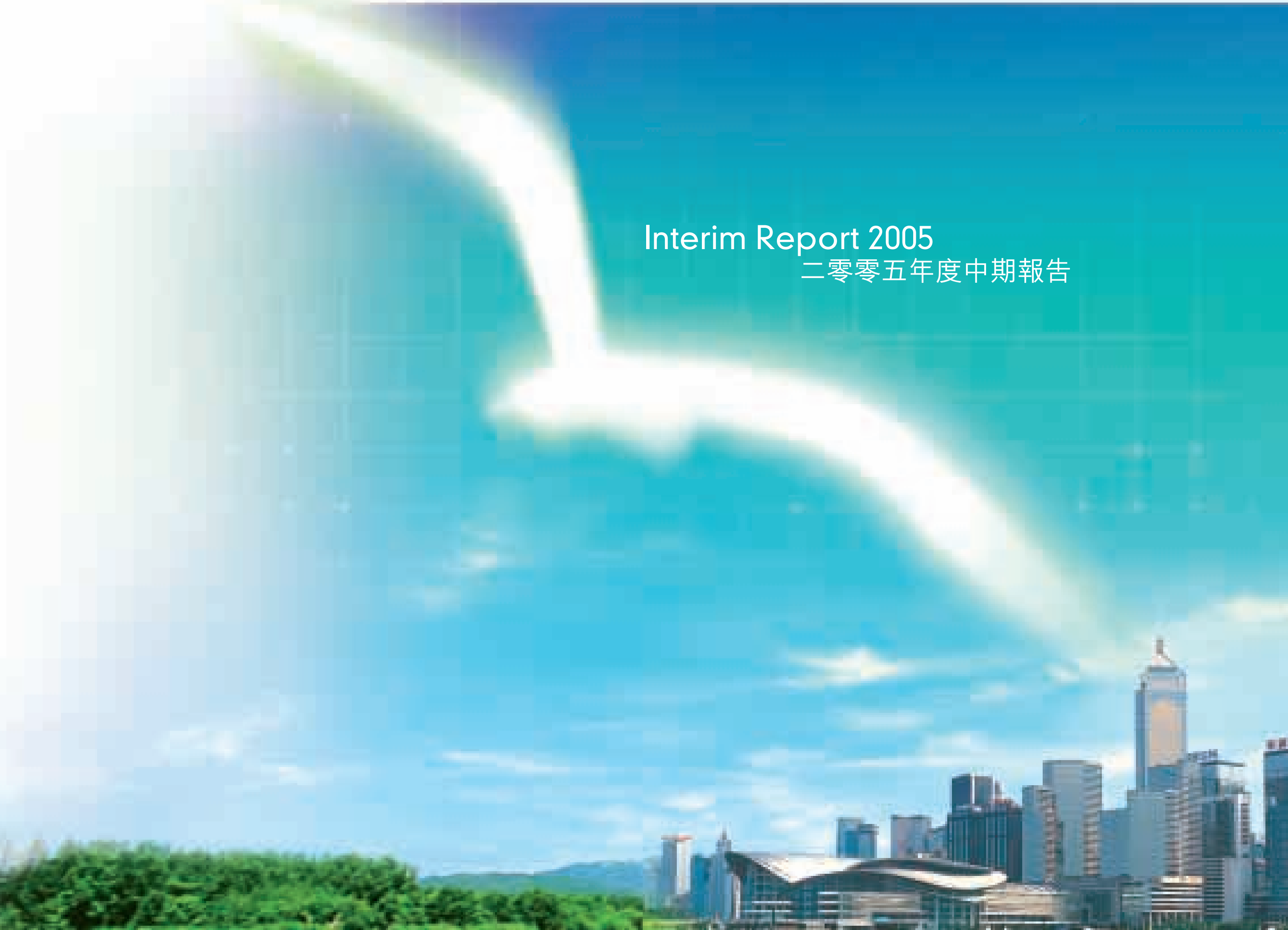
Vision Century Corporation

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)



Interim Report 2005
二零零五年度中期報告

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Ang Ah Lay *(Chief Executive Officer)*

Non-executive Directors

Dr. Han Cheng Fong *(Chairman)*
Ms. Chong Siak Ching *(Deputy Chairman)*
Mr. Lew Syn Pau
Mr. Goh Yong Chian, Patrick
Ms. Wang Poey Foon, Angela
Mr. Hui Choon Kit *(Alternate to Dr. Han Cheng Fong)*
Mr. Goh Kok Huat *(Alternate to Ms. Chong Siak Ching)*
Mr. Goh Toh Sim *(Alternate to Mr. Lew Syn Pau)*

Independent Non-executive Directors

Mr. Alan Howard Smith, *J.P.* *(Deputy Chairman)*
Mr. Kwong Che Keung, Gordon
Mr. Hui Chiu Chung, *J.P.*

EXECUTIVE COMMITTEE

Dr. Han Cheng Fong *(Chairman)*
Ms. Chong Siak Ching
Mr. Goh Yong Chian, Patrick
Mr. Goh Kok Huat
Mr. Ang Ah Lay

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*
Mr. Alan Howard Smith, *J.P.*
Mr. Goh Yong Chian, Patrick
Mr. Hui Chiu Chung, *J.P.*

REMUNERATION COMMITTEE

Mr. Alan Howard Smith, *J.P.* *(Chairman)*
Dr. Han Cheng Fong
Mr. Lew Syn Pau

COMPANY SECRETARY

Mr. Chan Tin Wai, David

QUALIFIED ACCOUNTANT

Mr. Chan Tin Wai, David

AUDITORS

PricewaterhouseCoopers
22/F Prince's Building
Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 2806-2811, 28/F
Shell Tower
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Standard Registrars Limited
28/F BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

COMPANY WEBSITE

http://www.visioncentury.com.hk

STOCK CODE

00535

Management Discussion and Analysis

OVERVIEW

The improved results of Vision Century Corporation Limited ("the Company") and its subsidiaries (together, "the Group") for the six months ended 30 June 2005 ("1H2005") were delivered within the positive operating environments in mainland China and Hong Kong. The 1H2005 results also reflected the cumulative benefit accruing from the changes and reforms implemented during the past two years to streamline and rationalize the Group's asset base, particularly the orderly execution of the restructuring and repositioning process. With the completion of the divestment of all the major non-core and non-performing assets and activities, including the entire range of the loss-making information/communication technology business and the power plant in Wuhu, China, the Group's core business has become property development, investment and management, effective from the current year.

With the completion of all its development projects, the foremost priority during 1H2005 was to grow recurring income from trading and investment properties while managing costs to realize higher operational efficiency. Consistent with this strategy, the construction of the first of two parts of phase 2 of Vision Shenzhen Business Park started in March 2005. When construction is completed in January 2006, Vision Shenzhen Business Park will add another 45,500 sm to yield recurring rental income, expanding the Group's existing portfolio of about 55,000 sm of business park office space.

To boost future income from trading properties, the Group entered into a conditional sale and purchase agreement on 14 July 2005 to acquire a 54.8%-interest in Supreme Asia Investments Limited, whose fully-owned subsidiary holds a development site of over 71 hectares located in the Song Jiang District, Shanghai, for a total consideration of HK$328 million, which will be fully satisfied by the issue and allotment by the Company of a total of about 1,725.5 million new ordinary shares of HK10 cents each in the share capital of the Company at the issue price of HK19 cents per share. The acquisition constitutes a connected transaction under the Listing Rules Governing the Listing Securities of the Stock Exchange of Hong Kong Limited. The transaction is expected to be completed by 30 September 2005, subject to the requisite approvals from the shareholders of the Company at a special general meeting to be held on 15 September 2005. Full details of this transaction are set out in the circular to the shareholders dated 22 August 2005.

The Group will continue to seek out new real estate investment opportunities in mainland China and Hong Kong so as to build a sustainable stream of earnings. With China as one of the world's fastest growing economies, the Group believes that there is still huge growth potential in the real estate sector and that its investment focus there is the right strategy. While pursuing these opportunities, the Group will remain vigilant to the risk and uncertainty inherent in the market place and be guided by prudent commercial principles that aim to deliver an appropriate risk-adjusted return.

Management Discussion and Analysis *(continued)*

REVIEW OF OPERATIONS

The operational priority during 1H2005 was to optimize resources and to streamline operations and organizational structures so as to improve performance. Higher yields were extracted from existing assets, both those held for investment and trading income. In this context, the Group aggressively secured tenancies for Vision International Centre in Beijing and by 30 June 2005, barely nine months after its completion, the building was over 90% committed to tenants. Likewise, the business park (phase 1) in Shenzhen continued to enjoy high occupancy while more apartments in the completed residential projects in Beijing and Dalian were sold.

The Group realized operational efficiency by controlling costs and managing and allocating human resources to activities with the potential to generate returns. Reflecting the success of the steps taken, savings were realized across the board, with operating profit margins rising to 24% for 1H2005, up from 8% of the previous corresponding period.

Business park sector

Vision Shenzhen Business Park

Vision Shenzhen Business Park continued during 1H2005 to provide a consistently high quality of international standard of value-added services to its tenants. This has differentiated VSBP from its numerous competitors within the Shenzhen High-tech Industrial Park and throughout Shenzhen. Vision Shenzhen Business Park has become a location of choice for businesses, which require a well-maintained physical environment backed by reliable quality services. In this context, the average occupancy of phase 1 during 1H2005 was a robust 95%, up from 88% during 1H2004. Besides, the profile and mix of tenants were upgraded to reflect a higher proportion of international and quality domestic organizations. However, as phase 1 enters its fifth year of operation, maintenance and upgrading works will have to be undertaken to ensure that the property retains its competitive edge.

The construction of the first part of phase 2 of Vision Shenzhen Business Park, comprising two blocks of office space and an amenity center (with a combined gross floor area of 45,500 sm) started in March 2005 and is scheduled for completion in January 2006. Already, initial marketing to secure tenants for the space under construction has commenced. The Group is reviewing the plans for the development of the remaining part of the phase 2 site and, if appropriate, will submit such plans to obtain the necessary approvals to commence construction of another 75,000 sm. Concurrently, revisions to the master plan for the phase 3 site are being undertaken by the consultants. The phase 3 site covers a land area of about 254,000 sm, with a developable gross floor area of over 400,000 sm. The Group remains fully committed to develop the whole of the Shenzhen site and hopes that the current acceleration of the pace of the development to catch up with the missed deadlines will help persuade the Shenzhen authorities to extend the construction deadline to beyond 31 December 2005.

Vision International Centre, Beijing

Vision International Centre, the Group's joint venture project with Tsinghua Science Park Co., Ltd., a subsidiary of the prestigious Tsinghua University in Beijing, is a 13-storey high quality and state-of-the-art business park facility located within the Tsinghua Science Park in Zhongguancun, Haidian District, Beijing.

Completed in September 2004, this facility offers a gross floor area of about 33,000 sm fully wired-up space, suitable to multi-national corporations 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.

As at 30 June 2005, Vision International Centre achieved a committed occupancy rate of over 90%, with high profile tenants such as SOHU.com, Juniper Networks, Sun Microsystems and Starbucks. The building offers an international standard of property management, with a comprehensive range of value-added services and amenities to all its occupants. Despite being a recent addition, Vision International Centre has quickly established itself as a landmark building synonymous with quality and prestige.

Real estate development

Property projects in China

Scenic Place, Beijing

Scenic Place is a high-rise residential development in XuanWu District, Beijing. It is sited between the West Second Ring Road and the West Third Ring Road. The already completed phase 1 of the development has a total gross floor area of 85,500 sm, comprising 3 blocks of 788 furnished and bare-shell flats in various sizes, from 70 sm to 147 sm. As at 30 June 2005, 758 flats, representing over 96% of the total available, had been sold. Over 739 flats had been handed over to purchasers for occupation.

Since the implementation of new regulations promulgated by the Beijing Land Bureau effective on 1 August 2004, the Group has been unable to proceed with the development of the remaining undeveloped site of Scenic Place. It is understood that the authorities have started preparation works prior to holding a mandatory public auction for the sale of this site in compliance with the new regulations. According to the government sources, the auction is expected to occur during the later part of 2005. The Group, subject to financial feasibility, may participate in this auction to repossess the site. Meanwhile, the Group has commenced the legal process to claim for the refund of the advance payments already made for the site in accordance to the terms and conditions of the agreements entered into in 1998 relating to its acquisition. The Group will continue to pursue all feasible options so as to reach an early optimal outcome.

Management Discussion and Analysis *(continued)*

The Ninth ZhongShan, Dalian

The Ninth ZhongShan, a twin-tower development, one 30-storey and the other 32-storey, is superbly located at the core of the central business district of Dalian and offers panoramic views of the city and its coastline. In response to the strong demand for smaller 1-bedroom apartments, some reconfiguration of the floor area of certain floors was undertaken during the period to create more such apartments. This exercise raised the number of available apartments from 432 to 439. As at 30 June 2005, 209 apartments, representing over 47% of the total were sold. With the introduction of several government measures, starting in March 2005 to crackdown on soaring housing prices and rampant speculation, the rate of sale of apartments slowed during May and June 2005. However, the Group expects that buyers will soon regain confidence and interest in the project, given its prime location, quality construction and attraction of a well-equipped and professionally-managed clubhouse.

Completed apartments in Hong Kong

The strong growth of the Hong Kong economy in 2004 continued into the first six months of 2005 and the Group sold three apartments at Elite Court in Sai Ying Pun at higher than expected prices. As at 30 June 2005, the Group held only one apartment in Elite Court. Meanwhile, the Group continued to hold the 133 car parking spaces at the Greenery Place in Yuen Long, having failed to secure any offer in a public tender conducted in March 2005.

FINANCIAL REVIEW

The Group posted a profit attributable to shareholders of HK$46 million for 1H2005, recovering from a restated loss attributable to shareholders of HK$8 million for the corresponding period in 2004. On a per-share basis, the Group recorded a profit of HK1.62 cents.

The accounting policies and methods of computation used in the preparation of the financial statements for 1H2005 were consistent with those used in the annual financial statements for the year ended 31 December 2004, except that the Group has changed certain of its accounting policies following the adoption of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards effective for accounting periods which commenced on or after 1 January 2005. Accordingly, the original profit of HK$0.4 million for 1H2004 had been restated to a loss of HK$8 million.

The improved results in 1H2005 was attributable to the higher operating profit margins realized from the sale of the Group's residential property projects in mainland China and Hong Kong, reduced operating expenses and the write-back of the provisions for impairment in the value of assets to reflect change in circumstances.

Review of overall performance

1H2005 turnover fell by 30% to HK$132 million, down from HK$189 million in 1H2004. The fall in turnover was primarily due to reduced sales realized from the completed projects, partially offset by the substantial increase in rental income as a result of the maiden contribution from Vision International Centre, Beijing.

Gross profit amounted to HK$32 million for 1H2005, compared to HK$15 million in 1H2004. The improved results were attributable to the robust profit contributions from the Group's residential projects in mainland China and, to a lesser extent, the cessation of losses incurred by the information technology business sector upon its divestment on 30 June 2004. During the period, certain provisions were written-back, including one amounting to HK$35 million relating to phase 2A of Vision Shenzhen Business Park following its commencement of development in March 2005 and another to a contractual claim in which HK$8 million was recovered in cash.

Finance costs rose to HK$13 million from HK$9 million primarily due to the lesser amounts capitalized, following the completion of the Group's properties under development. Total borrowings decreased by HK$58 million, from HK$532 million as at 31 December 2004 to HK$474 million as at 30 June 2005. The repayment of borrowings was made primarily with the proceeds realized from the sale of completed residential properties.

Business segments

Property

The property segment continued to be the key contributor to the Group's revenue during the period under review. 1H2005 turnover of the property segment was HK$110 million or 83% of the total turnover, compared to HK$177 million or 94% of the total turnover for 1H2004. Of the HK$110 million turnover, HK$103 million was contributed by the sale of apartments of two trading properties, Scenic Place (phase 1), Beijing and The Ninth ZhongShan, Dalian.

Business park

The turnover generated by the business park segment registered a more than three-fold jump, from HK$7 million in 1H2004 to HK$22 million in 1H2005, as a result of the contribution from Vision International Centre, Beijing, which was completed and became income-generating in the fourth quarter of 2004. With an average occupancy of 63.4%, Vision International Centre contributed HK$15 million to the Group's turnover during the 1H2005. Phase 1 of Vision Shenzhen Business Park continued to provide a stable income stream to the Group with a turnover of HK$7 million during 1H2005.

Geographical markets

Hong Kong

During the period under review, the turnover derived from Hong Kong dropped considerably to HK$7 million (6% of total turnover) from HK$66 million (35% of total turnover) in the corresponding period in 2004. The reduced contribution from Hong Kong reflected the depleting stock of completed apartments in the trading portfolio held for sale in Hong Kong.

Mainland China

1H2005 turnover earned from the operations in mainland China amounted to HK$125 million (94% of total turnover) compared to HK$123 million (65% of total turnover) in 1H2004. The turnover comprised mainly the sales realized from the two trading development properties, namely Scenic Place (phase 1), Beijing and The Ninth ZhongShan, Dalian.

With only a single apartment left for sale in Hong Kong, the Group's future turnover and earnings will be driven almost solely from operations in mainland China. This is consistent with the Group's current strategy of shifting its investment focus and resources to take advantage of the attractive business opportunities there.

Assets

The value of the Group's total assets decreased marginally by 4% to HK$1,432 million as at 30 June 2005 compared to HK$1,485 million as at 31 December 2004.

Assets held under the property segment amounted to HK$675 million (47% of total assets) as at 30 June 2005 compared to HK$811 million (55% of total assets) as at 31 December 2004. The reduction was caused by the decline in the inventory of completed apartments held for sale. Assets held under the business park segment increased to HK$628 million as at 30 June 2005 from HK$536 million as at 31 December 2004, to reflect the capitalized development costs and the write-back of the provision in relation to the impairment of the value of phase 2A of Vision Shenzhen Business Park. The assets held by the other segments amounted to HK$129 million, which constituted only 9% of the Group's total assets.

Total assets held in mainland China amounted to HK$1,287 million as at 30 June 2005, representing 90% of the Group's total assets compared to 89% as at 31 December 2004.

Shareholders' funds

The Group's total shareholders' funds increased marginally by 7% from HK$665 million (restated) as at 31 December 2004 to HK$712 million as at 30 June 2005. On a per-share basis, the consolidated net asset value of the Group as at 30 June 2005 increased to HK25.1 cents, compared to HK23.4 cents as at 31 December 2004. The total shareholders' funds were 50% of the total assets of HK$1,432 million as at 30 June 2005.

Financial resources, liquidity and capital structure

Liquidity and capital resources

The Group's total borrowings decreased by 11% to HK$474 million as at 30 June 2005 from HK$532 million as at 31 December 2004. In tandem with the reduced borrowings, the Group's gearing ratio strengthened to 67% as at 30 June 2005, from 80% as at 31 December 2004.

The Group's cash and bank balances decreased by 8% to HK$234 million as at 30 June 2005 from HK$255 million as at 31 December 2004.

Short-term and long-term borrowings

The maturity profiles of the Group's bank and other borrowings outstanding as at 30 June 2005 and 31 December 2004 are summarized as follows:

	30 June 2005		31 December 2004	
	HK$ million	**%**	*HK$ million*	%
Within one year	**326**	**69**	400	75
In the second year	**–**	**–**	–	–
In the third to fifth year	**148**	**31**	132	25
Total	**474**	**100**	532	100

Management Discussion and Analysis *(continued)*

Financial management

Foreign currency risk

To help balance the finance costs and currency risk, the Group reduced both Hong Kong dollar borrowings and renminbi borrowings during the period under review. The Group did not hedge exchange rate fluctuation between the renminbi and Hong Kong dollar, since most of the borrowings was matched by assets denominated in renminbi and the risk exposure was considered minimal.

The currency denominations of the Group's bank borrowings outstanding as at 30 June 2005 and 31 December 2004 are summarized as follows:

	30 June 2005		31 December 2004	
	HK$ million	**%**	*HK$ million*	%
In HK$	**142**	**30**	198	37
In RMB	**332**	**70**	334	63
Total	**474**	**100**	532	100

Interest rate risk

The Group was exposed to changes in interest rate fluctuations to the extent that they affected the cost of funds for floating rate borrowings. As at 30 June 2005, about 30% of the Group's total borrowings were on a floating rate basis whilst the remaining 70% were on fixed rate basis. In comparison, 37% of the borrowings were on floating rate and 63% on fixed rate as at 31 December 2004. The Group would continue to maintain a mix of floating rate and fixed rate borrowings and take actions to hedge against any foreseeable interest rate exposure, if necessary.

Following the revaluation of renminbi on 21 July 2005, the Group's borrowings would be increased in their Hong Kong dollar equivalent. Nevertheless, the adverse impact would be more than offset by the appreciation of the Group's renminbi-denominated assets in their Hong Kong dollar equivalent.

Pledge of assets

As at 30 June 2005, the Group's bank borrowings were secured by certain investment properties, completed properties held for sale, properties held for development and properties under development with carrying values of HK$756 million (31 December 2004: HK$813 million) and cash deposits of HK$111 million (31 December 2004: HK$106 million).

Contingent liabilities

As at 30 June 2005, the Company issued guarantees to the extent of HK$233 million (31 December 2004: HK$358 million) of which HK$221 million (31 December 2004: HK$324 million) was utilized in respect of bank borrowings granted to its subsidiaries.

PROSPECTS

As in the first half, the results of the rest of 2005 will continue to be driven predominantly by the performance of the Group's portfolio of two completed residential developments and two rent-yielding business park developments in mainland China. Although the recently introduced government measures may dampen the demand for housing units, especially with the continued concerns arising from the credit-tightening measures, the overall outlook for the rest of the year remains positive.

Subject to shareholders' and regulatory approvals, the Group expects to complete the acquisition of the Song Jiang property in September 2005. With the development of the first phase scheduled to start in 2006, this project is expected to help build long-term profitable growth in 2006 and beyond. The completion of this acquisition will also strengthen the Group's financial position and recapitalize it to better meet future challenges and respond to opportunities.

The Group's gross profit for the current financial year is expected to improve with the recognition of revenue from the two residential projects and the full year's rental income contribution from the office building in Beijing.

Consolidated Income Statement

For the six months ended 30 June 2005

	Note	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000 Restated
Turnover	4	**132,418**	189,112
Cost of sales		**(78,810)**	(134,647)
Direct operating expenses		**(21,731)**	(39,074)
Gross profit		**31,877**	15,391
Other revenues	4	**2,279**	1,616
Provisions written back/(made)	5	**42,119**	(8,378)
Administrative expenses		**(12,948)**	(13,884)
Gain on sale of discontinuing operation		**–**	6,385
Operating profit	6	**63,327**	1,130
Finance costs	7	**(12,597)**	(8,502)
Share of results of associated companies		**(17)**	590
Share of results of a jointly controlled entity		**–**	(3,920)
Profit/(loss) before income tax		**50,713**	(10,702)
Income tax (expense)/credit	8	**(1,710)**	688
Profit/(loss) for the period		**49,003**	(10,014)
Attributable to:			
Equity holders of the Company		**45,948**	(7,720)
Minority interests		**3,055**	(2,294)
		49,003	(10,014)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the period – basic (HK cents)	9	**1.62**	(0.27)

Consolidated Balance Sheet

As at 30 June 2005

	Note	As at 30 June 2005 HK$'000 Unaudited	31 December 2004 HK$'000 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**35,295**	15,618
Investment properties	*10*	**492,471**	492,471
Land use rights	*10*	**40,823**	16,316
Intangible assets	*10*	**–**	(1,033)
Interests in associated companies		**176**	193
Investments in equity securities*	*11*	**–**	16,387
Available-for-sale financial assets*	*12*	**16,387**	–
Deferred income tax assets		**1,212**	4,862
		586,364	544,814
Current assets			
Properties held for sale		**235,320**	310,994
Properties under development		**19,429**	19,374
Debtors, deposits and prepayments	*13*	**357,141**	354,902
Bank balances and cash		**233,947**	254,901
		845,837	940,171
Total assets		**1,432,201**	1,484,985

* *Reclassification in accordance with the Hong Kong Accounting Standard 32 – Financial Instruments: Disclosures and Presentation.*

Consolidated Balance Sheet *(continued)*

As at 30 June 2005

	Note	As at 30 June 2005 HK$'000 Unaudited	31 December 2004 HK$'000 Restated
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**283,619**	283,619
Reserves	15	**428,335**	380,973
		711,954	664,592
Minority interests		**87,695**	84,142
Total equity		**799,649**	748,734
LIABILITIES			
Non-current liabilities			
Bank borrowings	17	**147,619**	131,915
Deferred income tax liabilities		**1,448**	3,938
		149,067	135,853
Current liabilities			
Creditors and accruals	16	**157,285**	200,187
Bank borrowings	17	**326,200**	400,211
		483,485	600,398
Total liabilities		**632,552**	736,251
Total equity and liabilities		**1,432,201**	1,484,985
Net current assets		**362,352**	339,773
Total assets less current liabilities		**948,716**	884,587

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital HK$'000	**Other reserves** HK$'000	**Accumulated losses** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
Balance at 1 January 2004, as previously reported as equity	283,619	2,271,180	(1,853,756)	–	701,043
Balance at 1 January 2004, as previously reported as minority interests	–	–	–	94,926	94,926
Effect of changes in accounting policies *(Note 2(a))*	–	1	(52,818)	(1,473)	(54,290)
Balance at 1 January 2004, as restated	283,619	2,271,181	(1,906,574)	93,453	741,679
Currency translation differences	–	1,089	–	235	1,324
Loss for the period	–	–	(7,720)	(2,294)	(10,014)
Share-based compensation expenses	–	212	–	–	212
Disposal of subsidiaries	–	–	–	(21,623)	(21,623)
Balance at 30 June 2004	283,619	2,272,482	(1,914,294)	69,771	711,578
Balance at 1 January 2005, as previously reported as equity	**283,619**	**2,274,475**	**(1,837,358)**	**–**	**720,736**
Balance at 1 January 2005, as previously reported as minority interests	**–**	**–**	**–**	**85,867**	**85,867**
Effect of changes in accounting policies *(Note 2(a))*	**–**	**(1,406)**	**(53,705)**	**(1,725)**	**(56,836)**
Balance at 1 January 2005, as restated	**283,619**	**2,273,069**	**(1,891,063)**	**84,142**	**749,767**
Currency translation differences	**–**	**(121)**	**–**	**(94)**	**(215)**
Profit for the period	**–**	**–**	**45,948**	**3,055**	**49,003**
Share-based compensation expenses	**–**	**502**	**–**	**–**	**502**
Advance from minority shareholders	**–**	**–**	**–**	**592**	**592**
Balance at 30 June 2005	**283,619**	**2,273,450**	**(1,845,115)**	**87,695**	**799,649**

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	Unaudited	
	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**56,908**	(39,205)
Net cash used in investing activities	**(10,515)**	(75,848)
Net cash (used in)/generated from financing activities	**(67,848)**	227,833
Net (decrease)/increase in cash and cash equivalents	**(21,455)**	112,780
Cash and cash equivalents at 1 January	**254,901**	251,384
Effect of foreign exchange rate changes	**501**	2,073
Cash and cash equivalents at 30 June	**233,947**	366,237
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**233,947**	380,685
Bank overdrafts	**–**	(14,448)
	233,947	366,237

1 Basis of preparation and accounting policies

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2004.

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards (collectively "new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2 Changes in accounting policies

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets

Notes to the Condensed Consolidated Financial Information *(continued)*

2 Changes in accounting policies *(continued)*

(a) ***Effect of adopting new HKFRS*** *(continued)*

HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33 and 36 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 21, 23, 27, 28, 33 and 36 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment under development to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the land use rights were accounted for at cost less accumulated impairment loss.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options did not result in an expense in the income statement. Effective 1 January 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods (Note 2.7).

2 Changes in accounting policies *(continued)*

(a) ***Effect of adopting new HKFRS*** *(continued)*

The adoption of HKFRS 3 and HKAS 38 results in a change in the accounting policy for negative goodwill. Until 31 December 2004, negative goodwill not exceeding the fair values of the non-monetary assets acquired was recognized in the consolidated income statement over the remaining weighted average useful life of those assets. Effective 1 January 2005, the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognized immediately in the income statement.

In accordance with the provisions of HKFRS 3, the previously recognized negative goodwill shall be derecognized as at 1 January 2005 with a corresponding adjustment to the accumulated losses.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at 1 January 2005;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after 1 January 2005.

Notes to the Condensed Consolidated Financial Information *(continued)*

2 Changes in accounting policies *(continued)*

(a) ***Effect of adopting new HKFRS*** *(continued)*

(i) The adoption of revised HKAS 17 resulted in a decrease in opening reserves at 1 January 2004 by HK$52,817,000.

	As at	
	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Decrease in property, plant and equipment	**(43,818)**	(19,311)
Increase in land use rights	**40,823**	16,316
Increase in deferred income tax assets	**1,212**	1,375
Decrease in properties held for sale	**(5,924)**	(9,334)
Decrease in properties under development	**(47,104)**	(42,977)
Decrease in minority interests	**150**	150
Increase in accumulated losses	**54,661**	53,781

	For the year ended 31 December 2004	**For the six months ended**	
		30 June 2005	30 June 2004
	HK$'000	***HK$'000***	*HK$'000*
Decrease in cost of sales	(19,059)	**(3,557)**	(5,859)
Increase in direct operating expenses	17,231	**1,481**	11,439
Increase in other income	(7,920)	**–**	–
Increase in provisions written back	–	**(441)**	–
Increase in finance costs	9,138	**3,234**	3,518
Increase/(decrease) in income tax expense	250	**163**	(106)
Decrease/(increase) in minority interests	1,324	**–**	(1,114)
Decrease in basic earnings per share (HK cents)	0.03	**0.03**	0.28

2 Changes in accounting policies *(continued)*

(a) Effect of adopting new HKFRS *(continued)*

(ii) The adoption of HKFRS 2 resulted in:

	As at 30 June 2005 HK$'000	As at 31 December 2004 HK$'000
Increase in share-based compensation reserves	**(810)**	(308)
Increase in accumulated losses	**810**	308

	For the year ended 31 December 2004 HK$'000	For the six months ended 30 June 2005 HK$'000	For the six months ended 30 June 2004 HK$'000
Increase in administrative expenses	307	**502**	212
Decrease in basic earnings per share (HK cents)	0.01	**0.02**	0.01

(iii) The adoption of HKFRS 3 and HKAS 38 resulted in:

	As at 30 June 2005 HK$'000	As at 31 December 2004 HK$'000
Increase in intangible assets	**1,033**	–
Decrease in accumulated losses	**(1,033)**	–

Notes to the Condensed Consolidated Financial Information *(continued)*

2 Changes in accounting policies *(continued)*

(a) ***Effect of adopting new HKFRS*** *(continued)*

(iv) The adoption of HKAS-Int 21 resulted in:

	As at	
	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Increase in deferred tax liability	**(1,448)**	(3,938)
Decrease in minority interests	**579**	1,575
Increase in accumulated losses	**869**	2,363

	For the year ended 31 December 2004	For the six months ended	
		30 June 2005	30 June 2004
	HK$'000	***HK$'000***	*HK$'000*
Increase/(decrease) in income tax expense	3,938	**(2,490)**	–
(Decrease)/increase in minority interests	(1,575)	**996**	–
Decrease/(increase) in basic earnings per share (HK cents)	0.08	**(0.05)**	–

(v) The adoption of HKAS 40 resulted in:

	As at	
	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Decrease in investment property revaluation reserves	**1,714**	1,714
Decrease in accumulated losses	**(1,714)**	(1,714)

	For the year ended 31 December 2004	For the six months ended	
		30 June 2005	30 June 2004
	HK$'000	***HK$'000***	*HK$'000*
Increase in other income	(15,871)	**–**	–
Increase in minority interests	14,157	**–**	–
Increase in basic earnings per share (HK cents)	(0.06)	**–**	–

2 Changes in accounting policies *(continued)*

(a) ***Effect of adopting new HKFRS*** *(continued)*

No early adoption of the following new HKFRSs or interpretations that have been issued but are not yet effective. The adoption of such HKFRSs or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 3	Emission Rights
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

(b) ***New Accounting Policies***

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June 2005 are the same as those set out in Note 1 to the annual financial statements for the year ended 31 December 2004 except for the following:

2.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Notes to the Condensed Consolidated Financial Information *(continued)*

2 Changes in accounting policies *(continued)*

(b) New Accounting Policies (continued)

2.1 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

2.2 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

2 Changes in accounting policies *(continued)*

(b) ***New Accounting Policies*** *(continued)*

2.2 Investment properties (continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

2.3 Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2 Changes in accounting policies *(continued)*

(b) New Accounting Policies *(continued)*

2.4 Investments

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as investments in equity securities.

(a) Investments in equity securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was 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, was dealt with in the income statement.

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

From 1 January 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 2.5).

2 Changes in accounting policies *(continued)*

(b) New Accounting Policies (continued)

2.4 Investments (continued)

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was 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, was dealt with in the income statement.

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

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Notes to the Condensed Consolidated Financial Information *(continued)*

2 Changes in accounting policies *(continued)*

(b) New Accounting Policies *(continued)*

2.4 Investments (continued)

(d) Available-for-sale financial assets *(continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.5 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.6 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Changes in accounting policies *(continued)*

(b) ***New Accounting Policies*** *(continued)*

2.7 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.8 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

3 Financial risk management

The Group's activities are exposed to the following risks.

(a) ***Foreign exchange risk***

The Group invests substantially in China and is exposed to foreign exchange risk arising from Renminbi exposure. Foreign exchange risk arises from commercial transactions, recognized assets and liabilities and net investments on foreign operations. The expected appreciation of Renminbi will benefit the Group as a whole.

(b) ***Credit risk***

The Group has no significant concentrations of credit risk and trade debtors are managed in accordance with the credit policies.

(c) ***Interest rate risk***

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Detail of the Group's borrowings are detailed in Note 17. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Notes to the Condensed Consolidated Financial Information *(continued)*

3 Financial risk management *(continued)*

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The management aims to maintain flexibility in funding by keeping committed credit lines available.

4 Segment information

The Group is principally engaged in property development, investment and management, business parks development and management. Revenues recognized during the period are as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sales of properties	**109,685**	175,893
Sales of goods	**–**	727
Gross rental income	**18,506**	7,309
Rendering of services	**–**	4,688
Property management fee	**4,227**	495
	132,418	189,112
Other revenues		
Interest income	**1,438**	555
Others	**841**	1,061
	2,279	1,616
Total revenues	**134,697**	190,728

Primary reporting segment – business segment

The Group is organized into three (period ended 30 June 2004: four *(Note)*) main business segments:

Property development – development, investment and management of properties

Business park – development and management of business parks

Other operations – infrastructure investment and securities investment

Note: On 30 June 2004, the Group entered into various sales and purchase agreements to sell the information technology business segment.

4 Segment information *(continued)*

The segment results for the six months ended 30 June 2005 are as follows:

	Property *HK$'000*	Business park *HK$'000*	Other operations *HK$'000*	Corporate *HK$'000*	Group *HK$'000*
Total gross segment sales	110,680	21,936	–	–	132,616
Inter-segment sales	(198)	–	–	–	(198)
Turnover	110,482	21,936	–	–	132,418
Operating profit/(loss)	30,366	44,053	426	(11,518)	63,327
Finance costs					(12,597)
Share of results of associated companies	(17)	–	–	–	(17)
Profit before income tax					50,713
Income tax expense					(1,710)
Profit for the period					49,003

Notes to the Condensed Consolidated Financial Information *(continued)*

4 Segment information *(continued)*

The segment results for the six months ended 30 June 2004 are as follows:

	Property *HK$'000*	Business park *HK$'000*	Information technology *HK$'000*	Other operations *HK$'000*	Corporate *HK$'000*	Group *HK$'000*
Total gross segment sales	177,034	6,693	5,416	–	–	189,143
Inter-segment sales	(47)	16	–	–	–	(31)
Turnover	176,987	6,709	5,416	–	–	189,112
Operating profit/(loss) before gain on disposal of subsidiaries	20,803	(333)	(7,684)	(4,200)	(13,841)	(5,255)
Gain on disposal of subsidiaries	–	–	6,385	–	–	6,385
Operating profit/(loss)	20,803	(333)	(1,299)	(4,200)	(13,841)	1,130
Finance costs						(8,502)
Share of results of associated companies	590	–	–	–	–	590
Share of results of a jointly controlled entity	–	–	–	(3,920)	–	(3,920)
Loss before income tax						(10,702)
Income tax credit						688
Loss for the period						(10,014)

Other segment terms included in the income statements are as follows:

	Six months ended 30 June 2005					Six months ended 30 June 2004					
	Property ***HK$'000***	**Business park** ***HK$'000***	**Other operations** ***HK$'000***	**Corporate** ***HK$'000***	**Group** ***HK$'000***	Property *HK$'000*	Business park *HK$'000*	Information technology *HK$'000*	Other operations *HK$'000*	Corporate *HK$'000*	Group *HK$'000*
Depreciation	**954**	**180**	**6**	**436**	**1,576**	523	142	611	–	428	1,704
Amortization	**–**	**441**	**–**	**46**	**487**	–	–	–	–	–	–
Loss on disposal of property, plant and equipment	**10**	**–**	**–**	**(82)**	**(72)**	–	–	(2)	–	(7)	(9)
Provision (written back)/ made	**(7,495)**	**(34,116)**	**(508)**	**–**	**(42,119)**	–	(162)	4,463	4,077	–	8,378

4 Segment information *(continued)*

The segment assets and liabilities at 30 June 2005 and capital expenditure for the six months then ended are as follows:

	Property *HK$'000*	**Business park** *HK$'000*	**Other operations** *HK$'000*	**Corporate** *HK$'000*	**Group** *HK$'000*
Segment assets	**675,367**	**627,580**	**9,626**	**119,452**	**1,432,025**
Interests in associated companies	**176**	**–**	**–**	**–**	**176**
Total assets	**675,543**	**627,580**	**9,626**	**119,452**	**1,432,201**
Liabilities	**249,780**	**318,913**	**900**	**62,959**	**632,552**
Capital expenditure	**56**	**11,760**	**–**	**430**	**12,246**

The segment assets and liabilities at 31 December 2004 and capital expenditure for the six months then ended are as follows:

	Property *HK$'000*	Business park *HK$'000*	Information technology *HK$'000*	Other operations *HK$'000*	Corporate *HK$'000*	Group *HK$'000*
Segment assets	810,833	535,552	9,571	25	128,811	1,484,792
Interests in associated companies	193	–	–	–	–	193
Total assets	811,026	535,552	9,571	25	128,811	1,484,985
Liabilities	404,222	268,955	959	13	62,102	736,251
Capital expenditure	277	88,115	14	–	4	88,410

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties held for sale, properties under development, debtors and prepayments and operating cash. They exclude interests in associated companies.

Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to land use rights, property, plant and equipment.

Notes to the Condensed Consolidated Financial Information *(continued)*

4 Segment information *(continued)*

Secondary reporting segment – geographical segments

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

Hong Kong – property investment, development and management, as well as securities investment

China – property investment, development and management, development and management of business parks

The Group's turnover sales are mainly derived from Hong Kong and China:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Hong Kong	**7,585**	66,152
China	**124,833**	122,960
	132,418	189,112

Turnover is allocated based on the location of customers.

	As at	
	30 June	31 December
	2005	2004
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**145,143**	157,242
China	**1,287,058**	1,327,743
	1,432,201	1,484,985

Total assets are allocated based on the location of assets.

4 Segment information *(continued)*

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Capital expenditure		
Hong Kong	**430**	4
China	**11,816**	66,738
	12,246	66,742

Capital expenditure is allocated based on the location of assets.

5 Provisions written back/(made)

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Provisions written back/(made) in relation to:		
Impairment of a jointly controlled entity	**–**	(4,077)
Construction project	**34,587**	–
Consideration receivable	**507**	(1,404)
Property, plant and equipment	**(504)**	(14)
Inventories	**–**	18
Doubtful debts	**(471)**	(2,901)
Contractual claim	**8,000**	–
	42,119	(8,378)

Notes to the Condensed Consolidated Financial Information *(continued)*

6 Expenses by nature

Expenses included in direct operating expenses and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Depreciation, amortization and impairment expenses *(Note 10)*	**2,123**	2,719
Less: amounts capitalized to properties held for development	**–**	(98)
Less: amounts capitalized to properties under development	**(60)**	(917)
	2,063	1,704
Direct outgoings arising from investment properties that generate rental income	**5,453**	1,351
Operating lease rentals in respect of land and buildings	**615**	757
Staff costs (including directors' remuneration)	**12,458**	15,948
Retirement benefit costs	**114**	–
Share-based compensation expenses	**502**	212

7 Finance costs

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank borrowings	**11,592**	13,723
Other borrowing costs	**1,210**	2,273
Total borrowing costs incurred	**12,802**	15,996
Less: amounts capitalized to properties held for development	**(205)**	(1,157)
Less: amounts capitalized to properties under development	**–**	(6,337)
Total borrowing costs capitalized	**(205)**	(7,494)
	12,597	8,502

8 Income tax (expense)/credit

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the period (2004: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (charged)/credited to the consolidated income statement represents:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Current income tax – overseas taxation	**(550)**	(87)
Deferred income tax	**(1,160)**	775
	(1,710)	688

No share of associates' taxation for the six months ended 30 June 2005 (2004: Nil) are included in the income statement as share of profits of associates.

9 Earnings/(loss) per share

Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2005	2004
Profit/(loss) attributable to equity holders of the Company (HK$'000)	**45,948**	(7,720)
Weighted average number of ordinary shares in issue (thousands)	**2,836,189**	2,836,189
Basic earnings/(loss) per share (HK cents per share)	**1.62**	(0.27)

Diluted

Diluted earnings/(loss) per share has not been shown as there was no dilutive potential ordinary shares.

Notes to the Condensed Consolidated Financial Information *(continued)*

10 Capital expenditure

	Investment properties *HK$'000*	Property, plant and equipment *HK$'000*	Land use rights *HK$'000*	Negative goodwill *HK$'000*
Opening net book amount as at 1 January 2005	492,471	15,618	16,316	(1,033)
Additions	–	12,246	–	–
Exchange differences	–	8	–	–
Disposals	–	(534)	–	–
Depreciation/amortization charge *(Note 6)*	–	(1,636)	(487)	–
Reversal of impairment charge previously recognized	–	9,593	24,994	–
Effect of changes in accounting policies *(Note 2(a))*	–	–	–	1,033
Closing net book amount as at 30 June 2005	492,471	35,295	40,823	–
Opening net book amount as at 1 January 2004	120,000	198,284	16,360	(1,550)
Additions	–	66,742	–	–
Disposals	–	(1,371)	–	–
Depreciation/amortization charge *(Note 6)*	–	(2,697)	(22)	–
Exchange differences	–	741	–	–
Realization	–	–	–	258
Closing net book amount as at 30 June 2004	120,000	261,699	16,338	(1,292)
Additions	–	84,410	–	–
Revaluation surplus	43,314	–	–	–
Disposals	–	70	–	–
Transfer	329,157	(329,157)	–	–
Depreciation/amortization charge	–	(1,804)	(22)	–
Impairment charge	–	(14)	–	–
Exchange differences	–	414	–	–
Realization	–	–	–	259
Closing net book amount as at 31 December 2004	492,471	15,618	16,316	(1,033)

Notes to the Condensed Consolidated Financial Information *(continued)*

11 Investment in equity securities

	As at 31 December 2004 *HK$'000*
Non-trading securities, at fair value	16,387

Reclassified as available-for-sale financial assets in 2005 in accordance with the HKAS 32 – Financial Instruments: Disclosures and Presentation (Please refer to note 12 below).

12 Available-for-sale financial assets

	HK$'000
At 1 January 2005 and 30 June 2005	16,387
Less: non-current portion	(16,387)
Current portion	–

There were no disposals or impairment provisions on available-for-sale financial assets in 2005.

Available-for-sale financial assets include the following:

	As at 30 June 2005 ***HK$'000***
Unlisted securities	**16,387**

Reclassified from investments in equity securities in 2005 in accordance with the HKAS 32 – Financial Instruments: Disclosures and Presentation (Please refer to note 11 above).

Notes to the Condensed Consolidated Financial Information *(continued)*

13 Debtors, deposits and prepayments

	As at	
	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Trade receivables	**8,919**	14,319
Less: provision for impairment of receivables	**(636)**	(500)
Trade receivables – net *(Note a)*	**8,283**	13,819
Deposits	**310,273**	310,091
Prepayments	**21,995**	18,206
Others	**16,590**	12,786
	357,141	354,902

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

	As at	
	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Within 3 months	**8,283**	13,819

Trade receivables 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.

(b) Included in debtors, deposits and prepayments are payments for certain lands in China of which formal land use right certificates have not yet been obtained by the Group. Pursuant to the new regulation promulgated by the Beijing Land Bureau (the "Bureau") in last year, all the lands of which land use right certificates have not been obtained before 31 August 2004 may be put up for public auctions.

The Group has certain lands with payments amounted to approximately HK$308,212,000 (2004: HK$307,885,000) which are now being reviewed by the Bureau for the application of land use right certificates. The Group is also negotiating with the relevant parties on the settlement of the land payments. Based on the existing market condition and the progress of application, in the directors' opinion, the outcomes of the above events, although uncertain at present, are unlikely to have a material impact on the Group's financial statements for the period.

14 Share capital

(a) Authorized and issued capital

	As at 30 June 2005 HK$'000	31 December 2004 HK$'000
Authorized:		
10,000,000,000 ordinary shares of HK10 cents each	**1,000,000**	1,000,000
Issued and fully paid:		
2,836,188,944 ordinary shares of HK10 cents each	**283,619**	283,619

(b) Share option schemes

The share option scheme (the "Share Option Scheme") became effective on 20 May 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK$1 per acceptance. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price will be determined by the Board, but shall not be less than the highest of (i) the closing prices of the Company's shares as stated in the daily quotation sheet of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant, which must be a trading day; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	30 June 2005		31 December 2004	
	Average exercise price	**Number of share options**	Average exercise price	Number of share options
At beginning of the period/year	HK$0.1689	25,340,000	HK$0.1706	20,065,000
Granted	–	–	HK$0.1670	12,000,000
Lapsed	HK$0.1706	(680,000)	HK$0.1706	(6,725,000)
At end of the period/year	HK$0.1689	24,660,000	HK$0.1689	25,340,000

Out of the 24,660,000 outstanding options (31 December 2004: 25,340,000 options), 3,165,000 options (31 December 2004: 3,335,000 options) were exercisable.

Notes to the Condensed Consolidated Financial Information *(continued)*

14 Share capital *(continued)*

(b) ***Share option schemes*** *(continued)*

Share options outstanding at the end of the period have the following expiry date and exercise prices:

			Number of share options	
			30 June	31 December
Date of grant	**Exercise period**	**Exercise price**	**2005**	2004
31 December 2003	31 December 2004 – 30 December 2013 *(Note i)*	HK$0.1706	**12,660,000**	13,340,000
31 December 2004	31 December 2005 – 30 December 2014 *(Note ii)*	HK$0.1670	**12,000,000**	12,000,000
			24,660,000	25,340,000

Notes:

(i) The vesting period of the share options is in the following manner:

Vesting schedule	**Percentage of shares over which a share option is exercisable**
Before the first anniversary of the date of grant	Nil
On or after the first but before the second anniversary of the date of grant	25%
On or after the second but before the third anniversary of the date of grant	25%
On or after the third but before the fourth anniversary of the date of grant	25%
On or after the fourth anniversary of the date of grant	25%

In relation to the share options, if the eligible participant, during any of the periods specified above, exercises that share options for such number of shares which, in aggregate, represents less than the number of shares for which the eligible participant may exercise in respect of such period, the balance of the shares comprised in that share option for which the eligible participant could have exercised (but did not exercise) in that period shall be carried forward and added to the number of shares which the eligible participant may exercise in the next succeeding period or periods.

14 Share capital *(continued)*

(b) Share option schemes *(continued)*

(ii) The vesting period of the share options is in the following manner:

Vesting schedule	Percentage of shares over which a share option is exercisable
Before the first anniversary of the date of grant	Nil
On or after the first but before the second anniversary of the date of grant	40%
On or after the second but before the third anniversary of the date of grant	30%
On or after the third anniversary of the date of grant	30%

In relation to the share options, if the eligible participant, during any of the periods specified above, exercises that share options for such number of shares which, in aggregate, represents less than the number of shares for which the eligible participant may exercise in respect of such period, the balance of the shares comprised in that share option for which the eligible participant could have exercised (but did not exercise) in that period shall be carried forward and added to the number of shares which the eligible participant may exercise in the next succeeding period or periods.

The fair values of options granted in 2003 and 2004 determined using the Binomial Model were as follows:

	Date of grant of share options	
	31 December 2003	31 December 2004
Option value	HK$2,212,000	HK$1,256,000
Variables:		
Exercise price	HK$0.1706	HK$0.1670
Share price at the grant date	HK$0.1670	HK$0.1670
Expected volatility *(Note)*	80%	80%
Risk-free interest rate	3.51%	2.87%
Expected life of options	6.25 years	5.79 years
Expected dividend paid out rate	Nil	Nil

Note: The volatility measured at the standard deviation of expected share price return is based on statistical analysis of daily share prices over the last seven years.

Notes to the Condensed Consolidated Financial Information *(continued)*

15 Reserves

	Share premium HK$'000	Capital redemption reserves HK$'000	Exchange reserves HK$'000	Share-based compensation reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2004, as previously reported	2,270,561	196	423	–	(1,853,756)	417,424
Effect of changes in accounting policies	–	–	–	1	(52,818)	(52,817)
Balance at 1 January 2004, as restated	2,270,561	196	423	1	(1,906,574)	364,607
Currency translation differences	–	–	1,089	–	–	1,089
Share-based compensation expenses	–	–	–	212	–	212
Loss for the period	–	–	–	–	(7,720)	(7,720)
Balance at 30 June 2004	2,270,561	196	1,512	213	(1,914,294)	358,188
Balance at 1 July 2004, as per above	2,270,561	196	1,512	213	(1,914,294)	358,188
Currency translation differences	–	–	772	–	–	772
Disposal of subsidiaries	–	–	(280)	–	–	(280)
Share-based compensation expenses	–	–	–	95	–	95
Profit for the period	–	–	–	–	22,198	22,198
Balance at 31 December 2004	2,270,561	196	2,004	308	(1,892,096)	380,973
Balance at 1 January 2005, as per above	2,270,561	196	2,004	308	(1,892,096)	380,973
Effect of changes in accounting policies	–	–	–	–	1,033	1,033
Balance at 1 January 2005, as restated	2,270,561	196	2,004	308	(1,891,063)	382,006
Currency translation differences	–	–	(121)	–	–	(121)
Share-based compensation expenses	–	–	–	502	–	502
Profit for the period	–	–	–	–	45,948	45,948
Balance at 30 June 2005	**2,270,561**	**196**	**1,883**	**810**	**(1,845,115)**	**428,335**

16 Creditors and accruals

	As at 30 June 2005 HK$'000	31 December 2004 HK$'000
Trade payables	**35,338**	54,339
Receipts in advance	**7,724**	2,783
Accruals	**76,251**	102,683
Others	**37,972**	40,382
	157,285	200,187

At 30 June 2005, the ageing analysis of the trade payables is as follows:

	As at 30 June 2005 HK$'000	31 December 2004 HK$'000
Within 3 months	**229**	28,100
3 months to 12 months	**20,774**	578
Over 1 year	**14,335**	25,661
	35,338	54,339

17 Bank borrowings

	As at 30 June 2005 HK$'000	31 December 2004 HK$'000
Secured	**440,819**	504,126
Unsecured	**33,000**	28,000
	473,819	532,126
Current portion of bank borrowings	**(326,200)**	(400,211)
	147,619	131,915

Notes to the Condensed Consolidated Financial Information *(continued)*

17 Bank borrowings *(continued)*

The maturity of bank borrowings is as follows:

	As at	
	30 June	31 December
	2005	2004
	HK$'000	*HK$'000*
Within 1 year	**326,200**	400,211
Between 1 and 2 years	**–**	–
Between 2 and 5 years	**147,619**	131,915
Wholly repayable within 5 years	**473,819**	532,126

The carrying amounts of bank borrowings are denominated in the following currencies:

	As at	
	30 June	31 December
	2005	2004
	HK$'000	*HK$'000*
Hong Kong dollar	**142,267**	197,627
Renminbi	**331,552**	334,499
	473,819	532,126

The effective interest rates at the balance sheet date was 5.16% (31 December 2004: 4.31%).

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	30 June	31 December	**30 June**	31 December
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank borrowings	**147,619**	131,915	**120,911**	106,243

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.56% (31 December 2004: 5.30%).

The carrying amounts of short-term bank borrowings approximate their fair value.

17 Bank borrowings *(continued)*

The Group has the following undrawn borrowing facilities:

	As at 30 June 2005 HK$'000	As at 31 December 2004 HK$'000
Floating rate		
– expiring within one year	**43,000**	110,000
Fixed rate		
– expiring within one year	**–**	56,535
	43,000	166,535

18 Contingencies

At 30 June 2005, the Company issued guarantees to the extent of HK$232,848,000 (31 December 2004: HK$358,077,000) of which HK$221,419,000 (31 December 2004: HK$324,156,000) was utilized in bank borrowings granted to its subsidiaries.

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

19 Commitments

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at 30 June 2005 HK$'000	As at 31 December 2004 HK$'000
Contracted but not provided for		
Properties held for development	**60,523**	5,418
Authorized but not contracted for		
Properties held for development	**45,679**	124,989
	106,202	130,407

Notes to the Condensed Consolidated Financial Information *(continued)*

19 Commitments *(continued)*

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases on land and buildings as follows:

	As at 30 June 2005	As at 31 December 2004
	HK$'000	*HK$'000*
Not later than one year	**1,895**	1,895
Later than one year and not later than five years	**1,620**	2,435
	3,515	4,330

(c) Future minimum rental payments receivable

The Group had future minimum rental payments receivable under non-cancellable leases in respect of land and buildings as follows:

	As at 30 June 2005	As at 31 December 2004
	HK$'000	*HK$'000*
Not later than one year	**37,585**	24,137
Later than one year and not later than five years	**77,232**	41,076
Over five years	**23,823**	16,681
	138,640	81,894

20 Related party transactions

The ultimate holding company of the Group is Vision Century Limited ("VCL"), a company incorporated in the British Virgin Islands.

The following is a summary of significant related party transactions carried out in the normal course of Group's business during the periods:

(a) Related party transactions

		Six months ended 30 June	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Design audit fee	*(i)*	**132**	–
Quantity surveying fee	*(i)*	**383**	–
Property management fee	*(ii)*	**334**	–
		849	–

Notes:

(i) The fees are payable to Jurong International Constructors (Suzhou) Co., Ltd ("JIC (Suzhou)") in accordance with the terms of agreements. Details of arrangement is as below:

On 17 November 2004, Vision (Shenzhen) Business Park Co., Ltd ("VSBP"), a 95% owned subsidiary of the Company, entered into a services contract (the "Design Audit Services Contract") with JIC (Suzhou) whereby JIC (Suzhou) agreed to provide certain design audit services relating to the development project of a property located at Vision (Shenzhen) Business Park, Shenzhen, China (the "VSBP Phase 2A Project"), for a service fee of RMB175,000 (approximately HK$165,000).

Besides, VSBP and JIC (Suzhou) also entered into a services contract (the "Quantity Surveying Services Contract") whereby JIC (Suzhou) agreed to provide certain quantity surveying services relating to the VSBP Phase 2A and Phase 2B Project. For the Phase 2A project, a service fee of RMB780,000 (approximately HK$735,000) will be charged for a duration of 23 months. For continuation of services beyond the stipulated duration of 23 months, a monthly service fee of RMB33,900 (approximately HK$32,000) will be charged. For the Phase 2B project, a service fee of RMB1,550,000 (approximately HK$1,460,000) will be charged for a duration of 26 months. For continuation of services beyond the stipulated duration of 26 months, a monthly service fee of RMB59,600 (approximately HK$56,000) will be charged. JIC (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 Consultancy Services Holding Pte Ltd, a wholly-owned subsidiary of JTC Corporation, is running the operation of JIC (Suzhou). JTC Corporation, through its wholly-owned subsidiary Ascendas Land International Pte Ltd, indirectly owns 100% of Riverbook Group Limited, which in turn holds 50% of VCL, the controlling shareholder of the Company.

Notes to the Condensed Consolidated Financial Information *(continued)*

20 Related party transactions *(continued)*

(a) ***Related party transactions*** *(continued)*

(ii) The fee is payable to THSP Property Management Corp. in accordance with the terms of agreement.

On 1 April 2005, Vision Huaqing (Beijing) Development Co., Ltd ("Vision Huaqing"), a 60% owned subsidiary of the Company, and THSP Property Management Corp. ("THSP"), entered into a Property Management Contract whereby Vision Huaqing has agreed to appoint THSP as the property manager to provide property management services for Vision International Centre ("VIC") during the period from 1 April 2005 to 14 September 2006 at a fee which is calculated as to 8% of the total monthly gross management fees received from the tenants of the VIC. The maximum annual cap on the manager's remuneration is amounted to RMB1,200,000 (approximately HK$1,130,000). THSP is 80% beneficially owned by Tsinghua Science Park Co., Ltd which is a 40% substantial shareholder of Vision Huaqing.

(b) ***Key management compensation***

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Fees	**600**	210
Salaries and other benefits	**1,524**	1,193
Retirement benefit costs	**52**	(282)
Share-based compensation expenses	**502**	212
	2,678	1,333

(c) ***Amounts due to related parties***

	As at	
	30 June	31 December
	2005	2004
	HK$'000	*HK$'000*
Amounts due to JIC (Suzhou)	**385**	157
Amounts due to THSP	**334**	–
	719	157

21 Events after the balance sheet date

On 14 July 2005, the Group entered into a sale and purchase agreement with CPL (China) Pte Ltd ("CPL China"), a wholly owned subsidiary of Fraser and Neave Limited in relation to a proposed acquisition of a 54.78% interest in the shares of and debt owing by Supreme Asia Investments Limited, a wholly owned subsidiary of CPL China, at a consideration of HK$327,838,000 which shall be satisfied by the issue and allotment of 1,725,462,776 new shares at HK19 cents per share. The acquisition is subjected to fulfilment of certain conditions and the approval from shareholders of the Company. Fraser and Neave Limited, indirectly holds 50% interest of VCL, the controlling shareholder of the Company.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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 49.

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public 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 2005.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 September 2005

Supplementary Information

EMPLOYEE INFORMATION

As at 30 June 2005, the Company and its subsidiaries had approximately 200 employees (2004: 150 employees). Salaries of employees are maintained at competitive levels while bonuses may be 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

As at 30 June 2005, the following directors and the chief executive of the Company and/or any of their respective associates had the following interests or deemed interests in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(a) Long position in the shares of the Company

Name of director	Number of ordinary shares beneficially held	Nature of interest	Approximate percentage of total shareholding
			%
Ms. Chong Siak Ching#	1,157,897	Personal	0.04

Non-executive Director

DIRECTORS' INTERESTS *(continued)*

(b) Long position in the underlying shares of equity derivatives of the Company

Name of director	Share options in the Company: Date of grant of share options	Exercise period of share options	Exercise price per share option HK$	Number of share options outstanding	Number of total underlying shares	Approximate percentage of total shareholding (%)
Dr. Han Cheng Fong#	31/12/2003	31/12/2004 – 30/12/2013	0.1706	1,500,000	3,000,000	0.11
	31/12/2004	31/12/2005 – 30/12/2014	0.1670	1,500,000		
Ms. Chong Siak Ching#	31/12/2003	31/12/2004 – 30/12/2013	0.1706	1,000,000	2,000,000	0.07
	31/12/2004	31/12/2005 – 30/12/2014	0.1670	1,000,000		
Mr. Alan Howard Smith, *J.P.* **	31/12/2003	31/12/2004 – 30/12/2013	0.1706	1,000,000	2,000,000	0.07
	31/12/2004	31/12/2005 – 30/12/2014	0.1670	1,000,000		
Mr. Ang Ah Lay	31/12/2003	31/12/2004 – 30/12/2013	0.1706	2,500,000	5,000,000	0.18
	31/12/2004	31/12/2005 – 30/12/2014	0.1670	2,500,000		
Mr. Lew Syn Pau#	31/12/2003	31/12/2004 – 30/12/2013	0.1706	1,000,000	2,000,000	0.07
	31/12/2004	31/12/2005 – 30/12/2014	0.1670	1,000,000		
Mr. Goh Yong Chian, Patrick#	31/12/2004	31/12/2005 – 30/12/2014	0.1670	1,000,000	1,000,000	0.04
Ms. Wang Poey Foon, Angela#	31/12/2003	31/12/2004 – 30/12/2013	0.1706	1,000,000	2,000,000	0.07
	31/12/2004	31/12/2005 – 30/12/2014	0.1670	1,000,000		
Mr. Kwong Che Keung, Gordon **	31/12/2003	31/12/2004 – 30/12/2013	0.1706	1,000,000	2,000,000	0.07
	31/12/2004	31/12/2005 – 30/12/2014	0.1670	1,000,000		

\# *Non-executive Director*

** *Independent Non-executive Director*

Supplementary Information *(continued)*

DIRECTORS' INTERESTS *(continued)*

(b) Long position in the underlying shares of equity derivatives of the Company *(continued)*

Save as disclosed above, as at 30 June 2005, none of the directors and the chief executive of the Company and/or any of their respective associates had any interest or deemed interest in the long and short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2005, the following persons (other than the directors or the chief executive of the Company) had an interest in the following long position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the shares of the Company

Name of shareholder	*Notes*	Nature of interest	Number of ordinary shares held	Approximate percentage of total shareholding *(%)*
Ascendas Pte. Ltd. ("Ascendas")	*1*	Corporate	1,566,891,340	55.25
Ascendas Land International Pte. Ltd. ("Ascendas Land")	*2*	Corporate	1,566,891,340	55.25
Riverbook Group Limited ("Riverbook")	*3*	Corporate	1,566,891,340	55.25
Fraser and Neave Limited ("F&N")	*4*	Corporate	1,566,891,340	55.25
Fraser and Neave Investments (Hong Kong) Limited ("F&N Investments")	*5*	Corporate	1,566,891,340	55.25
Vision Century Limited ("VCL")		Corporate	1,566,891,340	55.25
Mr. Ng Poh Meng ("Mr. Ng")	*6*	Personal, Family and Corporate	177,890,551	6.27
Ms. Ng Lee Ngo ("Mrs. Ng")	*6*	Personal, Family and Corporate	177,890,551	6.27
Dr. Jiang Xiaoming, Simon		Personal	158,884,553	5.60
Newmark Capital Holdings Limited ("Newmark")	*7*	Corporate	143,307,400	5.05

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

Long position in the shares of the Company *(continued)*

Notes:

1. The interest disclosed comprised 1,566,891,340 shares beneficially owned by Ascendas Land through the subsidiaries as disclosed in notes 2 and 3 below. Ascendas Land is a wholly-owned subsidiary of Ascendas.

2. The interest disclosed comprised 1,566,891,340 shares beneficially owned by Riverbook through VCL. Riverbook is a wholly-owned subsidiary of Ascendas Land.

3. The interest disclosed comprised 1,566,891,340 shares held by VCL, which is 50% owned by Riverbook.

4. The interest disclosed comprised 1,566,891,340 shares beneficially owned by F&N Investments through VCL. F&N Investments is a wholly-owned subsidiary of F&N.

5. The interest disclosed comprised 1,566,891,340 shares held by VCL, which is 50% owned by F&N Investments.

6. The interest disclosed comprised 34,764,697 shares held by Mr. Ng, 11,578,969 shares held by Mrs. Ng, 125,757,400 shares held by Newmark and 5,789,485 shares held by Global Capital Ventures Limited ("Global"). Under the provisions of Part XV of the SFO, Mr. Ng was deemed to control or have an interest in Newmark and Global. Mr. Ng was also deemed to have an interest in the shares owned by his wife, Mrs. Ng, and vice versa. Mrs. Ng held 50% of the entire issued share capital of Newmark in trust for Mr. Ng and Mrs. Ng was otherwise not deemed to have an interest in Newmark.

7. The interest disclosed comprised 125,757,400 shares held by Newmark and 17,550,000 shares held by Newmark Capital Corporation Limited, which is a wholly owned subsidiary of Newmark.

Save as disclosed above, as at 30 June 2005, no other person (other than the directors or the chief executive of the Company) had an interest in the long and short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Supplementary Information *(continued)*

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 20 May 2003 (the "Share Option Scheme") to comply with the new amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of share option schemes of a listed company.

As at 30 June 2005, there were 24,660,000 share options outstanding under the Share Option Scheme. Based on these outstanding share options, the total number of shares available for issue is 24,660,000, which represents approximately 0.87% of the existing issued share capital of the Company as at the date of this report.

Details of the movements of the share options under the Share Option Scheme during the period were as follows:

	Number of share options							
Name or category of participant	**Outstanding as at 1/1/2005**	**Granted during the period**	**Exercised during the period**	**Lapsed/ Cancelled during the period**	**Outstanding as at 30/6/2005**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price per share option** *(Note 3)* *HK$*
Directors								
Dr. Han Cheng Fong#	1,500,000	–	–	–	1,500,000	31/12/2003	31/12/2004 – 30/12/2013 *(Note 1)*	0.1706
	1,500,000	–	–	–	1,500,000	31/12/2004	31/12/2005 – 30/12/2014 *(Note 2)*	0.1670
Ms. Chong Siak Ching#	1,000,000	–	–	–	1,000,000	31/12/2003	31/12/2004 – 30/12/2013 *(Note 1)*	0.1706
	1,000,000	–	–	–	1,000,000	31/12/2004	31/12/2005 – 30/12/2014 *(Note 2)*	0.1670
Mr. Alan Howard Smith, *J.P.***	1,000,000	–	–	–	1,000,000	31/12/2003	31/12/2004 – 30/12/2013 *(Note 1)*	0.1706
	1,000,000	–	–	–	1,000,000	31/12/2004	31/12/2005 – 30/12/2014 *(Note 2)*	0.1670
Mr. Ang Ah Lay	2,500,000	–	–	–	2,500,000	31/12/2003	31/12/2004 – 30/12/2013 *(Note 1)*	0.1706
	2,500,000	–	–	–	2,500,000	31/12/2004	31/12/2005 – 30/12/2014 *(Note 2)*	0.1670

SHARE OPTION SCHEME *(continued)*

Name or category of participant	Number of share options: Outstanding as at 1/1/2005	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding as at 30/6/2005	Date of grant of share options	Exercise period of share options	Exercise price per share option *(Note 3)* HK$
Mr. Lew Syn Pau#	1,000,000	–	–	–	1,000,000	31/12/2003	31/12/2004 – 30/12/2013 *(Note 1)*	0.1706
	1,000,000	–	–	–	1,000,000	31/12/2004	31/12/2005 – 30/12/2014 *(Note 2)*	0.1670
Mr. Goh Yong Chian, Patrick#	1,000,000	–	–	–	1,000,000	31/12/2004	31/12/2005 – 30/12/2014 *(Note 2)*	0.1670
Ms. Wang Poey Foon, Angela#	1,000,000	–	–	–	1,000,000	31/12/2003	31/12/2004 – 30/12/2013 *(Note 1)*	0.1706
	1,000,000	–	–	–	1,000,000	31/12/2004	31/12/2005 – 30/12/2014 *(Note 2)*	0.1670
Mr. Kwong Che Keung, Gordon**	1,000,000	–	–	–	1,000,000	31/12/2003	31/12/2004 – 30/12/2013 *(Note 1)*	0.1706
	1,000,000	–	–	–	1,000,000	31/12/2004	31/12/2005 – 30/12/2014 *(Note 2)*	0.1670
	19,000,000	–	–	–	19,000,000			
Other employees								
In aggregate	4,340,000	–	–	(680,000)	3,660,000	31/12/2003	31/12/2004 – 30/12/2013 *(Note 1)*	0.1706
	2,000,000	–	–	–	2,000,000	31/12/2004	31/12/2005 – 30/12/2014 *(Note 2)*	0.1670
	6,340,000	–	–	(680,000)	5,660,000			
	25,340,000	–	–	(680,000)	24,660,000			

Non-executive Director

** *Independent Non-executive Director*

SHARE OPTION SCHEME *(continued)*

Notes:

1. The vesting period of the share options is in the following manner:

Vesting schedule	Percentage of shares over which a share option is exercisable *(%)*
Before the first anniversary of the date of grant	Nil
On or after the first but before the second anniversary of the date of grant	25
On or after the second but before the third anniversary of the date of grant	25
On or after the third but before the fourth anniversary of the date of grant	25
On or after the fourth anniversary of the date of grant	25

In relation to the share options, if the eligible participant, during any of the periods specified above, exercises that share options for such number of shares which, in aggregate, represents less than the number of shares for which the eligible participant may exercise in respect of such period, the balance of the shares comprised in that share option for which the eligible participant could have exercised (but did not exercise) in that period shall be carried forward and added to the number of shares which the eligible participant may exercise in the next succeeding period or periods.

2. The vesting period of the share options is in the following manner:

Vesting schedule	Percentage of shares over which a share option is exercisable *(%)*
Before the first anniversary of the date of grant	Nil
On or after the first but before the second anniversary of the date of grant	40
On or after the second but before the third anniversary of the date of grant	30
On or after the third anniversary of the date of grant	30

In relation to the share options, if the eligible participant, during any of the periods specified above, exercises that share options for such number of shares which, in aggregate, represents less than the number of shares for which the eligible participant may exercise in respect of such period, the balance of the shares comprised in that share option for which the eligible participant could have exercised (but did not exercise) in that period shall be carried forward and added to the number of shares which the eligible participant may exercise in the next succeeding period or periods.

SHARE OPTION SCHEME *(continued)*

Notes: (continued)

3. The price of the Company's shares as at the date of grant of the share options is the closing price of the Company's shares as listed on the Stock Exchange on the trading day immediately prior to the date of grant of the share options. Therefore, the Company's closing share price on the day prior to the date of grant of the share options on 31 December 2003 and 2004 were HK$0.1720 and HK$0.1670, respectively.

Apart from the foresaid, at no time during the period was the Company or any of its subsidiaries a part to any arrangement to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2005.

AUDIT COMMITTEE

The Audit Committee comprises four non-executive directors, three of whom are independent non-executive directors. It is chaired by an independent non-executive director. A set of new written terms of reference, which described the authority and duties of the Audit Committee, was adopted by the Board on 24 March 2005.

The Audit Committee is answerable to the Board and the principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee had reviewed with the management of the Company and PricewaterhouseCoopers, the auditors of the Company, the accounting principles and practices adopted by the Group and had discussed auditing, internal controls and financial reporting matters, including the review of the interim report of the Company for the six months ended 30 June 2005.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee comprising one independent non-executive director and two non-executive directors. A set of new written terms of reference, which described the authority and duties of the Remuneration Committee, was adopted by the Board on 24 March 2005.

The Remuneration Committee's objectives are to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate directors and key executives to run the Company successfully. The Remuneration Committee will ensure that the remuneration policies and systems of the Group support the Group's objectives and strategies.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("CG Code") throughout the accounting period covered by the interim report of the Company, except the following deviations:

1. The independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company. According to Bye-law 189(vii) of the Bye-laws of the Company, one-third of the directors for the time being shall be retire from office and shall be eligible for re-election at each annual general meeting. Therefore, the Board considers that non-compliance with Code A.4.1 of the CG Code is acceptable since, with 9 directors and one-third of them being subject to retirement at every annual general meeting, all of them should be retired by rotation at least once every three years so as to comply with Code A.4.2 of the CG Code.

2. The majority of the members of the Remuneration Committee are not independent non-executive directors. The Board will continue with this composition and not comply with Code B.1.1 of the CG Code because it considers it appropriate for the non-executive directors representing the controlling shareholder to play an active role in appointing the key executives and setting their remuneration.

The Company has adopted its own Code for Securities Transactions by Officer (the "Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. After specific enquiry, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code and the Code during the period.

BOARD OF DIRECTORS

As at the date hereof, the Board of Directors comprises one executive director, namely Mr. Ang Ah Lay; five non-executive directors, namely Dr. Han Cheng Fong (whose alternate is Mr. Hui Choon Kit), Ms. Chong Siak Ching (whose alternate is Mr. Goh Kok Huat), Mr. Lew Syn Pau (whose alternate is Mr. Goh Toh Sim), Mr. Goh Yong Chian, Patrick and Ms. Wang Poey Foon, Angela; and three independent non-executive directors, namely Mr. Alan Howard Smith, *J.P.*, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *J.P.*

By Order of the Board
Vision Century Corporation Limited
Ang Ah Lay
Executive Director and Chief Executive Officer

Hong Kong, 7 September 2005

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)

Suite 2806-2811, 28/F., Shell Tower, Times Square,
1 Matheson Street, Causeway Bay, Hong Kong
香港銅鑼灣勿地臣街1號時代廣場蜆殼大廈28樓2806至2811室
Tel電話(852)2826 2826　Fax傳真 (852)2826 2888
www.visioncentury.com.hk