



Century Legend (Holdings) Limited
世紀建業(集團)有限公司

ANNUAL REPORT **2 0 0 1**

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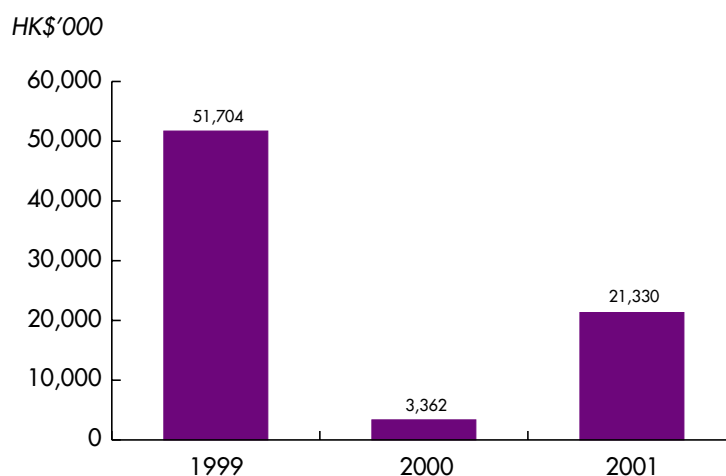
CORPORATE INFORMATION

Board of Directors	Mr. Chan Yuk Sang Ms. Chu Ming Tak Evans Tania Mr. Fong Yock Yee Mr. Tsang Chiu Ching Mr. Tsang Chiu Mo Samuel Mr. Szeto King Pui Albert Mr. Yu Yun Kong	<i>Chairman</i> <i>Executive Director</i> <i>Executive Director</i> <i>Executive Director</i> <i>Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i>
Company Secretary	Mr. Szeto King Pui Albert	
Registered Office	Clarendon House, Church Street, Hamilton, HM 11, Bermuda	
Registered Office in Hong Kong	Room 2708-11, 27/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong	
Principal Bankers	Bank of China The Bank of East Asia Limited The Hongkong and Shanghai Banking Corporation Limited	
Solicitors	Chiu, Szeto & Cheng Solicitors	
Auditors	PricewaterhouseCoopers	
Principal Registrars	Butterfield Corporate Services Limited Rosebank Centre, 14 Bermudiana Road, Pembroke, Bermuda	
Hong Kong Branch Registrars and Transfer Office	Central Registration Hong Kong Limited 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong	

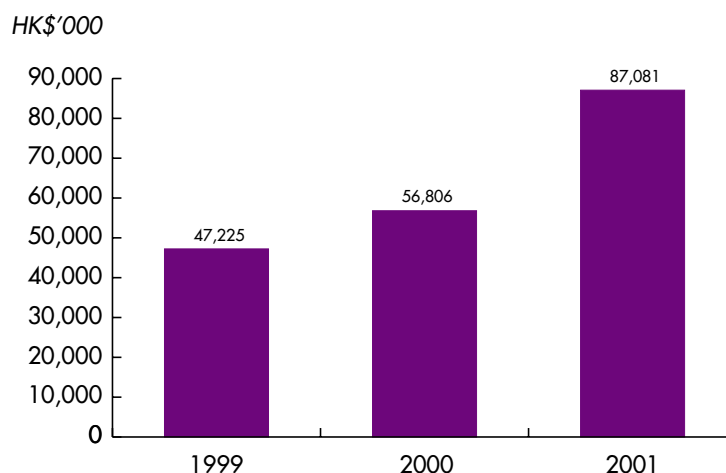
SIGNIFICANT EVENTS AND FINANCIAL HIGHLIGHTS

- January 2001 Fortei Licensing Limited, a wholly owned subsidiary of the Company entered into a Licence Agreement with Land-Feed (Holdings) Limited to grant an exclusive licence to use the trademark of "FORTEI" in Hong Kong, Macau, Taiwan and Mainland China at an aggregate consideration of RMB24,500,000 (HK\$23,113,208) payable by way of licence fee for a period of eight years.
- June 2001 The Company has successfully raised HK\$47.8 million through a rights issue of shares.
- October 2001 The nominal value of the issued shares was reduced from HK\$0.10 to HK\$0.01 each and every unissued share of HK\$0.10 each was subdivided into 10 new shares of HK\$0.01 each respectively. The credit arising from the Capital Reduction was credited to the contributed surplus account of the Company.
- October 2001 The Group has completed the acquisition of the entire equity interest in a company which substantially owns two subsidiaries engaging in the operation of hair salons in Hong Kong under the famous brand name of "Headquarters" and a health and beauty centre "Spa D'or" in Hong Kong respectively at a consideration of HK\$8.6 million. The consideration was finally settled by the issue of shares of the Company.

TURNOVER



NET ASSETS VALUE



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Century Legend (Holdings) Limited (the "Company") will be held at Room 2708-11, 27/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 24 May 2002 at 4:30 p.m. for the following purposes:-

1. To receive and consider the audited financial statements and the reports of the Directors and Auditors for the year ended 31 December 2001.
2. To elect Directors and to authorise the Board of Directors to fix their remuneration.
3. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:-

A. **"THAT:-**

- (a) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or the exercise of the subscription rights under the share option scheme of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:-

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

B. **"THAT:-**

- (a) the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and
- (c) for the purposes of this resolution:-

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

- C. **"THAT** conditional upon resolution no. 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors of the Company as mentioned in resolution no. 4B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no. 4A above."

By Order of the Board
Szeto King Pui Albert
Company Secretary

Hong Kong, 25 April 2002

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Principal Office:

Room 2708-11, 27th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:-

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy must be deposited at the office of the Company's Hong Kong Branch Share Registrars, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (3) The register of members of the Company will be closed from 17 May 2002 to 24 May 2002, both days inclusive, for the purpose of establishing entitlements of shareholders to vote at the annual general meeting. During this period, no share transfer can be registered. In order to qualify, all transfers must be lodged with the Company's branch registrars in Hong Kong, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on 16 May 2002.

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the annual report of Century Legend (Holdings) Limited ("Company") for the year ended 31 December 2001.

GROUP RESULTS

The audited consolidated turnover of the Company and its subsidiaries ("Group") for the year ended 31 December 2001 amounted to HK\$21,330,000 (2000: HK\$3,362,000), and the loss attributable to shareholders amounted to HK\$24,511,000 (2000: HK\$8,234,000 as restated).

The loss came about as a result of the Group's prudent policy on accounting and was due mainly to the following three reasons: the amortisation of goodwill over a period of three (3) years and increase of staff related cost following acquisition of Headquarters Limited and Spa D'or Limited in 2001; provisions on investment in securities; and operating expenses on account of expansion of office as well as capital expenditures on office modernisation and shop renovation.

REVIEW AND OUTLOOK

The past year witnessed further consolidation and diversification of the Group. Like all the other companies in the region, we were similarly affected by the economic downturn prevailing in the past year, in particular the effects of the tragic events which occurred on 11 September 2001 in New York. Despite the overall economic climate, the Group was able to make progress in the following areas.

The licensing arrangement in respect of the "FORTEI" trademark between the Group and Land-Feed (Holdings) Limited was beginning to see results. The number of sales outlets in Mainland China was increasing steadily and turnover was also on the rise. Apart from the annual licence fees which the Group is entitled to be paid, the Group shall be able to draw more income once the volume of turnover achieves certain designated levels.

Business of the tour operator which the Group acquired last year was growing rapidly and as such has provided the Group with a larger foothold in the rapidly expanding tourist business brought in by the increasing number of Mainland Chinese and overseas visitors.

Following the relaxation of travel restrictions of Mainland Chinese to Hong Kong in January 2002, it is envisaged that the number of Mainland Chinese visitors to Hong Kong will increase significantly and this will have a positive impact on the business of the tour operator. The Group is also actively seeking tourism related business opportunities in different parts of Mainland China.

It is further envisaged that following the opening of the gambling monopoly in Macau and the plans of the new gambling licensees in Macau to develop the entertainment and tourism businesses in Macau, the Group's tour operation will benefit as more and more tourists from all over the world will visit Macau and Hong Kong as well.

During the past financial year, the Group acquired a hair-salon under the famous brand name of "Headquarters" and also a health and beauty business (Spa D'or). These acquisitions will strengthen the Group's development in the entertainment and leisure sector and will also enhance the earning capacity of the Group.

CHAIRMAN'S STATEMENT (cont'd)

On a different front, the Group had secured the exclusive distribution rights in South-east Asia in respect of a range of foods and confectioneries produced by a manufacturer in Mainland China. To maximise sales in Hong Kong, the Group has appointed one of a leading local food distributors as general distributor in Hong Kong. The directors believe that the potential for further development in this area is substantial.

The Group will continue to explore new opportunities for growth and investment with a view to broadening its earning capacity from the new opportunities available while enhancing the profitability of the existing business.

APPRECIATION

I would like to take this opportunity to express my sincere thanks to all the shareholders and business partners of the Company for their support. My gratitude also goes to my fellow Directors and all staff of the Group for their invaluable contributions during the year. I also look forward to their continue support which is essential to enable us to turn future challenges into opportunities and to maintain profitable growth for the Group.

By Order of the Board

Chan Yuk Sang

Chairman

Hong Kong, 25 April 2002

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group's total turnover surged by HK\$18 million to HK\$21 million in 2001 or six times of the turnover in the previous year. The significant revenue increment was partly attributable to the Group's diversification of business into the beauty, fitness and body care related business generating HK\$6 million turnover since acquisition in the fourth quarter of 2001. The Group's existing core business of money lending also reflected a considerable annual growth of loan interest income of 91% while the travel agency attained HK\$9 million turnover operating in full swing in 2001 (2000: HK\$0.3 million) since its commencement of business in December 2000. Despite an encouraging increase in revenues, the Group reported loss attributable to shareholders of HK\$25 million for the year. Taking out the share of loss of associated companies, the Group still incurred a loss of HK\$17 million. The substantial loss was incurred mainly due to: (a) Staff costs and related expenses increased by 100% to HK\$10 million (2000: HK\$5 million). Following the diversification of its business activities, the Group expanded and shifted from a lower cost operational staff mix to a more skilled and business/marketing oriented staff mix. (b) Operating leases of land and buildings and depreciation rose by 400% to HK\$5 million (2000: HK\$1 million) mainly on account of expansion of office space as well as capital expenditures on office modernisation and shop renovation to position the Group for future growth and development in various existing/potential business segments. (c) In line with the Group's adoption of prudent accounting policy, provision of HK\$6 million (2000: HK\$1 million) was made for impairment loss of investment securities. In addition, amortisation of goodwill of HK\$2 million on acquisitions made in the year was written off as an expense in the profit and loss account.

Liquidity and Financial Resources

To strengthen the capital base for developing the Group's business activities, further expansion and to add flexibility to capitalise on opportunities which will arise as the economy recovers, the Group has respectively raised HK\$47.8 million through a rights issue and obtained an interest-free loan of HK\$191 million from the controlling shareholder during the year. As at year end, the Group had repaid \$58 million of the shareholder's loan while holding cash deposit of HK\$142 million (2000: HK\$20 million). Shareholders' funds also increased to HK\$87 million (2000: HK\$57 million). The Group is financially strong with no borrowings from banks, contingent liabilities and charges on assets as at year end and operating and capital expenditures are adequately funded by internally generated capital resources.

The management always takes a conservative approach towards potential risk exposure. As to the possible loss of holding investment securities, the carrying amounts of individual investments are reviewed regularly and any impairment loss is recognised as an expense in the profit and loss account. As the Group's business focus is in Hong Kong, Mainland China and Macau, and the Group's cash deposit and bank balances are mainly in either Hong Kong Dollars or United States Dollars, exchange rate risk exposure is significantly avoided.

Significant Investments Held And Material Acquisitions And Disposals Of Subsidiaries

In September 2001 the Group diluted its shareholding in Integrated Solutions Limited ("ISL"), a manufacturing software applications developer since 1985, from 40% to 32.8% by successfully recruiting FlexSystem Holdings Limited ("Flex") as a strategic partner. Flex, a listed company on the Growth Enterprise market ("GEM") of The Stock Exchange of Hong Kong Limited, is a leading enterprise application software developer based in Greater China with over 10 years experience in the software industry. It is anticipated that such new strategic relationship provides synergy in promoting ISL's products and services offering and broadening the market share of these products in Hong Kong as well as Mainland China.

In October 2001, the Group acquired a majority equity interest in Headquarters Limited ("HQL") and Spa D'or Limited ("SDL"). HQL has been carrying on hair salon business under the well-known brand name of "Headquarters" in Hong Kong for over a decade. It has an established customer base falling in the high-income group with strong interest in personal appearance for instances, artists from the entertainment or fashion business sectors. SDL on the other hand is a newly established beauty salon offering a wide range of health and beauty services and operating at a prime business location in Hong Kong. During the year under review, the beauty salon underwent renovation.

Employees

Following the acquisition of the hair and beauty salon business, the number of employees of the Group, including its subsidiaries but excluding associated companies, rose to approximately 140 at the year end date as compared to 30 in 2000.

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay levels of its employee are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Share options may be granted to Executive Directors and full-time employees of the Group to subscribe for shares in the Company under the terms and conditions of the Company's share option scheme. There was no option outstanding at any time during the year.

Business Review and Prospects

Looking back at the two years since the current management took over the Group in September 1999, focus of the management has been placed on the following aspects:

1. Recovery of debts – Since the current management took over the Group, about HK\$53 million or 72% of the long outstanding debts standing at HK\$73.4 million when the management changed in 1999 was recovered.
2. Exploring investing opportunities – The management has been constantly exploring and reviewing investment opportunities with good potential. To diversify and strengthen the Group's earning capacity as well as to generate steady income with recurring cash flows, sequential investments were made for information technology business, travel agency and hair and beauty salons.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

3. Enhancing the value of "FORTEI" trademark – A license agreement with an independent third party was entered in January 2001 for the exclusive use but not the ownership of the "FORTEI" trademark by the licensee in Hong Kong, Macau, Taiwan and Mainland China at an aggregate consideration of RMB 24.5 million receivable in 8 years.

Looking ahead of the financial year, the management expects the continuation of a tough operating environment worldwide with continued high unemployment and deflationary pressure in Hong Kong which will undermine consumer confidence and investor sentiments. Despite the adverse economic conditions, the management will strive to improve the performance of the Group and will aggressively examine its long-term strategy and proactively pursue strategic activities to maximise returns to the shareholders.

The Group will continue to be engaged in the money lending business by the provision of commercial and personal loan in Hong Kong. The management in general adopts a fairly conservative view on exposure to credit risk by maintaining a tight control on loan assessments and approvals to uphold a quality loan portfolio while at the same time offers flexibility and efficiency in granting loans in order to remain competitive to banks or other financial institutions.

With China's accession to the World Trade Organization ("WTO") in November 2001, the hosting of the Olympic Game in Beijing in 2008, easing of visa restrictions and simplification of border-crossing procedures for Mainland China residents, the more affluent Chinese economy compared to some years ago and no doubt the opening of Hong Kong Disneyland in future all of which factors will combine to create a positive effect on the tourist industry in Hong Kong, Macau and Mainland China. In addition, Macau tourism and economy is expected to boost in light of the liberalisation of Macau's casino gaming industry in 2002 together with the improvements in Macau's social order since reversion of its sovereignty to Mainland China. Being a tour operator specialising in Hong Kong-Macau ferry route ticketing, hotel reservation and sale of customised holiday fun packages in Hong Kong, Macau and Southern China regions, the Group will double its efforts to explore and capitalise on these opportunities.

With respect to the newly acquired hair and beauty salon business, the management believes that the overall market for prestige beauty, fitness and personal grooming services will continue to grow in the new decade in terms of overall demand, market penetration and diversity of the consumer groups. It is also believed that with increasing stress levels and stronger spending power, demand by today's women, and perhaps to a lesser extent by men, for more ways to beautify, reduce stress, relax and combat skin aging increases. It is with this concept in mind that a ladies only beauty centre is launched in 2002 providing innovative and high quality beauty services to a niche group of customers with relatively high disposable income. Engaging in the service industry upholding "Customer Satisfaction" as our prime objective, the Group cannot emphasize more the importance of professional and adequate training to its staff through demonstration, lectures and sufficient practical experience and training.

As all the Group's material investments only came under control by the current management for a relatively short time, it requires time for the investing businesses to consolidate, grow and mature before reaping a return on investments. Stringent cost control will be maintained over the Group's operating cost with every endeavor made to maximise operating efficiency. The management is confident that being a medium sized operation, it has the flexibility, capacity and determination to succeed in any of the Group's existing business activities and any other business objectives it may pursue in future.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 31 December 2001.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 12 to the accounts. An analysis of the Group's performance for the year by business segments is set out in note 2 to the accounts. No geographical segment of the Group's performance is presented as less than 10% of the Group's turnover and operating results were generated from operation outside Hong Kong.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 19.

The Directors do not recommend the payment of a dividend.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$20,000.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

Share capital and convertible notes

Details of the movements in share capital and convertible notes of the Company are set out in note 21 to the accounts.

Distributable reserves

At 31 December 2001, the distributable reserves of the Company available for distribution as dividend amounted to HK\$83,756,000, representing the contributed surplus of HK\$213,978,000 after compensating the accumulated losses of HK\$130,222,000. Under the Company Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable ground for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due or;
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium accounts.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 52.

REPORT OF THE DIRECTORS (cont'd)

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Directors

The Directors during the year were:

Executive Directors:

Mr. Chan Yuk Sang
Ms. Chu Ming Tak Evans Tania (appointed on 2 January 2001)
Mr. Fong Yock Yee
Mr. Tsang Chiu Ching
Mr. Tsang Chiu Mo Samuel

Independent Non-Executive Directors:

Mr. Szeto King Pui Albert
Mr. Yu Yun Kong (appointed on 2 January 2001)

In accordance with Bye-Law 87 of the Company's Bye-laws, all Directors retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Biographical details of Directors

Brief biographical details of Directors are set out below.

Executive Directors:

Mr. Chan Yuk Sang, aged 57, is the Chairman and Managing Director of the Group since September 1999. Mr. Chan has over 30 years of experience in banking and finance industry. He is responsible for the strategic planning, corporate development and investment related activities for the Group. Mr. Chan is currently an independent non-executive director of Four Seas Mercantile Holdings Limited - a listed company in the Stock Exchange and a director of China Sky Finance Limited.

Prior to joining the Group, Mr. Chan served as a senior general manager of a local bank until November 1998, a director of a listed company in Hong Kong from 1993 to 1995 and an executive director of a joint Chinese-foreign bank in Shenzhen until 1995.

REPORT OF THE DIRECTORS (cont'd)

Biographical details of Directors (cont'd)

Executive Directors: (cont'd)

Ms. Chu Ming Tak Evans Tania, aged 44, joined the Group in 1999 and was appointed Executive Director in January 2001. She is responsible for overseeing the Group's financial and investment related activities.

Ms. Chu received her tertiary education in Canada. Prior to joining the Group, she had more than 10 years of experience working in the financial field of various commercial enterprises both in Hong Kong and Canada.

Mr. Fong Yock Yee, aged 75, was appointed Executive Director in September 1999. Mr. Fong has over 40 years of experience in garment industry in both Hong Kong and the People's Republic of China (the "PRC"). He is responsible in providing consultancy services to the Group regarding the garment business. Mr. Fong is also the director of two garment manufacturing companies, the Honorary Chairman of Hong Kong Tsuen Wan Industries and Commerce Association Limited, a director of Hong Kong Kwun Tong Industries and Commerce Association Limited and a Honorary Citizen of Zhongshan Municipality of the PRC. He was the chairman and is now the Advisory Board Vice-chairman of Yan Chai Hospital.

Mr. Tsang Chiu Ching, aged 26, brother of the Company's Executive Director, Mr. Tsang Chiu Mo Samuel, was appointed Executive Director in September 1999. He is responsible for evaluation and implementation of business development strategies, as well as investment activities. Mr. Tsang is also a director of Centrey Legend Limited, a substantial shareholder of the Company as well as a director of China Sky Finance Ltd.

Before joining the Group, Mr. Tsang worked in a finance company responsible for corporate finance functions, direct investments and project financing.

Mr. Tsang Chiu Mo Samuel, aged 29, brother of the Company's Executive Director, Mr. Tsang Chiu Ching, was appointed Executive Director in September 1999. He is responsible for the Group's strategic planning, business development and corporate finance portfolio. Mr. Tsang is a director of Century Legend Limited, a substantial shareholder of the Company as well as a director of China Sky Finance Limited.

Mr. Tsang received his tertiary education in Canada. Prior to joining the Group, he has gained broad experience working with international firms in building construction, hotel management, financing and strategic gained investment.

Independent Non-Executive Directors

Mr. Szeto King Pui Albert, aged 47 was appointed an Independent Non-Executive Director in January 2000. He is also the Company's secretary.

Mr. Szeto is qualified solicitor in England and Wales and Hong Kong and a partner of Chiu, Szeto and Cheng Solicitors in Hong Kong.

Mr. Yu Yun Kong, aged 35, was appointed an Independent Non-Executive Director in January 2001.

He is a partner of C. W. Leung & Co., Certified Public Accountants with over 12 years of experience in public accounting practice. Mr. Yu is also an associate member of both the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants.

Directors' interests in contracts

Mr. Szeto King Pui Albert is a partner of Chiu, Szeto & Cheng Solicitors, a firm of solicitors in Hong Kong which provides legal and professional services to the Group and receives normal professional fees for such services.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in equity or debt securities

At 31 December 2001, the interests of the Directors and Chief Executives in the shares, warrants and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name	Number of shares in the Company beneficially held			
	Personal interest	Corporate interest	Family interest	Other interest
Mr. Tsang Chiu Ching	960,000	(note 1 & 2)	–	–
Mr. Tsang Chiu Mo Samuel	–	(note 1, 2 & 3)	–	–

Notes:

- 868,389,900 shares were held by Century Legend Limited ("Century Legend"), which is owned as to 5% by Mr. Tsang Chiu Ching and 5% by Mr. Tsang Chiu Mo Samuel respectively.
- 204,114,700 shares were deemed to be held by China Sky Finance Limited ("China Sky") by virtue of a Share Charge dated 6 December 1999 made between China Sky as chargee and Century Legend as chargor whereby Century Legend charged to China Sky by way of first fixed charge all of Century Legend's present and future right, title and interest in and to 204,114,700 shares in the Company. China Sky is 100% beneficially owned by Mr. Tsang Chiu Mo Samuel and Mr. Tsang Chiu Ching equally. Mr. Chan Yuk Sang, Mr. Tsang Chiu Mo Samuel and Mr. Tsang Chiu Ching are directors of China Sky.
- On 18 October 2001 Mr. Ng Kwan ("Mr. Ng") and Madam Fu Cheng Wai ("Madam Fu") entered into an option agreement ("Option Agreement") with Mr. Tsang Chiu Mo Samuel ("Mr. Tsang") pursuant to which Mr. Ng and Madam Fu each agreed to grant certain call options ("Call Options") to Mr. Tsang and Mr. Tsang agreed to grant to each of Mr. Ng and Madam Fu certain put options ("Put Options").

Originally, the options were exercisable at any time from the date of the Option Agreement and prior to 17 April 2002. By way of a supplemental agreement dated 16 April 2002 ("Supplemental Agreement"), the expiration date was extended to 17 April 2003.

Pursuant to the Option Agreement and the Supplemental Agreement, Mr. Tsang has the right to require each of Mr. Ng and Madam Fu to sell to him (or his nominee) 390,775,455 shares of the Company ("Company Option Shares") at a total consideration of HK\$10,160,161.83, equivalent to HK\$0.026 per Company Option Share.

Mr. Tsang also has the right to require each of Mr. Ng and Madam Fu to sell to him (or his nominee) their respective interests in 22,500 shares in the issued share capital of Century Legend ("CLL Option Shares") for a consideration of HK\$10,160,161.83 payable to each of Mr. Ng and Madam Fu.

Each of Mr. Ng and Madam Fu has the right to require Mr. Tsang to purchase the Company Option Shares from Mr. Ng and Madam Fu for a total consideration of HK\$10,160,161.83, equivalent to HK\$0.026 per Company Option share.

Each of Mr. Ng and Madam Fu also has the right to require Mr. Tsang to purchase the CLL Option Shares from Mr. Ng and Madam Fu for a total consideration of HK\$10,160,161.83, payable to each of Mr. Ng and Madam Fu.

REPORT OF THE DIRECTORS (cont'd)

Directors' interests in equity or debt securities (cont'd)

Both Call Options and Put Options must be exercised prior to 17 April 2003 or any other date as may be agreed by all parties to the Option Agreement and the Supplemental Agreement, after which the Put Options and the Call Options lapse.

Upon exercise of the rights attaching to the Call Options by Mr. Tsang or the Put Options by Mr. Ng and Madam Fu and the completion of the sale and purchase of the Company Option Shares or the CLL Option Shares (as the case may be), Mr. Tsang and parties acting in concert with him will become directly or indirectly interested in approximately 50.5% of the total issued share capital of the Company and may be obliged under the Takeovers Code to make a general cash offer for all the issued shares in the Company not already owned by him and parties acting in concert with him. The Put Options and the Call Options may or may not be exercised.

Save as disclosed above, at no time during the year, the Directors and Chief Executives of the Company (including their spouse and children under 18 years of age) had any interest in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance).

At no time during the year was the Company, its subsidiaries or its holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders

At 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of Century Legend Limited and China Sky Finance Limited as disclosed above.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restriction against such rights under the laws of Bermuda.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

The five major customers of the Group were attributable to the money lending business. The five major suppliers of the Group were attributable to travel agency and health and beauty services business. The percentage of the turnover and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Turnover	
– the largest customer	8%
– five largest customers combined	23%
Purchase	
– the largest supplier	91%
– five largest suppliers combined	95%

REPORT OF THE DIRECTORS (cont'd)

Major customers and suppliers (cont'd)

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and suppliers noted above.

Compliance with the Code of Best Practice of the Listing Rules

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing The Listing of Securities on the Stock Exchange (the "Listing Rule"), save that the Independent Non-Executive Directors were not appointed for a specific term but subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-laws of the Company.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's Auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both of the external audit and of internal controls and risk evaluation. The Committee comprises two Independent Non-Executive Directors, namely Mr. Szeto King Pui Albert and Mr. Yu Yun Kong.

Directors' interest in competing business

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:-

Mr. Chan Yuk Sang, Mr. Tsang Chiu Mo Samuel and Mr. Tsang Chiu Ching are the directors of China Sky Finance Limited ("China Sky"). China Sky is 100% beneficially owned by Mr. Tsang Chiu Mo Samuel and Mr. Tsang Chiu Ching equally. The provision of personal and commercial loan service of China Sky constitutes a competing business to the Group.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Chan Yuk Sang
Chairman

Hong Kong, 25 April 2002

REPORT OF THE AUDITORS



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF CENTURY LEGEND (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 19 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and auditors

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 April 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

	Note	2001 HK\$'000	As restated (note 1(e)) 2000 HK\$'000
Turnover	2	21,330	3,362
Cost of sales		(8,313)	(275)
Other revenues	2	2,065	1,627
Recovery of bad debts previously written-off		100	9,649
Administrative expenses		(22,721)	(9,827)
Other operating expenses		(9,650)	(3,587)
Operating (loss)/profit	3	(17,189)	949
Provision for impairment of goodwill	4	-	(8,821)
Share of losses of associated companies		(7,621)	(362)
Loss before taxation		(24,810)	(8,234)
Taxation credit	5	60	-
Loss after taxation		(24,750)	(8,234)
Minority interests		239	-
Loss attributable to shareholders	6	(24,511)	(8,234)
Loss per share	7	2.06 cents	1.21 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2001

	Note	2001 HK\$'000	2000 HK\$'000
Goodwill	10	4,187	–
Fixed assets	11	13,248	6,782
Investments in associated companies	13	8,051	954
Investment securities	14	669	6,851
Loan receivables	15	406	166
Current assets			
Inventories	16	283	–
Trading securities	17	6,611	2,020
Trade and other receivables	18	29,788	1,622
Loan receivables, current portion	15	24,412	20,984
Tax recoverable		38	–
Bank balances and cash		141,937	19,866
		<u>203,069</u>	<u>44,492</u>
Current liabilities			
Trade payables	19	2,135	265
Amount due to ultimate holding company	20	132,655	–
Other payables and accruals		5,683	2,174
		<u>140,473</u>	<u>2,439</u>
Net current assets		<u>62,596</u>	<u>42,053</u>
		<u>89,157</u>	<u>56,806</u>
Financed by:			
Share capital	21	17,208	47,800
Reserves	22	69,873	9,006
Shareholders' funds		87,081	56,806
Minority interests		2,076	–
		<u>89,157</u>	<u>56,806</u>

On behalf of the Board

Chan Yuk Sang
Director

Chu Ming Tak Evans Tania
Director

BALANCE SHEET

As at 31 December 2001

	Note	2001 HK\$'000	2000 HK\$'000
Investments in subsidiaries	12	116,471	74,940
Current assets			
Other receivables, prepayments and deposits	18	25,269	149
Bank balances and cash		131,308	12,754
		<u>156,577</u>	<u>12,903</u>
Current liabilities			
Other payables and accruals		780	617
Amount due to ultimate holding company	20	132,655	-
		<u>133,435</u>	<u>617</u>
Net current assets		<u>23,142</u>	<u>12,286</u>
		<u>139,613</u>	<u>87,226</u>
Financed by:			
Share capital	21	17,208	47,800
Reserves	22	122,405	39,426
Shareholders' funds		<u>139,613</u>	<u>87,226</u>

On behalf of the Board

Chan Yuk Sang
Director

Chu Ming Tak Evans Tania
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2001

	Note	2001 HK\$'000	2000 HK\$'000
Net cash outflow from operating activities	24(a)	<u>(34,588)</u>	<u>(8,720)</u>
Returns on investments and servicing of finance			
Bank interest received		825	1,198
Dividend income		177	–
		<u>1,002</u>	<u>1,198</u>
Net cash inflow from returns on investments and servicing of finance		<u>1,002</u>	<u>1,198</u>
Investing activities			
Purchase of fixed assets		(7,124)	(366)
Sale of fixed assets		–	20
Acquisition of subsidiaries	24(e)	4,080	(187)
Purchase of associated companies		–	(4,000)
Additional interest in an associated company		(1,713)	–
Advance to an associated company		(12,783)	(2,137)
Purchase of investment securities		–	(11,567)
Sales of investment securities		43	3,468
Purchase of trading securities		(19,601)	(8,796)
Sales of trading securities		13,915	6,906
Repayment of short-term loan		–	24,050
		<u>(23,183)</u>	<u>7,391</u>
Net cash (outflow)/inflow from investing activities		<u>(23,183)</u>	<u>7,391</u>
Net cash outflow before financing		<u>(56,769)</u>	<u>(131)</u>
Financing	24(b)		
Issue of ordinary shares		47,800	14,000
Share issue expenses		(1,618)	–
Advance from ultimate holding company		132,655	–
Contribution from a minority shareholder in a subsidiary		3	–
		<u>178,840</u>	<u>14,000</u>
Increase in cash and cash equivalents		122,071	13,869
Cash and cash equivalents at 1 January		19,866	5,997
Cash and cash equivalents at 31 December		<u>141,937</u>	<u>19,866</u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		<u>141,937</u>	<u>19,866</u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2001

	Note	2001 HK\$'000	As restated (note 1(e)) 2000 HK\$'000
Loss for the year	22	<u>(24,511)</u>	<u>(8,234)</u>
Total recognised gains and losses		(24,511)	(8,234)
Goodwill eliminated directly against reserves		<u>—</u>	<u>(185)</u>
		<u>(24,511)</u>	<u>(8,419)</u>

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

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

(b) Group accounting

(i) Consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal as appropriate, apart from the Group reorganisation which took place in 1993 and is accounted for using merger accounting.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

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

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(b) Group accounting (cont'd)

(i) Consolidation (cont'd)

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

(ii) Associated companies

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

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

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

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(c) Fixed assets

(i) Leasehold properties

Leasehold properties are interests in land and buildings and are stated at fair value which is determined by the Directors based on independent valuations which are performed every three years. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. In the intervening years, the Directors review the carrying value of the properties and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(c) Fixed assets (cont'd)

(ii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows.

Land	2%
Buildings	5%
Leasehold improvements	25-33 ¹ / ₃ %
Motor vehicles	20%
Furniture and fixtures	20-33 ¹ / ₃ %

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

(d) Operating leases

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

In note 25(b) to the accounts the Group has disclosed operating lease commitments under the revised SSAP 14 which requires the disclosure of the aggregate future minimum lease payments. This is a change from the previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair values of the Group's share of the net assets of the acquired subsidiaries and associated companies at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisition of the Group during the year to expand its business segment is amortised over a period of 3 years.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(e) Goodwill (cont'd)

Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31. In accordance with the transitional provisions of SSAP 30 and SSAP 31, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was not a policy to recognise such impairment losses, this change in accounting policy has been applied retrospectively and the impairment losses have been recognised as a prior year adjustment to opening accumulated losses in accordance with SSAP 2. The comparative accounts for year ended 31 December 2000 have been restated to conform to the changed policy. As detailed in note 4 to the accounts, the opening accumulated losses as at 1 January 2001 have been increased by HK\$8,821,000 which is the amount of the adjustment in respect of impairment losses relating to the year ended 31 December 2000.

(f) Investments in securities

(i) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss when circumstances and events that led to the write-down or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Trading securities

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

(g) Inventories

Inventories comprise consumable stocks and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises invoiced value of goods and appropriate transportation cost. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(h) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

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

(j) Deferred taxation

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

(k) Revenue recognition

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

Revenue from sales of services is recognised when the services are rendered.

Revenue from licence agreements is recognised in accordance to the agreement terms.

(l) Translation of foreign currencies

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

(m) Retirement benefit costs

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

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

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

NOTES TO THE ACCOUNTS (cont'd)

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(n) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary segment. No geographical segments are presented as less than 10% of the Group's turnover and operating results were generated from operation outside Hong Kong.

Unallocated costs represent corporate expenses. Segment assets consist primarily of loan receivables, trade receivables and interest receivable. Segment liabilities comprise operating liabilities and exclude items such as taxation and amount due to ultimate holding company. Capital expenditure comprises addition to goodwill (note 10) and fixed assets (note 11), including additions resulting from acquisitions through acquisition of subsidiaries (note 24(d)).

2 TURNOVER, ACQUISITION AND SEGMENT INFORMATION

The Group is principally engaged in money lending, travel agency and provision of health and beauty services. Health and beauty services business is acquired during the year. Revenues recognised during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover		
Interest income from money lending business	5,768	3,025
Travel agency services	9,030	337
Health and beauty services	6,532	-
	<u>21,330</u>	<u>3,362</u>
Other revenues		
Bank interest income	825	1,198
Profit on sales of trading securities	415	429
Management fee income	192	-
Licensing income	456	-
Dividend income from listed investments	177	-
	<u>2,065</u>	<u>1,627</u>
Total revenues	<u>23,395</u>	<u>4,989</u>

NOTES TO THE ACCOUNTS (cont'd)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (cont'd)

Business segments	Money lending 2001 HK\$'000	Travel agency services 2001 HK\$'000	Health and beauty services 2001 HK\$'000	Group 2001 HK\$'000
Turnover	<u>5,768</u>	<u>9,030</u>	<u>6,532</u>	<u>21,330</u>
Segment results	<u>1,432</u>	<u>166</u>	<u>(903)</u>	695
Unallocated revenues				2,120
Unallocated cost				<u>(20,004)</u>
Operating loss				(17,189)
Share of losses of associated companies				<u>(7,621)</u>
Loss before taxation				(24,810)
Taxation credit				<u>60</u>
Loss after taxation				(24,750)
Minority interests				<u>239</u>
Loss attributable to shareholders				<u>(24,511)</u>
Segment assets	<u>31,096</u>	<u>1,117</u>	<u>9,260</u>	41,473
Investments in associated companies				8,051
Unallocated assets				<u>180,106</u>
Total assets				<u>229,630</u>
Segment liabilities	<u>(1,129)</u>	<u>(1,890)</u>	<u>(3,308)</u>	(6,327)
Unallocated liabilities				<u>(136,222)</u>
Total liabilities				<u>(142,549)</u>
Capital expenditure	<u>-</u>	<u>61</u>	<u>11,955</u>	12,016
Unallocated capital expenditure				<u>2,627</u>
				<u>14,643</u>
Depreciation	<u>50</u>	<u>24</u>	<u>187</u>	261
Unallocated depreciation				<u>1,610</u>
				<u>1,871</u>
Amortisation of goodwill	<u>-</u>	<u>-</u>	<u>2,094</u>	2,094
Unallocated impairment charge				<u>6,141</u>

NOTES TO THE ACCOUNTS (cont'd)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (cont'd)

	Money lending 2000 HK\$'000	Travel agency services 2000 HK\$'000	Group 2000 HK\$'000
Turnover	<u>3,025</u>	<u>337</u>	<u>3,362</u>
Segment results	<u>(2,335)</u>	<u>(23)</u>	<u>(2,358)</u>
Unallocated revenue			850
Unallocated cost			(7,192)
Recovery of bad debts previously written off			<u>9,649</u>
Operating profit			949
Provision for impairment of goodwill			(8,821)
Share of losses of associated companies			<u>(362)</u>
Loss attributable to shareholders			<u>(8,234)</u>
Segment assets	<u>29,855</u>	<u>361</u>	30,216
Investments in associated companies			954
Unallocated assets			<u>28,075</u>
Total assets			<u>59,245</u>
Segment liabilities	<u>(1,416)</u>	<u>(300)</u>	(1,716)
Unallocated liabilities			<u>(723)</u>
Total liabilities			<u>(2,439)</u>
Capital expenditure	<u>338</u>	<u>213</u>	<u>551</u>
Depreciation	<u>78</u>	<u>1</u>	79
Unallocated depreciation			<u>385</u>
			<u>464</u>
Unallocated impairment charge			<u>9,915</u>

NOTES TO THE ACCOUNTS (cont'd)

3 OPERATING (LOSS)/PROFIT

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

	2001 HK\$'000	2000 HK\$'000
Crediting		
Gain on deemed disposal of associated companies	222	–
Realised gains/(losses) on disposal of investment securities	<u>2</u>	<u>(154)</u>
Charging		
Deficit on revaluation of leasehold properties not covered by previous surplus	–	1,524
Staff costs (including Directors' remuneration)	9,936	4,582
Retirement benefit costs	277	296
Depreciation	1,871	464
Loss on disposal of fixed assets	–	5
Written off of fixed assets	25	12
Impairment loss of investment securities	6,141	1,094
Unrealised losses on trading securities	1,510	299
Operating leases - land and buildings	3,556	772
Auditors' remuneration		
Current year	460	500
Underprovision in previous year	–	50
Amortisation of goodwill	2,094	–
Provision for bad and doubtful debts	<u>100</u>	<u>500</u>

4 PROVISION FOR IMPAIRMENT OF GOODWILL

As at 31 December 2001, the Group performed an assessment of the fair value of the goodwill that had previously been eliminated against reserves. The assessment was based on value in use of the assets as determined as the cash generating unit based on the present value of estimated cash flows.

As a result of this assessment, it was determined that impairment had occurred for the goodwill arising from the acquisition of associated companies previously eliminated against reserves. In accordance with the transitional provisions of SSAP 30 and SSAP 31, the Group has retrospectively restated and decreased the reported profit for the year ended 31 December 2000 and increased the opening accumulated losses of the Group as at 1 January 2001 by HK\$8,821,000 (notes 1(e) and 22).

NOTES TO THE ACCOUNTS (cont'd)

5 TAXATION CREDIT

Hong Kong profits tax has not been provided in the accounts as the Group has available tax losses as at 31 December 2001. The amount of taxation credit for the year ended 31 December 2001 represents an over-provision of Hong Kong profits tax in previous years.

Deferred taxation for the year has not been credited to the consolidated profit and loss account in respect of the following:

	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation allowance	106	15
Taxation loss	3,464	291
	<u>3,570</u>	<u>306</u>

6 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$2,399,000 (2000: HK\$1,171,000).

7 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$24,511,000 for the year ended 31 December 2001 (2000: HK\$8,234,000 as restated).

The basic loss per share is based on the weighted average of 1,191,202,192 (2000: 680,524,590) ordinary shares in issue during the year. The comparative figure has been restated to reflect the change arising from a rights issue during the year.

8 RETIREMENT BENEFIT COSTS

The Group's mandatory provident fund ("MPF Scheme") contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance up to a maximum of HK\$1,000 per employee per month ("MPF Contribution"), plus a corresponding amount of voluntary contribution made by the respective employee ("Voluntary Contribution") upto a maximum of HK\$4,000 per employee. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The Group's contribution may be reduced by the contribution forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totaling HK\$27,116 (2000: HK\$48,000) were utilised during the year and there was HK\$18,803 (2000: nil) forfeited contributions to reduce future contributions at balance sheet date.

Contributions totaling HK\$20,000 (2000: HK\$22,000) were payable to the MPF Scheme at the year end and are included in accounts payable. The assets of the schemes are held separately from those of the Group in an independently administered fund.

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2001 HK\$'000	2000 HK\$'000
Fees	–	–
Other emoluments – Executive Directors		
Basic salaries, housing allowances, other allowances and benefits in kind	2,870	1,965
Contributions to pensions schemes – as Directors	113	89
	<u>2,983</u>	<u>2,054</u>

The emoluments of the Directors fell within the following bands:

Emolument bands	Number of Directors	
	2001	2000
HK\$nil – HK\$1,000,000	6	5
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>1</u>

No remuneration was paid to the Independent Non-Executive Directors during the years ended 31 December 2001 and 2000.

None of the Directors waived any emoluments in respect of the years ended 31 December 2001 and 2000.

NOTES TO THE ACCOUNTS (cont'd)

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

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

	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	293	840
Bonuses	24	75
Pensions	16	41
	<u>333</u>	<u>956</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2001	2000
HK\$nil – HK\$1,000,000	<u>1</u>	<u>3</u>

10 GOODWILL

	Group	
	2001 HK\$'000	2000 HK\$'000
Acquisition of subsidiaries (note 24(d))	6,281	–
Amortisation charge	<u>(2,094)</u>	<u>–</u>
As 31 December 2001	<u>4,187</u>	<u>–</u>

NOTES TO THE ACCOUNTS (cont'd)

11 FIXED ASSETS - GROUP

	Leasehold properties in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
Cost or valuation					
At 1 January 2001	6,300	29	251	293	6,873
Additions	–	4,396	–	2,728	7,124
Acquisition of subsidiaries	–	4,192	–	1,482	5,674
Written-off	–	(9)	–	(21)	(30)
At 31 December 2001	6,300	8,608	251	4,482	19,641
Accumulated depreciation					
At 1 January 2001	–	1	29	61	91
Charge for the year	317	1,007	50	497	1,871
Acquisition of subsidiaries	–	3,556	–	880	4,436
Written-off	–	(1)	–	(4)	(5)
At 31 December 2001	317	4,563	79	1,434	6,393
Net book value					
At 31 December 2001	5,983	4,045	172	3,048	13,248
At 31 December 2000	6,300	28	222	232	6,782

The analysis of the cost or valuation of the above assets at 31 December 2001 is as follows:

	Leasehold properties in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
At cost	–	8,608	251	4,482	13,341
At 2000 valuation	6,300	–	–	–	6,300
	6,300	8,608	251	4,482	19,641

NOTES TO THE ACCOUNTS (cont'd)

11 FIXED ASSETS - GROUP (cont'd)

The analysis of the cost or valuation at 31 December 2000 of the above assets is as follows:

	Leasehold properties in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
At cost	–	29	251	293	573
At 2000 valuation	6,300	–	–	–	6,300
	<u>6,300</u>	<u>29</u>	<u>251</u>	<u>293</u>	<u>6,873</u>

- (a) As at 31 December 2001, the leasehold properties are for own use. They are located in Hong Kong and the remaining terms of the leases are between ten and fifty years.
- (b) Leasehold properties in Hong Kong were revalued at 31 December 2000 on the basis of their open market value by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors. The carrying amount of the leasehold properties would have been HK\$9,840,000 (2000: HK\$10,286,000) had they been stated at cost less accumulated depreciation.

12 INVESTMENTS IN SUBSIDIARIES

	Company 2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	86,218	86,218
Less: provision for impairment losses	(30,000)	(30,000)
	<u>56,218</u>	<u>56,218</u>
Amount due from subsidiaries	150,324	107,633
Less: provision for doubtful debts	(88,907)	(88,907)
	<u>61,417</u>	<u>18,726</u>
Amount due to subsidiaries	(1,164)	(4)
	<u>116,471</u>	<u>74,940</u>

The amount due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE ACCOUNTS (cont'd)

12 INVESTMENTS IN SUBSIDIARIES (cont'd)

The following is a list of the subsidiaries at 31 December 2001:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal activity and place of operation</u>	<u>Particulars of issued share capital</u>	<u>Interest held</u>
Anluck Limited	Hong Kong	Dormant	100 ordinary shares of HK\$1 each	60%
Century Legend Finance Limited	Hong Kong	Provision of commercial and personal loan in Hong Kong	10,000,000 ordinary shares of HK\$1 each	100%
Century Legend Investments Limited	British Virgin Islands	Investment holding in Hong Kong	63,000 ordinary shares of US\$0.01 each	*100%
Century Legend Strategic Investments Limited	Hong Kong	Investment holding and provision of commercial and personal loan in Hong Kong	10,000,000 ordinary shares of HK\$1 each 5,000,000 non-voting deferred shares of HK\$1 each	100%
Hong Kong Macau Trading Limited	Hong Kong	Trading of general merchandise in Hong Kong	100 ordinary shares of HK\$1 each	100%
Fortei International Limited	Hong Kong	Provision of properties management services in Hong Kong	1,000,000 ordinary shares of HK\$1 each	*100%
Fortei Licensing Limited	British Virgin Islands	Licensing of trademarks in Greater China Region and Taiwan	1 ordinary share of US\$0.01 each	100%
Fortei Limited	Hong Kong	Property holding in Hong Kong	10,000 ordinary shares of HK\$1 each	100%

NOTES TO THE ACCOUNTS (cont'd)

12 INVESTMENTS IN SUBSIDIARIES (cont'd)

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal activity and place of operation</u>	<u>Particulars of issued share capital</u>	<u>Interest held</u>
Hong Kong Macau Travel and Entertainment Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	*100%
Hong Kong Macau Travel Limited	Hong Kong	Travel agency services in Hong Kong	500,000 ordinary shares of HK\$1 each	100%
Century Legend Nominees Limited	British Virgin Islands	Holding nominee shares for the Group in Hong Kong	1 ordinary share of US\$1 each	*100%
Century Entertainment Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%
Century Amusement Production Limited	Hong Kong	Dormant	10,000 ordinary shares of HK\$1 each	70%
SVC Investments Limited	British Virgin Islands	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100%
Spa D'or Limited #	Hong Kong	Provision of health and beauty services in Hong Kong	10,000 ordinary shares of HK\$1 each	80%
Headquarters Limited #	Hong Kong	Investment holding and operation of a hair salon under the brand name of "Headquarters" in Hong Kong	150,000 ordinary shares of HK\$1 each	55%
Grand Mutual Investment Limited #	Hong Kong	Operation of a hair salon in Hong Kong	500,000 ordinary shares of HK\$1 each	55%

* Directly held by the Company

Companies not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 2% of the Group's total assets.

The non-voting deferred shares practically carry no rights to dividends or to participate in any distribution in winding up. They carry no rights to receive notice of or to attend or vote at any general meeting.

NOTES TO THE ACCOUNTS (cont'd)

13 INVESTMENTS IN ASSOCIATED COMPANIES

	2001 HK\$'000	Group 2000 HK\$'000
Share of net liabilities, other than goodwill	(4,732)	(1,183)
Advance to an associated company	12,783	2,137
	8,051	954

The advance to an associated company is unsecured, interest free and have no fixed terms of repayment.

The following is a list of the principal associated companies at 31 December 2001:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal activity and place of operation</u>	<u>Particulars of issued share capital</u>	<u>Interest held indirectly</u>
Integrated Solutions (Holdings) Limited	Cayman Islands	Investment holding in Hong Kong	100 ordinary shares of HK\$0.10 each	40%
Integrated Solutions Limited	Hong Kong	Software development, hardware trading and provision of maintenance services in Hong Kong and The People's Republic of China	27,750 ordinary shares of HK\$10 each	32.8%
ISL Technologies Limited	British Virgin Islands	Investment holding in Hong Kong	25,600 ordinary shares of US\$1 each	32.8%
Grand Macau International Development Limited	British Virgin Islands	Investment holding in Hong Kong and Macau	2 ordinary shares of US\$1 each	50%

All associated companies except Grand Macau International Development Limited have a financial accounting period of 31 March which is not coterminous with the Group.

NOTES TO THE ACCOUNTS (cont'd)

14 INVESTMENT SECURITIES

	2001 HK\$'000	Group 2000 HK\$'000
Equity securities, at cost		
Listed in Hong Kong	6,810	7,945
Provision for impairment loss	(6,141)	(1,094)
Total	<u>669</u>	<u>6,851</u>
Market value of listed securities at 31 December	<u>836</u>	<u>7,513</u>

15 LOAN RECEIVABLES

	2001 HK\$'000	Group 2000 HK\$'000
Provision of personal and commercial loans		
Loan receivables – secured	9,446	20,000
Loan receivables – unsecured (<i>note a</i>)	15,872	1,650
Gross loan receivables (<i>note b</i>)	25,318	21,650
Provision for doubtful loans	(500)	(500)
	<u>24,818</u>	<u>21,150</u>
Less: amount due within one year	(24,412)	(20,984)
Amount due after one year	<u>406</u>	<u>166</u>

Note:

- (a) The amount included an unsecured short term loan of HK\$15,000,000 (the "Loan") granted to an individual (the "Borrower") who is independent to the Group. Out of the Loan, HK\$5,000,000 is due for repayment in February 2002 and the remaining balance is repayable in July 2002. As at the date of approval of these accounts, the first repayment HK\$5,000,000 of the Loan has been overdue. Subsequent to the year end date, the ultimate holding company issued a deed of guarantee in favor of the Group in respect of the Loan. Pursuant to the deed of guarantee, the ultimate holding company is responsible for repayment of the Loan if the Borrower defaults in repayment.

NOTES TO THE ACCOUNTS (cont'd)

15 LOAN RECEIVABLES (cont'd)

- (b) The repayment terms of the loans are negotiated on an individual basis. The maturity profile of loan receivables at the balance sheet date is analysed by the remaining periods to their contractual maturity dates are as follows:

	2001 HK\$'000	Group 2000 HK\$'000
On demand	102	14
Three months or less	18,224	21,015
Below one year but over three months	6,578	455
One to three years	414	166
	<u>25,318</u>	<u>21,650</u>

16 INVENTORIES

	2001 HK\$'000	Group 2000 HK\$'000
Consumable stock	<u>283</u>	<u>–</u>

At 31 December 2001, all inventories are stated at cost.

17 TRADING SECURITIES

	2001 HK\$'000	Group 2000 HK\$'000
Listed securities in Hong Kong, at fair value	<u>6,611</u>	<u>2,020</u>

NOTES TO THE ACCOUNTS (cont'd)

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade receivables (<i>note a</i>)	766	–	–	–
Deposit for the acquisition of interest in a property development project (<i>note b</i>)	25,000	–	25,000	–
Other receivables and deposits	4,022	1,622	269	149
	29,788	1,622	25,269	149

- (a) The majority of the Group's turnover is on cash basis. The remaining balances of turnover are on credit terms of thirty to sixty days. At 31 December 2001, the ageing of the trade receivables was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current	424	–
31-60 days	115	–
61-90 days	119	–
Over 91 days	108	–
	766	–

- (b) Pursuant to a Letter of Intent entered into between the Group and an independent third party (the "Vendor"), the Group paid a deposit of HK\$25 million for the granting of an option (the "Option") by the Vendor to acquire the controlling interest in a company incorporated outside Hong Kong which is engaged in a property development project. The consideration of the acquisition is subject to further negotiation.

The Option is exercisable or could be withdrawn on or before 30 June 2002, and in the latter case, full amount of deposit will be refunded to the Group. The transaction is pending for negotiation as at the date of approval of these accounts.

19 TRADE PAYABLES

The ageing of trade payables was less than three months.

20 AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The balance is unsecured, interest-free and repayable on demand.

NOTES TO THE ACCOUNTS (cont'd)

21 SHARE CAPITAL

	Ordinary shares of HK\$0.01 each (At 31 December 2000: HK\$0.10 each)	
	No of shares	HK\$'000
Authorised:		
At 1 January and 31 December 2000	600,000,000	60,000
Increase in authorised share capital (<i>note a</i>)	1,200,000,000	120,000
	<u>1,800,000,000</u>	<u>180,000</u>
Subdivision of each authorised share of HK\$0.10 into ten shares of HK\$0.01 each (<i>note c</i>)	16,200,000,000	–
Increase in authorised share capital (<i>note e</i>)	22,000,000,000	220,000
	<u>40,000,000,000</u>	<u>400,000</u>
At 31 December 2001	40,000,000,000	400,000
	Ordinary shares of HK\$0.01 each (At 31 December 2000: HK\$0.10 each)	
	No of shares	HK\$'000
Issued and fully paid:		
At 1 January 2000	400,000,000	40,000
Issue upon a placement	70,000,000	7,000
Issue for purchase of associated companies	8,000,000	800
	<u>478,000,000</u>	<u>47,800</u>
At 31 December 2000	478,000,000	47,800
At 1 January 2001	478,000,000	47,800
Issue of rights shares and bonus shares (<i>note b</i>)	956,000,000	95,600
	<u>1,434,000,000</u>	<u>143,400</u>
Reduction of capital (<i>note d</i>)	–	(129,060)
	<u>1,434,000,000</u>	<u>14,340</u>
Conversion of convertible notes (<i>note f</i>)	286,800,000	2,868
	<u>1,720,800,000</u>	<u>17,208</u>
At 31 December 2001	1,720,800,000	17,208

21 SHARE CAPITAL (cont'd)

Notes:

- (a) On 10 May 2001, the authorised share capital of the Company was increased from HK\$60,000,000 to HK\$180,000,000 by the creation of 1,200,000,000 shares of HK\$0.10 each.
- (b) On 6 June 2001, 478,000,000 shares were issued at HK\$0.10 per share pursuant to a rights issue on the basis of one rights share for every existing share held on 10 May 2001. In addition, 478,000,000 new shares were issued by way of a bonus issue by applying HK\$47.8 million charging to the share premium account in payment in full at par and on the basis of one bonus share for every rights share taken up.
- (c) Pursuant to a special general meeting held on 11 October 2001, every one authorised share of HK\$0.10 each of the Company was subdivided into ten shares of HK\$0.01 each.
- (d) Pursuant to a special general meeting held on 11 October 2001, the share capital of the Company in issue was reduced by cancelling paid up capital to the extent of HK\$0.09 on each share of HK\$0.10 in issue. Accordingly, the issued share capital of the Company of HK\$143,400,000 was reduced to HK\$14,340,000. The credit arose from the reduction of issued share capital of HK\$129,060,000 was transferred to the contributed surplus accounts of the Company.
- (e) Upon the share subdivision became effective as detailed in note (d), the authorised share capital of the Company was further increased to HK\$400,000,000 by the creation of 22,000,000,000 shares of HK\$0.01 each.
- (f) On 11 October 2001, the Company issued convertible notes of HK\$8,604,000 (the "Notes") as a consideration for the acquisition of subsidiaries. The Notes are non-interest bearing and are mandatorily converted into 286,800,000 shares of HK\$0.01 each at HK\$0.03 per share upon the capital reduction, as detailed in note (d) above, became effective. All the Notes were converted into share capital of the Company on 11 October 2001.
- (g) Under the Company's share option scheme, the Directors may at their discretion grant options to Executive Directors and full time employees of the Company and its subsidiaries to subscribe for shares in the Company. The subscription price of the options shares is set at a price equal to the higher of the nominal value of the Company's shares and 80% of the average of the closing prices of the shares of the company on the Stock Exchange of Hong Kong Limited in the five trading days immediately preceding the date of offer of the option. Options granted are exercisable within three years from the date of grant. There was no option outstanding at any time during the year ended 31 December 2001.

NOTES TO THE ACCOUNTS (cont'd)

22 RESERVES

	Group			
	Share Premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2000	72,131	17,314	(82,220)	7,225
Loss for the year, as restated (<i>note a</i>)	-	-	(8,234)	(8,234)
Premium on issue of shares	10,200	-	-	10,200
Goodwill arising from the acquisition of a subsidiary	-	(185)	-	(185)
At 31 December 2000	82,331	17,129	(90,454)	9,006
At 1 January 2001	82,331	17,129	(90,454)	9,006
Loss for the year	-	-	(24,511)	(24,511)
Issue of bonus shares	(47,800)	-	-	(47,800)
Expenses for issue of rights shares and bonus shares	(1,618)	-	-	(1,618)
Capital reduction	-	129,060	-	129,060
Conversion of convertible notes	5,736	-	-	5,736
At 31 December 2001	38,649	146,189	(114,965)	69,873
Company and subsidiaries	38,649	146,189	(106,982)	77,856
Associated companies	-	-	(7,983)	(7,983)
At 31 December 2001	38,649	146,189	(114,965)	69,873
Company and subsidiaries	82,331	17,129	(90,092)	9,368
Associated companies	-	-	(362)	(362)
At 31 December 2000	82,331	17,129	(90,454)	9,006

NOTES TO THE ACCOUNTS (cont'd)

22 RESERVES (cont'd)

- (a) The loss of the Group for the year ended 31 December 2000 and the opening accumulated losses as at 1 January 2001 had been restated and increased by HK\$8,821,000, being provision for impairment in goodwill arising from purchase of associated companies. This is to reflect the prior year adjustment in respect of the provision for impairment of goodwill made at Group level (notes 1(e) and 4).

	Company			Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	
At 1 January 2000	72,131	84,918	(126,652)	30,397
Loss for the year	–	–	(1,171)	(1,171)
Premium on issue of shares	10,200	–	–	10,200
At 31 December 2000	82,331	84,918	(127,823)	39,426
At 1 January 2001	82,331	84,918	(127,823)	39,426
Loss for the year	–	–	(2,399)	(2,399)
Issue of bonus shares	(47,800)	–	–	(47,800)
Expenses for issue of rights shares and bonus shares	(1,618)	–	–	(1,618)
Capital reduction	–	129,060	–	129,060
Conversion of convertible notes	5,736	–	–	5,736
At 31 December 2001	38,649	213,978	(130,222)	122,405

23 DEFERRED TAXATION

	Group	
	2001 HK\$'000	2000 HK\$'000
The potential deferred taxation assets not provided for in the accounts amounting to:		
Accelerated depreciation allowances	121	15
Taxation losses	26,327	22,863
	26,448	22,878

The revaluation deficit of leasehold properties does not constitute a timing difference for deferred taxation purposes as any profit on disposal of the properties would not be subject to taxation.

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to net cash outflow from operating activities

	Group	
	2001 HK\$'000	2000 HK\$'000
Operating (loss)/profit	(17,189)	949
Depreciation charge	1,871	464
Amortisation of goodwill	2,094	–
Written-off of fixed assets	25	12
Deficit on revaluation of leasehold properties not covered by previous surplus	–	1,524
Provision for bad and doubtful debts	100	500
Recovery of bad debts previously written off	(100)	(9,649)
Loss on disposal of fixed assets	–	5
Realised (gains)/losses on disposal of investment securities	(2)	154
Impairment loss of investment securities	6,141	1,094
Realised profit on sales of trading securities	(415)	(429)
Unrealised losses on trading securities	1,510	299
Gain on deemed disposal of associated companies	(222)	–
Increase in inventories	(11)	–
Increase in loan receivables	(3,668)	(21,650)
(Increase)/decrease in trade and other receivables	(25,799)	18,488
Increase in trade, other payables and accruals	2,079	717
Bank interest income	(825)	(1,198)
Dividend income	(177)	–
Net cash outflow from operating activities	(34,588)	(8,720)

NOTES TO THE ACCOUNTS (cont'd)

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing during the year

	Share capital including premium		Minority interests		Advance from ultimate holding company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1 January	130,131	112,131	-	-	-	-
Conversion of convertible notes (note 21(f))	8,604	-	-	-	-	-
Shares issued for non-cash consideration	-	4,000	-	-	-	-
Issuance of shares for cash	46,182	14,000	-	-	-	-
Cash inflow from financing	-	-	-	-	132,655	-
Acquisition of subsidiaries	-	-	2,312	-	-	-
Share of loss of minority interests	-	-	(239)	-	-	-
Capital reduction (note 21(d))	(129,060)	-	-	-	-	-
Contribution from a minority shareholder in a subsidiary	-	-	3	-	-	-
At 31 December	55,857	130,131	2,076	-	132,655	-

(c) Major non-cash transactions

The consideration paid by the Group for the acquisition of subsidiaries during the year was satisfied by an issuance of convertible notes of HK\$8,604,000. A goodwill of approximately HK\$5,781,000 was arising from the acquisition and the amount was capitalised and amortised over a period of three years.

NOTES TO THE ACCOUNTS (cont'd)

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(d) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired		
Goodwill	500	–
Fixed assets	1,238	–
Inventories	272	–
Amount due from a director	–	299
Amount due from a shareholder	–	200
Trade and other receivables	2,367	2
Bank balances and cash	4,080	–
Trade, other payables and accruals	(3,300)	(22)
Taxation (payable)/recoverable	(22)	8
Minority interests	(2,312)	–
	<u>2,823</u>	<u>487</u>
Goodwill	<u>5,781</u>	<u>185</u>
	<u>8,604</u>	<u>672</u>
Satisfied by		
Issue of convertible notes	8,604	–
Assumed the amount due from previous shareholders	–	485
Cash	–	187
	<u>8,604</u>	<u>672</u>

The subsidiaries acquired during the year contributed HK\$3,167,000 (2000: HK\$754,000) to the group's net operating cash flows, paid none (2000:HK\$9,000) in respect of taxation, and utilised HK\$1,245,000 (2000:HK\$29,000) for investing activities.

(e) Analysis of net cash inflow/(outflow) in respect of the acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Cash consideration	–	(187)
Bank balances and cash equivalent	<u>4,080</u>	<u>–</u>
	<u>4,080</u>	<u>(187)</u>

NOTES TO THE ACCOUNTS (cont'd)

25 COMMITMENTS

- (a) Capital commitments for acquisition of fixed asset

	2001 HK\$'000	Group 2000 HK\$'000
Contracted but not provided for	<u>312</u>	<u>–</u>

- (b) Commitments under operating leases

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

	2001 HK\$'000	Group As restated (note 1(d)) 2000 HK\$'000
Not later than one year	<u>7,517</u>	<u>7,243</u>
Later than one year and not later than five years	<u>7,750</u>	<u>15,087</u>
	<u>15,267</u>	<u>22,330</u>

26 ULTIMATE HOLDING COMPANY

The Directors regard Century Legend Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Company.

27 APPROVAL OF ACCOUNTS

The accounts were approved by the board of Directors on 25 April 2002.

FINANCIAL SUMMARY

Results

	For the year ended 31 December				2001 HK\$'000
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000 restated	
Turnover	<u>145,669</u>	<u>138,271</u>	<u>51,704</u>	<u>3,362</u>	21,330
Loss attributable to shareholders	<u>(59,779)</u>	<u>(63,590)</u>	<u>(55,771)</u>	<u>(8,234)</u>	(24,511)

Assets and liabilities

	As at 31 December				2001 HK\$'000
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	
Total assets	<u>192,742</u>	<u>129,387</u>	<u>48,947</u>	<u>59,245</u>	229,630
Total liabilities including minority interests	<u>(23,849)</u>	<u>(24,084)</u>	<u>(1,722)</u>	<u>(2,439)</u>	(142,549)
Shareholders' funds	<u>168,893</u>	<u>105,303</u>	<u>47,225</u>	<u>56,806</u>	87,081