shall jointly develop the 538/539 Property with CTHKG on the basis that all development expenses will be contributed and all net proceeds of sales (if any) and all unsold units (if any) will be shared in the ratio of 40% for the Company and 60% for CTHKG. Also, the Company shall pay 40% of the land cost of the 538/539 Property to CTHKG.

The Group's participation in the development of the 538/539 Property is conditional on the granting of Government's approval to the change of land usage and the modification of the Government lease regarding the 538/539 Property so as to enable its redevelopment into commercial and/or other purposes as the parties may agree. Furthermore, the 538/539 Agreement is also subject to the compliance of such conditions as may be required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and/or by the Stock Exchange.

- (c) On 4th June 1999, the Company entered into a conditional agreement (the "10663 Agreement") with Vision Century Properties (Hong Kong) Limited (formerly known as "Hing Kong Properties (Hong Kong) Limited") (the "Developer"), a wholly-owned subsidiary of the Company, and China Travel Service (Hong Kong) Limited ("CTSHK"), a subsidiary of CTSH, pursuant to which the Developer has the exclusive right to develop the property at Kowloon Inland Lot No.10663 at Cheong Tung Road, Hung Hom, Kowloon (the "10663 Property") and shall be entitled to all proceeds of sale or letting (if any) in respect of the development of the 10663 Property and the right to assign the 10663 Property to it if there is no disposal of units of the developed 10663 Property. Part of the total consideration payable by the Developer of HK\$62 million had been paid upon completion of the 10663 Agreement in July 1999 by the Developer to Billion at the direction of CTSHK in partial settlement of the sum being due and owing by CTSH to Billion at that time pursuant to the 1997 Tycoon Place Agreements. The remaining balance of the consideration in the sum of HK\$30 million will be paid within 7 business days of the execution documents giving effect to the lease modification of the lease of the 10663 Property. The Company and CTSHK also agreed to cancel the original development agreement dated 25th August 1998 between them regarding the 10663 Property.



Notes to the Financial Statements

For the year ended 31st December 2001

32 Related party transactions (continued)

- (d) On 16th November 1999, Longbarn International Limited ("Longbarn"), a wholly-owned subsidiary of the Company, entered into a conditional joint development agreement (the "Fanling Agreement") with Common Well Limited ("Common Well"), a wholly-owned subsidiary of CTII, pursuant to which Common Well as the owner of a site known as Lot Nos. 2836 R.P., 2837, 2838, 2840, 2846 and 2847 in the Demarcation District No.51, Fanling, New Territories (the "Fanling Property") agreed to jointly develop the Fanling Property with Longbarn for residential and/or such other purposes as the parties may agree. Each of Common Well and Longbarn (through its subsidiaries acting as the developer) shall bear 50% of all costs, expenses and charges in carrying out and completing the development and the sale thereof.
- (e) On 16th November 1999, CPL Investments Limited ("CPL"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Shun Tak Agreement") with Goster Resources Limited ("Goster"), a wholly-owned subsidiary of CTII, whereby CPL acquired the property situated at 33rd Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong from Goster at the consideration of HK\$106 million of which HK\$40 million was satisfied in cash and HK\$66 million was satisfied by the issue of convertible bonds (the "Bonds") by the Company to CTII. The Bonds were issued upon the completion of the Shun Tak Agreement in early 2000 pursuant to a subscription agreement which was entered into on the same date of the Shun Tak Agreement between the Company and CTII. According to the terms of the Bonds, the holder of such Bonds has the right to convert into an aggregate number of 66,937,120 new shares of the Company. None of the Bonds was converted during the year.



Notes to the Financial Statements

For the year ended 31st December 2001

32 Related party transactions (continued)

CTHKG, CTSHK and CTII are subsidiaries of CTSH and are related to the Group as both CTII and CTSH have been substantial shareholders of the Company during the year as well as the time when the above agreements were entered into.

- (f) On 20th November 1999, the Company and its wholly-owned subsidiary, Tinet Limited ("Tinet") entered into a conditional sale and purchase agreement with CyberCity Holdings Limited ("CCH") and CyberCity International Limited ("CCI") whereby Tinet agreed to acquire (directly or indirectly) from CCH or CCI an 80% equity interest in Vision (Shenzhen) Business Park Co., Ltd. ("VSBP Co.") (formerly known as "Shenzhen CyberCity International Co., Ltd."), a sino-foreign equity joint venture enterprise established in Shenzhen, Mainland China for a total consideration of HK\$500,000,000, which was satisfied by the allotment and issue of 500,000,000 new shares of the Company at the issue price of HK\$1.00 per share. VSBP Co. was granted the right to develop a hi-tech park known as Vision (Shenzhen) Business Park ("VSBP") (formerly known as "CyberCity Shenzhen") in Mainland China.

After allotment of the said new shares, CCH became a substantial shareholder of the Company. Dr. Jiang Xiaoming, Simon, who was the single largest shareholder of CCH, was also appointed a director of the Company on 9th February 2000.

On 1st June 2000, VSBP Co. and CyberCity IT (Shenzhen) Co. Ltd. ("CCIT") entered into an installation agreement (the "Installation Agreement") whereby CCIT agreed to procure the installation of a wiring network for VSBP Co.'s Towers A and B in Phase I of VSBP for a consideration of RMB3,200,000 (approximately HK\$3,018,000). The Installation Agreement had never been performed and was terminated on 5th January 2001.

CCIT is related to the Group by virtue of the fact that it is an indirect wholly-owned subsidiary of CCH, who at the time of contract was a substantial shareholder of the Company.



Notes to the Financial Statements

For the year ended 31st December 2001

32 Related party transactions (continued)

- (g) On 28th September 2001, the Company received a letter of offer of shareholder's loan facility of up to HK\$25,000,000 ("1st Shareholder's Loan") from VCL, the ultimate holding company of the Company. Such shareholder's loan is for the general working capital of the Company. With an interest rate of 1% over HIBOR, the shareholder's loan has no fixed terms of repayment.

On 6th November 2001, the Company received a further letter of offer of shareholder's loan facility of up to a further HK\$25,000,000 ("2nd Shareholder's Loan") from VCL subject to the same terms as stipulated in the 1st Shareholder's Loan.

Interest expense of HK\$312,000 (2000: nil) in respect of the shareholder's loans as mentioned above was payable to VCL by the Company during the year.

- (h) On 8th October 2001, Dalian Wanguo Amenity Centre Company Limited ("Dalian Wanguo"), an 88% owned subsidiary of the Company, entered into a project supervision agreement (the "PS Agreement") with JTC International Consultants (Suzhou) Co. Ltd ("JTCI (Suzhou)") whereby JTCI (Suzhou) agreed to provide certain project supervision and consultancy services relating to a development project of a property located at Xinglin Street, Zhongshan District, Dalian, Liaoning Province, Mainland China (the "Dalian Project") during a 36-month period, for a consultancy fee of RMB1,900,000 (approximately HK\$1,792,000). The consultancy fee represents 1.2% (after tax deductions) of the estimated total construction cost, being RMB150,000,000 (approximately HK\$141,509,000). If the actual supervision period is longer than 36 months, JTCI (Suzhou) will receive an additional consultancy fee for any additional services which will be calculated on the basis of time spent or may be mutually agreed between the parties as stipulated under the PS Agreement subject to a maximum cap of RMB500,000 (approximately HK\$472,000).

Besides, Dalian Wanguo and JTCI (Suzhou) also entered into a M&E Agreement (the "M&E Agreement") whereby JTCI (Suzhou) agreed to provide certain mechanical and electrical consultancy services relating to the Dalian Project for a consultancy fee of RMB1,100,000 (approximately HK\$1,038,000).



Notes to the Financial Statements

For the year ended 31st December 2001

32 Related party transactions (continued)

JTCI (Suzhou) is indirectly wholly-owned by JTC Corporation, a statutory board incorporated in the Republic of Singapore and wholly-owned by the government of Singapore. JTC Corporation, through its wholly-owned subsidiary Ascendas Land International Pte. Ltd, indirectly owns 100% of Riverbook Group Limited, which in turn holds 30% of VCL, the controlling shareholder of the Company. Riverbook Group Limited also owns 8% of CCH which in turn owns 40% of VCL. Ascendas Land International Pte. Ltd. is wholly-owned by Ascendas Pte. Ltd..

- (i) The shareholders of VCL have issued letters of undertaking to secure a bank loan granted to the Company as mentioned in note 24 to the financial statements. Undertaking fees of HK\$1,000,000 (2000: nil) was payable to the shareholders of VCL by the Company during the year.

33 Ultimate holding company

The directors regard Vision Century Limited, a company incorporated in Hong Kong, as being the ultimate holding company.

34 Approval of financial statements

The financial statements were approved by the board of directors on 27th February 2002.