

INTERIM REPORT 2003 中期報告



**vision**  
Century Corporation

The logo features a stylized blue and white swoosh above the word "vision" in a bold, blue, sans-serif font. Below "vision" is the text "Century Corporation" in a smaller, yellow, sans-serif font.

**VISION CENTURY CORPORATION LIMITED**

**威新集團有限公司**

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Jiang Xiaoming, Simon (*Chairman*)  
Chong Siak Ching\* (*Deputy Chairman*)  
Lai Seck Khui\* (*Deputy Chairman*)  
Alan Howard Smith J.P.\*\* (*Deputy Chairman*)  
Ang Ah Lay (*Managing Director*)  
Chan Wing Ming, Charles (*Deputy Managing Director*)  
Han Cheng Fong\*  
Lew Syn Pau\*  
Kwong Che Keung, Gordon\*\*  
Kuan Michael Chao\*  
Wang Poey Foon, Angela\*\*  
Tan Ser Ping (*Alternate Director to Chong Siak Ching*)  
Hui Choon Kit (*Alternate Director to Lai Seck Khui*)  
Goh Tien Jin (*Alternate Director to Lew Syn Pau*)  
Goh Yong Chian, Patrick (*Alternate Director to Han Cheng Fong*)

\*\* Independent Non-Executive Directors

# Non-Executive Directors

### EXECUTIVE COMMITTEE

Jiang Xiaoming, Simon (*Chairman*)  
Ang Ah Lay  
Chan Wing Ming, Charles  
Han Cheng Fong  
Lew Syn Pau  
Lai Seck Khui  
Chong Siak Ching

### AUDIT COMMITTEE

Kwong Che Keung, Gordon (*Chairman*)  
Alan Howard Smith J.P.  
Han Cheng Fong  
Wang Poey Foon, Angela

### REMUNERATION COMMITTEE

Alan Howard Smith J.P. (*Chairman*)  
Jiang Xiaoming, Simon  
Han Cheng Fong  
Lew Syn Pau

### COMPANY SECRETARY

Chan Tin Wai, David

### AUDITORS

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central  
Hong Kong

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th Floor  
625 King's Road  
North Point  
Hong Kong

### SHARE REGISTRARS

#### Principal Registrar

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

#### Hong Kong Branch Registrar

Standard Registrars Limited  
28th Floor, BEA Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### COMPANY WEBSITE

<http://www.visioncentury.com.hk>

## MANAGEMENT DISCUSSION AND ANALYSIS

### TO OUR SHAREHOLDERS

The results for the first half of 2003 were achieved in a difficult operating environment. Besides the uncertainty of recovery of the major world economies, the war in Iraq dampened business confidence. Further, the outbreak of SARS adversely affected the performance of all our businesses, especially during the second quarter.

The loss attributable to shareholders for the first half of 2003 was HK\$34 million, compared to HK\$8 million over the same period in 2002. The disappointing results were caused principally by the underperformance of the information/communication technology services (InfoComm). The sales of completed units of our Hong Kong residential portfolio at weakened prices were achieved against a background of a sluggish economy, record unemployment, political uncertainty and low confidence in Hong Kong. The grim outlook suffered a further unexpected major setback in March 2003 when SARS started to impact Hong Kong. In this exceptionally difficult environment, the Group incurred a gross loss of HK\$11 million compared to a HK\$19 million gross profit for the same period in 2002.

### REVIEW OF OPERATIONS

#### Business Park Sector

##### *Vision (Shenzhen) Business Park ("VSBP")*

Despite strong competition, the existing phase 1 of VSBP achieved an occupancy of 80% as at 30 June 2003. Phase 1 offers a total IT office space of 23,500 sqm. During the period under review, existing recreational facilities and activities for our tenants were upgraded and new ones added. This is in line with our policy of offering a "work-play" environment to all those who worked in the park.

The Shenzhen authorities approved our phase 2 development plans on 31 March 2003, after some 18 months after the plans were submitted. We are reassessing the impact of this project in the light of the new economic realities of Shenzhen and the Pearl River Delta Region. It is expected that the completion of the causeway linking Hong Kong and Shenzhen (the Western Corridor) in 2005 will have significant positive impact on this project since it is located next to the causeway's end in Shenzhen.

##### *Vision Huaqing (Beijing) Development Co. Ltd. ("VHDL")*

VHDL is a joint venture company between the Group and Beijing Tsinghua Science Park Construction Co. Ltd, a subsidiary of the prestigious Tsinghua University in Beijing. The joint venture company is to undertake the development and construction of Vision International Centre, a high quality and state-of-the-art business park facility located within the Tsinghua Science Park in Zonguancun, Haidian District, Beijing. Construction work on the 13-storey building commenced in June 2003 and is scheduled to complete in July 2004. Upon completion, it will yield a gross area about 30,000 sqm of fully wired-up spaces, suitable to MNCs and domestic companies engaged in technology and IT-related business; research-based activities in biomedical and pharmaceutical; and education related to technology, multi-media and animation. In addition, there will be two basements of 9,000 sqm to accommodate some 200 car-park lots.

When completed, the building will offer an international standard of property management, with a comprehensive range of value-added facilities and amenities available to all its occupants.

The marketing of this project to a select group of prospective users is scheduled to start in the later part of 2003.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **REVIEW OF OPERATIONS** *(continued)*

#### **Real Estate Development**

##### *Property Projects in China*

The Group presently has two high-rise residential projects under construction in China, one in Beijing and the other in Dalian. The marketing and construction of both projects were hampered by the outbreak of SARS during the first half of 2003.

The construction of phase 1 of Scenic Place in Xuanwu District, Beijing is expected to be completed by September 2003. As at 30 June 2003, the Group entered into agreements to sell about one-third of the 788 units. With the impending completion of construction, we are confident that more units will be sold in the second half of 2003 when the quality of this development becomes more perceivable.

The marketing of the Dalian project, named The Ninth • ZhongShan, started in May 2003. As at 30 June 2003, the Group entered into agreements to sell 26 of the 432 elegant apartments. This development is superbly located at the core area of Zhongshan District, which is the central business district of Dalian. The twin-tower, one 30-storey and the other 32-storey, will offer panoramic views of Dalian and its coastline. Despite SARS, construction had progressed satisfactorily during the first half of 2003 and this project is now expected to be completed by early 2004. Given its prime location, high quality construction, and a comprehensive modernized club house, the Group targets to sell over one-third of the units before completion of construction.

##### *Property Projects in Hong Kong*

The Group faced intense competition during the year as it sought to sell down its three residential development projects in Hong Kong. The capital values of real estate across the board continued to fall during the first six months of the year, reflecting Hong Kong's problems of prolonged deflation, high unemployment, weak economy, poor business sentiments and political uncertainty, aggravated by the SARS outbreak.

Despite the trying circumstances, the remaining 14 units of Greenery Place, Yuen Long were sold during the first six months of the year. As at 30 June 2003, the Group still held an inventory of 32 units in Elite Court and 6 units in Harbourview Garden.

During the period, the Group entered into an agreement to sell Laford Centre – an industrial/office building – in Lai Chi Kok. The sale of this non-core asset was completed in July 2003.

For the various lots in Demarcation District 387 Sham Tseng, the Group was reviewing the development viability and the marketability of the site.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### REVIEW OF OPERATIONS (continued)

#### InfoComm Technology Services

The InfoComm Technology Group has two main activities:

(a) *Enterprise Network Solution Services*

The main entity which provides enterprise network solution services to corporations is Nova Network Group ("Nova Network"). Among its principal services include managed hosting, virtual private network, VoIP, video conferencing and lease line services. Headquartered in Shenzhen with offices and data centers in Beijing, Dongguan, Harbin and Shanghai, Nova Network enables enterprises to run their network related services more efficiently and effectively. Its network solutions help companies with multiple locations in and out of China to reduce their telecommunication costs.

With China's efforts to build e-governments at provincial and municipal levels, Nova Network has undertaken a number of e-government enterprise projects since the second half of 2002.

(b) *Education and Training Services*

There are three entities which offer education and training services. These services are intended to enhance the performance for individuals and corporations. The products include e-learning platform, digital contents, English learning, management and skill sets.

The 8th Network Corporation ("8th Network") specializes in corporate training to meet the needs of China state-owned enterprises and the small and medium-sized companies. 8th Network works closely with corporate customers to define their training needs, tailor-make a training program, deliver customized materials, provide qualified trainers and conduct post-training evaluation and follow-up. It is headquartered in Beijing and has a sales office in Shanghai.

CC-Edu Group ("CC-Edu") develops and distributes IT and English language contents and other electronic education-related products for pre-school (kindergarten) to high school students. It also operates a English training center in Shenzhen. CC-Edu has long-term relationship with several provinces in China to supplement their IT text books with customized CD ROM for the students. The exclusive relationship and bundling arrangement are a relatively unique means to distribute digital contents in China. Since early this year, CC-Edu expanded its digital content business to include English learning. By June 2003, CC-Edu had more than 1,500 students registered in the English training center in Shenzhen.

Since early this year, Beijing Golden Voyage Electronic Technology Company Limited has been focusing on becoming a regional distributor of Brio data mining system. It also develops management data mining systems for large enterprises.

The performance of the InfoComm Technology Group was hard hit by SARS in April and May 2003. The demand for training services fell materially because group gatherings were disallowed. Likewise, enrolment at the English training center tumbled. Fortunately, activities started to be restored gradually in June 2003.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **FINANCIAL REVIEW**

#### **Results of 2003**

For the six months ended 30 June 2003, the Group recorded a loss attributable to shareholders of HK\$34 million. On a per-share basis, the Group recorded a loss of HK1.2 cents. The loss was mainly due to weakened selling price of the Hong Kong portfolio of residential property in first half of 2003 and SARS outbreak which had affected the property market sentiments. Furthermore, the infocomm technology business acquired in May 2002 has a full six-month impact in 2003.

#### **Review of Overall Performance**

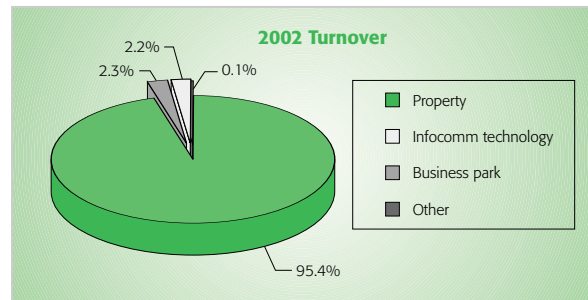
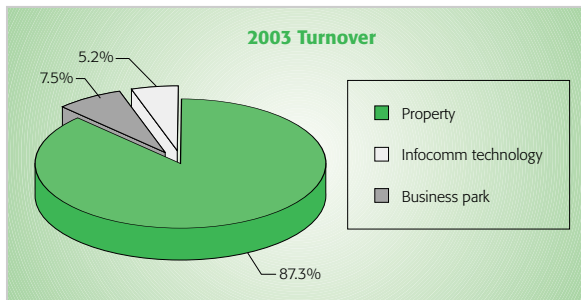
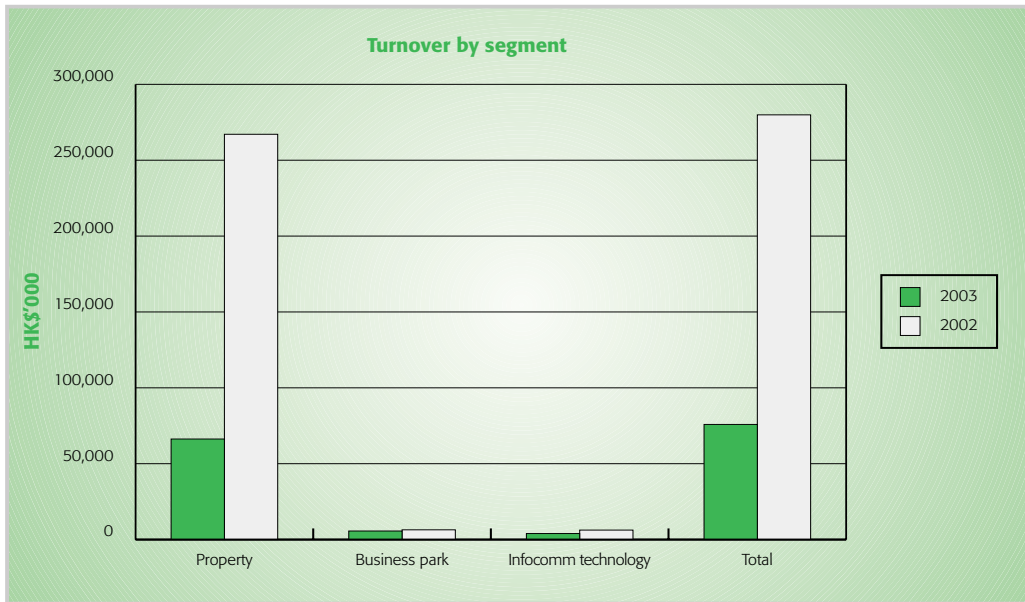
Turnover for the six months ended 30 June 2003 fell to HK\$76 million, as compared to HK\$280 million in the corresponding period of 2002. The reduction in turnover was primarily attributable to the decrease in sales of property in Hong Kong of HK\$199 million.

Finance costs decreased significantly to HK\$4 million, which was attributable to reductions in bank and other borrowings as well as the low interest rate regime. The repayment of bank and other borrowings was financed primarily by proceeds from the sales of property projects.

Due to the adoption of new accounting standards on deferred tax in 2003, the Group recorded a deferred tax credit of HK\$5 million which represented the income tax effect on the temporary differences resulting from the recognition of revenue and expenses for tax and for financial reporting purpose.

**MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

**FINANCIAL REVIEW** (continued)





## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **FINANCIAL REVIEW** *(continued)*

#### *Business Segments*

##### Property

During the six months ended 30 June 2003, the property segment continued to be the key contributor to the Group's revenue. Turnover of the property segment was HK\$66 million or 87% of the total turnover as compared to HK\$267 million or 95% in the corresponding period of 2002. Although the Hong Kong property market remained competitive, the Group had successfully sold all remaining residential units in Greenery Place and various units in Elite Court and Harbourview Garden.

##### Business Park

The business park located in Shenzhen continued to provide a stable income stream to the Group with turnover of HK\$6 million.

##### Infocomm Technology

During the period under review, infocomm technology business contributed HK\$4 million to the Group's turnover. Loss before interest and tax amounted to HK\$11 million.

##### Other Operations

Other operations of the Group represented mainly income from our long-term investments. During the period, the Group entered into an agreement to divest an investment in an industrial/commercial building. The Group will continue to divest its other non-core investments under acceptable terms and conditions.

#### *Geographical Segments*

##### Hong Kong

Despite the fact that most of the Group's new investments are in China, the sales of the remaining residential units in Hong Kong continued to generate the principal stream of income of the Group. During the period, the proportion of turnover derived in Hong Kong was reduced from 96% in the six months ended 30 June 2002 to 87% for the period under review. The reduction is in line with the Group's strategy to shift its investment focus to China. In addition, due to the drop in size of the Hong Kong portfolio, turnover decreased to HK\$66 million in first half of 2003 from HK\$268 million of the corresponding period.

##### China

The two residential property projects in China were still under development and their pre-sales activities are in progress. The contribution from the China segment was mainly derived from business park operations and infocomm technology business. Turnover from business activities in China amounted to HK\$10 million or 13% of the total turnover.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **FINANCIAL REVIEW** *(continued)*

#### *Assets*

The value of the Group's total assets was HK\$2,376 million as at 30 June 2003, representing a marginal reduction of HK\$79 million as compared to December 2002.

The assets in property segment maintained at HK\$1,049 million in June 2003 or 44% of the Group's total assets as compared to 40% in December 2002. The assets held by the other two businesses increased to HK\$1,117 million or 47% of the Group's total asset as compared to 39% in December 2002.

Total assets held in China increased by 6% from HK\$1,980 million in December 2002 to HK\$2,113 million in June 2003. In order to reduce the foreign currency exposure, the Group secured additional renminbi borrowings to finance our PRC projects. As at 30 June 2003, renminbi borrowings had increased to HK\$243 million, a net increase of HK\$39 million compared with 31 December 2002. The remaining borrowings were denominated in Hong Kong dollar.

#### *Shareholders' Funds*

The Group's total shareholders' funds decreased from HK\$1,549 million to HK\$1,513 million as at 30 June 2003. Compared with the total assets of HK\$2,376 million, shareholders' equity was 64% of the total assets.

### **Financial Resources, Liquidity and Capital Structure**

#### *Liquidity and Capital Resources*

During the period under review, there was a 8% reduction in the Group's total borrowings from HK\$387 million as at 31 December 2002 to HK\$355 million as at 30 June 2003. The Group's cash and bank deposits balance had decreased from HK\$327 million as at 31 December 2002 to HK\$166 million as at 30 June 2003. The reduction in cash and bank deposits was mainly due to the reduction in bank loan and increased investment in property projects during the six months ended 30 June 2003.

As at 30 June 2003, the Group's gearing ratio was 23% and the Group had total undrawn facilities of approximately HK\$88 million. The Group will continue to review its cash flow position and financing requirements from time to time to maximize financial efficiency.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### FINANCIAL REVIEW (continued)

#### Short-term and Long-term Borrowings

The maturity profiles of the Group's bank and other borrowings outstanding as at 30 June 2003 and 31 December 2002 are summarized as follows:

	30 June 2003		31 December 2002	
	HK\$ million	%	HK\$ million	%
Within one year	222	63	223	58
In the second year	55	15	42	11
In the third to fifth year	78	22	122	31
Total	<b>355</b>	<b>100</b>	<b>387</b>	<b>100</b>

### Financial Management

#### Foreign Currency Risk

The Group has increased its renminbi financing to mitigate any potential exposure in its China projects where cashflows are denominated in that currency.

The denomination of the Group's bank and other borrowings outstanding as at 30 June 2003 and 31 December 2002 are summarized as follows:

	30 June 2003		31 December 2002	
	HK\$ million	%	HK\$ million	%
In HK\$	112	32	183	47
In RMB	243	68	204	53
Total	<b>355</b>	<b>100</b>	<b>387</b>	<b>100</b>

The increase in the proportion of renminbi borrowings was in line with the Group's additional business exposure in China and its financial policy to minimize exposure to currency risk.

#### Interest Rate Risk

The Group was exposed to changes in interest rate fluctuations to the extent that they affect the cost of funds for floating rate borrowings. As at 30 June 2003, about 32% of the Group's total borrowings were on a floating rate basis whilst the remaining 68% was fixed rate borrowings. In comparison, 47% of the borrowings were on floating rate and 53% on fixed rate as at 31 December 2002. The Group will continue to maintain a mixture of floating rate and fixed rate borrowings and take necessary actions to hedge against any foreseeable interest rate exposure, if necessary.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **FINANCIAL REVIEW** *(continued)*

#### **Pledge of Assets**

The Group's 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\$747 million (31 December 2002: HK\$605 million) and cash deposits of HK\$71 million (31 December 2002: HK\$122 million).

#### **Contingent Liabilities**

As at 30 June 2003, the Company issued guarantees to the extent of HK\$186 million (31 December 2002: HK\$271 million) of which HK\$185 million (31 December 2002: HK\$203 million) was utilized in respect of bank and other borrowings granted to its subsidiaries and HK\$1 million (31 December 2002: HK\$1 million) was utilized in respect of the lease of fixed assets taken up by a subsidiary.

#### **Acquisition of Interests in Subsidiaries and Associated Companies**

The Group entered into an agreement with China Travel Services Group on 13 January 2003 to acquire the remaining 35% shareholding in the Scenic Place project for a total consideration of HK\$64 million, thus increasing the Group's shareholding in the project from 65% to 100%. With the completion of the transaction on 18 July 2003, the Group is now able to exert full control over the project and to benefit from its entire financial performance. The acquisition is in line with the Group strategy to expand its property development activities in China.

### **PROSPECTS**

During the last two years, the Group continued with its strategy of growing and expanding business activities and investments in China in all three sectors: business parks, residential real estate development and technology services. As at 30 June 2003, about 89% or over HK\$2 billion worth of its total assets were domiciled in China.

The thrust of focusing on China will continue and the Group is now more well-positioned to tap on the huge growth potential. Despite being hit by SARS in the first half of 2003, China has continued to record robust economic growth. The Group expects to extract improved returns from its investments in China for the rest of this year and beyond. The Group's operating performance for the current financial year should improve with the expected completion of the two PRC residential projects by December 2003.

**CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2003**

	Note	Unaudited Six months ended 30 June	
		2003 HK\$'000	2002 HK\$'000
Turnover	2	<b>75,871</b>	279,890
Cost of sales		<b>(48,022)</b>	(226,501)
Direct operating expenses		<b>(39,341)</b>	(34,283)
Gross (loss)/profit		<b>(11,492)</b>	19,106
Other revenues		<b>1,964</b>	3,111
Provisions made for operations	3	<b>(10,326)</b>	–
Administrative expenses		<b>(22,330)</b>	(20,928)
Operating (loss)/profit	4	<b>(42,184)</b>	1,289
Finance costs		<b>(4,130)</b>	(14,208)
Share of results of associated companies		<b>2,350</b>	4,264
Share of results of a jointly controlled entity		<b>3,066</b>	(533)
Loss before taxation		<b>(40,898)</b>	(9,188)
Taxation	5	<b>5,222</b>	–
Loss after taxation		<b>(35,676)</b>	(9,188)
Minority interests		<b>1,935</b>	1,512
Loss attributable to shareholders		<b>(33,741)</b>	(7,676)
Basic loss per share	6	<b>(1.2) cents</b>	(0.4) cents

**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2003 AND 31 DECEMBER 2002**

	Note	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
<b>Non-current assets</b>			
Fixed assets	7	791,059	781,587
Intangible assets	7	107,297	112,241
Interests in associated companies		58,364	56,814
Interest in a jointly controlled entity		148,352	145,286
Investments in equity securities		16,847	16,847
Deferred tax assets		5,222	—
		<u>1,127,141</u>	<u>1,112,775</u>
<b>Current assets</b>			
Amount due from a related company		13,929	7,241
Properties held for sale		64,862	122,647
Properties under development		595,381	515,148
Inventories		189	184
Debtors, deposits and prepayments	8	408,094	368,819
Bank balances and cash		165,964	327,482
		<u>1,248,419</u>	<u>1,341,521</u>
<b>Current liabilities</b>			
Creditors and accruals	9	367,405	309,081
Bank and other borrowings	10	222,438	223,014
		<u>589,843</u>	<u>532,095</u>
<b>Net current assets</b>		<u>658,576</u>	<u>809,426</u>
<b>Total assets less current liabilities</b>		<u>1,785,717</u>	<u>1,922,201</u>
<b>Financed by:</b>			
Share capital	11	283,619	283,619
Reserves		1,229,317	1,265,782
<b>Shareholders' funds</b>		<u>1,512,936</u>	<u>1,549,401</u>
<b>Minority interests</b>		<u>140,609</u>	<u>208,691</u>
<b>Non-current liabilities</b>			
Bank and other borrowings	10	132,172	164,109
		<u>1,785,717</u>	<u>1,922,201</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2003**

	Unaudited							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2003	283,619	2,270,561	-	-	196	2,678	(1,007,653)	1,549,401
Exchange differences	-	-	-	-	-	(2,724)	-	(2,724)
Loss for the period	-	-	-	-	-	-	(33,741)	(33,741)
At 30 June 2003	<b>283,619</b>	<b>2,270,561</b>	<b>-</b>	<b>-</b>	<b>196</b>	<b>(46)</b>	<b>(1,041,394)</b>	<b>1,512,936</b>

	Unaudited							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2002	166,794	1,898,780	19,575	(126,694)	196	2,745	(740,634)	1,220,762
Issue of shares	116,825	373,841	-	-	-	-	-	490,666
Share issue expenses	-	(2,060)	-	-	-	-	-	(2,060)
Loss for the period	-	-	-	-	-	-	(7,676)	(7,676)
At 30 June 2002	<b>283,619</b>	<b>2,270,561</b>	<b>19,575</b>	<b>(126,694)</b>	<b>196</b>	<b>2,745</b>	<b>(748,310)</b>	<b>1,701,692</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2003**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Net cash (used in)/inflow from operating activities	<b>(44,352)</b>	120,378
Net cash (used in)/ inflow from investing activities	<b>(74,230)</b>	1,367
Net cash (used in)/inflow from financing	<b>(42,350)</b>	163,865
(Decrease)/Increase in cash and cash equivalents	<b>(160,932)</b>	285,610
Cash and cash equivalents at 1 January	<b>327,482</b>	124,025
Effect of foreign exchange rate changes	<b>(586)</b>	86
Cash and cash equivalents at 30 June	<b>165,964</b>	409,721
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>165,964</b>	410,897
Bank overdrafts	-	(1,176)
	<b>165,964</b>	409,721



## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

### 1 Basis of preparation and accounting policies

These unaudited consolidated condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

These condensed interim financial statements should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002 except that the Group has changed its accounting policies following its adoption of SSAP 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group's accounting policies and the effect of adopting this revised policy are set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entity, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively. Nevertheless, the adoption of the revised SSAP 12 has not resulted in any changes to the prior periods' net assets and results.

### 2 Segment information

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

The Group is organised into four main business segments:

Property – development, investment and management of properties

Business park – development and management of business parks

Infocomm technology – investment in info-communications and education projects, as well as provision of technology services

Other operations – infrastructure investment and securities investment

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### 2 Segment information (continued)

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 30 June 2003						Group HK\$'000
	Property HK\$'000	Business park HK\$'000	Infocomm technology HK\$'000	Other operations HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	
Turnover	<u>66,263</u>	<u>5,720</u>	<u>3,970</u>	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>75,871</u>
Segment results	<u>(12,205)</u>	<u>3,353</u>	<u>(11,448)</u>	<u>(165)</u>	<u>(21,719)</u>	<u>-</u>	<u>(42,184)</u>
			(Note)				
Finance costs							(4,130)
Share of results of associated companies	2,350	-	-	-	-	-	2,350
Share of results of a jointly controlled entity	-	-	-	3,066	-	-	3,066
Loss before taxation							(40,898)
Taxation							5,222
Loss after taxation							(35,676)
Minority interests							1,935
Loss attributable to shareholders							<u>(33,741)</u>

Note: The results include full six-month performance of Infocomm Technology Group which was acquired on 28 May 2002.

	Six months ended 30 June 2002						Group HK\$'000
	Property HK\$'000	Business park HK\$'000	Infocomm technology HK\$'000	Other operations HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	
Turnover	<u>267,089</u>	<u>6,419</u>	<u>6,248</u>	<u>134</u>	<u>-</u>	<u>-</u>	<u>279,890</u>
Segment results	<u>21,434</u>	<u>5,116</u>	<u>(788)</u>	<u>(751)</u>	<u>(23,722)</u>	<u>-</u>	1,289
Finance costs							(14,208)
Share of results of associated companies	4,554	-	(290)	-	-	-	4,264
Share of results of a jointly controlled entity	-	-	-	(533)	-	-	(533)
Loss before taxation							(9,188)
Taxation							-
Loss after taxation							(9,188)
Minority interests							1,512
Loss attributable to shareholders							<u>(7,676)</u>

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### 2 Segment information (continued)

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

Hong Kong – property investment, development and management, investment in info-communications and education projects, provision of technology services, as well as securities investment

China – property investment, development and management, development and management of business parks, investment in info-communications and education projects, provision of technology services, as well as infrastructure investment

An analysis of the Group's turnover and contribution to operating (loss)/profit for the period by geographical segments is as follows:

	Turnover		Operating (loss)/profit	
	Six months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	66,275	267,681	(29,541)	(1,035)
China	9,596	12,209	(12,643)	2,324
	<b>75,871</b>	<b>279,890</b>	<b>(42,184)</b>	<b>1,289</b>

Sales are based on the country in which the customer is located. There are no sales between the segments.

### 3 Provisions made for operations

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Provisions made/(written back) in relation to:		
Property projects	10,571	–
Fixed assets	(15)	–
Inventories	(90)	–
Doubtful debts	(140)	–
	<b>10,326</b>	<b>–</b>

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### 4 Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the following:

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
<b>Crediting</b>		
Rental income from		
– investment properties		
Gross income	<b>5,638</b>	6,419
Less: direct outgoings	<b>(514)</b>	(850)
	<b>5,124</b>	5,569
– properties held for sale	<b>273</b>	1,967
Realisation of negative goodwill	<b>172</b>	–
	<b>4,396</b>	3,308
<b>Charging</b>		
Depreciation of fixed assets	<b>(84)</b>	–
Less: amounts capitalised to properties under construction	<b>(898)</b>	(861)
amounts capitalised to properties under development		
	<b>3,414</b>	2,447
Amortisation of goodwill	<b>3,135</b>	580
Operating lease rentals in respect of land and buildings	<b>2,585</b>	1,812
Staff costs (including directors' remuneration)	<b>24,574</b>	19,889
Retirement benefit costs	<b>181</b>	179

### 5 Taxation

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

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Deferred taxation	<b>5,222</b>	–

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the period (2002: nil).

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### 6 Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$33,741,000 (2002: HK\$7,676,000).

The basic loss per share is based on the weighted average of 2,836,188,944 (2002: 1,887,386,413) ordinary shares in issue during the period. Diluted loss per share is not shown as there were no dilutive potential ordinary shares.

### 7 Capital expenditure

	Goodwill HK\$'000	Negative goodwill HK\$'000	Total intangible assets HK\$'000	Fixed assets HK\$'000
Net book value at 1 January 2003	112,241	–	112,241	781,587
Exchange difference	–	–	–	(741)
Acquisition of subsidiaries	–	(1,981)	(1,981)	–
Additions	–	–	–	14,680
Disposals	–	–	–	(71)
Depreciation	–	–	–	(4,396)
Amortisation	(3,135)	–	(3,135)	–
Realisation	–	172	172	–
	<u>–</u>	<u>172</u>	<u>172</u>	<u>–</u>
Net book value at 30 June 2003	<u>109,106</u>	<u>(1,809)</u>	<u>107,297</u>	<u>791,059</u>

### 8 Debtors, deposits and prepayments

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

	Within 3 months HK\$'000	3 months to 6 months HK\$'000	Over 6 months HK\$'000	Total HK\$'000
Balance at 30 June 2003	<u>690</u>	<u>75</u>	<u>–</u>	<u>765</u>
Balance at 31 December 2002	<u>690</u>	<u>485</u>	<u>17</u>	<u>1,192</u>

Trade debtors represent considerations in respect of sold properties, rental receivables and receivables from sales of goods.

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. For sales of goods, the Group granted credit terms to each customer ranging from 60 to 120 days.

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### 9 Creditors and accruals

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

	Within 3 months HK\$'000	3 months to 12 months HK\$'000	Total HK\$'000
Balance at 30 June 2003	<u>93,899</u>	<u>72,413</u>	<u>166,312</u>
Balance at 31 December 2002	<u>62,046</u>	<u>88,944</u>	<u>150,990</u>

### 10 Bank and other borrowings

	Bank loans and overdrafts		Other loans	
	30 June 2003 HK\$'000	31 December 2002 HK\$'000	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Secured	335,610	368,123	9,000	9,000
Unsecured	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
	<b>345,610</b>	378,123	<b>9,000</b>	9,000
Current portion of bank and other borrowings	<u>(213,438)</u>	<u>(214,014)</u>	<u>(9,000)</u>	<u>(9,000)</u>
	<b>132,172</b>	<u>164,109</u>	<u>-</u>	<u>-</u>

At 30 June 2003, the Group's bank loans, overdrafts and other loans were repayable as follows:

	Bank loans and overdrafts		Other loans	
	30 June 2003 HK\$'000	31 December 2002 HK\$'000	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Within one year	213,438	214,014	9,000	9,000
In the second year	54,472	42,009	-	-
In the third to fifth year	<u>77,700</u>	<u>122,100</u>	<u>-</u>	<u>-</u>
	<b>345,610</b>	<u>378,123</u>	<b>9,000</b>	<u>9,000</u>

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### 11 Share capital

	<b>Authorised</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
At 30 June 2003 and 31 December 2002	10,000,000,000	1,000,000
	<b>Issued and fully paid</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
At 30 June 2003 and 31 December 2002	2,836,188,944	283,619

By an ordinary resolution passed at the annual general meeting of the Company on 20 May 2003, the then existing share option scheme of the Company was terminated and a new share option scheme was adopted. No options have been granted since its adoption under the new share option scheme.

### 12 Contingent liabilities

At 30 June 2003, the Company issued guarantees to the extent of HK\$186,034,000 (31 December 2002: HK\$271,378,000) of which HK\$184,953,000 (31 December 2002: HK\$202,791,000) was utilised in respect of bank and other borrowings granted to its subsidiaries and HK\$1,081,000 (31 December 2002: HK\$1,470,000) was utilised in respect of the lease of fixed assets taken up by a subsidiary.

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

### 13 Commitments

#### (a) Capital commitments

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
Contracted but not provided for		
– Investment in equity securities	9,375	9,423
– Purchase of property, plant and equipment	192,507	32,329
	<b>201,882</b>	41,752

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### 13 Commitments (continued)

#### (b) Commitments under operating leases

At 30 June 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Others	
	30 June 2003 HK\$'000	31 December 2002 HK\$'000	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Not later than one year	3,719	6,204	289	192
Later than one year and not later than five years	56	1,013	35	106
	<b>3,775</b>	<b>7,217</b>	<b>324</b>	<b>298</b>

#### (c) Future minimum rental payments receivable

At 30 June 2003, the Group had future minimum rental payments receivable under non-cancellable leases in respect of land and buildings as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Not later than one year	12,818	12,085
Later than one year and not later than five years	9,196	9,632
	<b>22,014</b>	<b>21,717</b>

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



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**INDEPENDENT REVIEW REPORT  
TO THE BOARD OF DIRECTORS OF VISION CENTURY CORPORATION LIMITED**  
*(Incorporated in Bermuda with limited liability)*

## **Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 11 to 22.

## **Respective responsibilities of directors and auditors**

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **Review work performed**

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

## **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 2 September 2003

## SUPPLEMENTARY INFORMATION

### EMPLOYEE INFORMATION

As at 30 June 2003, the Company and its subsidiaries had 419 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include Mandatory Provident Fund, insurance and medical cover, subsidised educational and training programmes as well as a share option scheme.

### DIRECTORS' INTERESTS

#### (a) Interests and short positions in shares, underlying shares and debentures of the Company

As at 30 June 2003, the interests and short positions of the directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Name of Director	No. of shares in the Company
Jiang Xiaoming, Simon	158,884,553
Kuan Michael Chao	28,329,430
Chan Wing Ming, Charles	5,789,485
Lai Seck Khui	1,157,897
Chong Siak Ching	1,157,897

#### (b) Interests in options to subscribe for the Company's shares

At the annual general meeting of the Company held on 20 May 2003, the shareholders approved the adoption of new share option scheme (the "New Share Option Scheme") which is in compliance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and termination of the share option scheme adopted by the Company on 10 January 2000. Prior to its termination, no option had been granted, exercised or remained outstanding.

The New Share Option Scheme was adopted to attract, retain and motivate talented employees and directors of the Company and its subsidiaries to strive towards long term performance targets set by the Company and its subsidiaries and at the same time to allow the participants to enjoy the results of the Company attained through their efforts and contributions. During the period, no share option has been granted under the New Share Option Scheme since its adoption.

## SUPPLEMENTARY INFORMATION *(continued)*

### DIRECTORS' INTERESTS *(continued)*

Save as disclosed above, at no time during the period was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in shares or underlying shares in, or debentures of, the Company or any other body corporate, and none of the directors nor chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for shares of the Company.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

The following persons and corporations were recorded in the register of substantial shareholders kept by the Company under Section 336 of the SFO or had notified the Company as having an interest of 5% or more of the issued share capital of the Company as at 30 June 2003:—

Name of Shareholder	Note	No. of Shares		Percentage of shareholding
		Direct Interest	Deemed Interest	
Vision Century Limited ("VCL")		1,566,891,340	—	55.24
Ascendas Pte Ltd ("Ascendas")	1	—	1,566,891,340	55.24
Fraser and Neave Limited ("F&N")	1	—	1,566,891,340	55.24
Ng Poh Meng ("Mr. Ng")	2	34,764,697	177,890,551	6.27
Ng Lee Ngo ("Mrs. Ng")	3	11,578,969	177,890,551	6.27
Jiang Xiaoming, Simon		158,884,553	—	5.6

## SUPPLEMENTARY INFORMATION *(continued)*

### SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Note : (1) VCL is owned as to 50% respectively by each of Ascendas and F&N. Pursuant to SFO, Ascendas and F&N were deemed to be interested in the 1,566,891,340 shares held by VCL due to their 50% interest in VCL respectively.

(2) Mr. Ng Poh Meng is a substantial shareholder of the Company through the following persons and companies:

	No. of Shares
(a) Ng Poh Meng	34,764,697
(b) Ng Lee Ngo	11,578,969
(c) Newmark Capital Holdings Limited ("Newmark")	125,757,400
(d) Global Capital Ventures Limited ("Global")	5,789,485

Mr. Ng owned the entire issued share capital of Newmark and Global therefore the corporate interest in the Company were all deemed to be interested by Mr. Ng. Besides, Mr. Ng was also deemed to be interested of his spouse – Mrs. Ng's shares in the Company.

(3) Mrs. Ng is holding shares representing 50% of the entire issued share capital of Newmark in trust for Mr. Ng; and Mrs. Ng is otherwise not interested in the shares of Newmark.

Save as disclosed above, no person or corporation had any interest in the shares of the Company as recorded in the register required to be kept under Part XV of the SFO as having an interest in 5% or more of the issued shares of the Company.

### INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2003.

**SUPPLEMENTARY INFORMATION** *(continued)*

**AUDIT COMMITTEE**

The Audit Committee of the Company, comprises three Independent Non-Executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Alan Howard Smith J.P. and Ms. Wang Poey Foon, Angela, and a Non-Executive Director, Dr. Han Cheng Fong.

The Audit Committee has reviewed with the management and PricewaterhouseCoopers the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim report for the six months ended 30 June 2003.

**COMPLIANCE WITH CODE OF BEST PRACTICE OF THE LISTING RULES**

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board  
**Vision Century Corporation Limited**  
**Ang Ah Lay**  
*Managing Director*

Hong Kong, 2 September 2003