

The image features a dark blue vertical bar on the left side. The background is a bright blue sky with scattered white clouds. Overlaid on the sky is a large, stylized, white, three-dimensional logo that resembles a 'C' or a similar symbol. The logo has a metallic or glossy finish with shadows and highlights.

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

Annual Report
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CORPORATE INFORMATION

Board of Directors	Mr. Tsang Chiu Ching Mr. Tsang Chiu Mo Samuel Ms. Chu Ming Tak Evans Tania Mr. Szeto King Pui Albert Mr. Yu Yun Kong Mr. Cheung Ka Wai	<i>Executive Director</i> <i>Executive Director</i> <i>Executive Director</i> <i>Independent Non-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, 27th Floor, 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 22nd Floor, Prince's Building, Central, Hong Kong	
Principal Registrars	Butterfield Corporate Services Limited Rosebank Centre, 14 Bermudiana Road, Pembroke, Bermuda	
Hong Kong Branch Registrars and Transfer Office	Computershare Hong Kong Investor Services Limited 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong	

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, 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 22 May 2003 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 2002.
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;

NOTICE OF ANNUAL GENERAL MEETING

- (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

“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, 23 April 2003

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, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th 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 15 May 2003 to 22 May 2003, 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, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:00 p.m. on 14 May 2003.



 港澳旅遊有限公司



*HONG KONG
MACAU
TRAVEL*

To the Shareholders of Century Legend (Holdings) Limited

2002 was the third year since the current management took over the Company in late 1999. Significant changes have been brought to the Company in these three years and I would like to take this opportunity to review and share with you some of these major changes:—

- (1) The Company was formerly known as “Fortei Holdings Limited” and was listed in Hong Kong since 1993. It initially involved in the design, marketing and distribution of sports and leather shoes and sports and leisure wear under its “FORTEI” brand name. The management was changed for the first time in June 1998 and the current management eventually took over the Company in October 1999.
- (2) By the time the current management took over the Company, the operation of the “FORTEI” brand name had already shrunk to a very minimal level by the previous management due to unfavourable market condition. Moreover, the Company carried a financial burden as the Company had over HK\$34 million short-term loan and other receivables but less than HK\$6 million in bank balances and cash (as per annual report for the year ended 31 December 1999). The financial situation was considered to be illiquid by the current management and this would definitely limit the growth or even the survival of the Company. Hence the Company underwent a placing of new shares in April 2000 to raise additional fund for securing its daily operation. Furthermore, management had put a lot of effort in recovering the outstanding loans and receivables owed to the Company. As a result, about 72% of these loans and receivables were recovered. By taking all these actions, the liquidity of the Company was significantly improved — it had almost HK\$20 million in bank balances and cash at the end of 2000.
- (3) The major focus of the management in 2000 was to improve the financial strength of the Group. Consolidating the existing business and looking for new investment opportunities became our major tasks in 2001. As we expected that there would be increasing difficulties in the distribution of the “FORTEI” products, we decided to alter the mode of traditional operation of the “FORTEI” brand name. Fortei Licensing Limited, a wholly owned subsidiary of the Group, entered into a License Agreement with an independent third party (“Licensee”) in January 2001. The agreement gave Licensee the exclusive right to use the trademark of “FORTEI” in Hong Kong, Macau, Taiwan and Mainland China. The Group would receive a license fee amounting to RMB24.5 million which would be paid by different installments within the following eight years. By entering into such an agreement the Group eliminated the business risk associated with “FORTEI” and converted it into steady cash flows. Another major step taken forward by the Company in 2001 was to re-align its core business into travel, entertainment and leisure related business. The Company had successfully repackaged its tour operator Hong Kong Macau Travel Limited (“HKMTL”) it acquired in December 2000 into a specialized travel services provider focusing on ferry and helicopter ticketing, hotel reservation as well as sales of customized holiday package between Hong Kong and Macau. HKMTL becomes the major operation arm of the Company in the travel division. The Company had also acquired SVC Investments Limited (“SVC”) in October 2001 which owns different subsidiaries engaging in the operation of hair salons under the reputable brand name of “Headquarters” as well as health and beauty center under the brand name of “Spa D’or” in Hong Kong. The acquisition allows the Company to tap into the beauty business with a solid foundation. The health & beauty business is classified as one of the leisure related business of the Company and SVC is expected to become the flagship in the leisure division of the Company.

- (4) The Group's business was further consolidated in 2002. Most of the Group's resources were put into its core business — HKMTL and SVC. The turnover of the two companies had grown significantly to a total of approximately HK\$50 million, representing 88% of the Group's turnover in 2002 (please refer to the Financial Statements and Management Discussion and Analysis for detailed figures). Further development and expansion plans for both HKMTL and SVC were also prepared. However, as market condition was very volatile in 2002, prudent expansion approach was adopted and as a result, some of the expansion plans were delayed. Meanwhile the Company has been searching for other investment opportunities associated with the travel, entertainment and leisure related business, especially in the entertainment division. However, none of them has been materialized as at the date of this letter.
- (5) For the non-core business of the Company, we tried to diminish the scale of its operation in 2002. The financial investment activities of the Company including money lending and strategic investments were both reduced. The interest income from the money lending activities was reduced by 24% and there was almost no strategic investment activity materialized in 2002 (please refer to the Financial Statements and Management Discussion and Analysis for detailed figures). The financial investment arm of the Company is expected to be further scaled down in the future and plays only as "internal fund manager" of the Company. Moreover, as a subsequent event after the year end of 2002, the Group had sold its entire interest in Fortei Licensing Limited in April 2003 which owns all the "FORTEI" trademarks to an independent third party in consideration of RMB10 million. This could strengthen the financial capabilities of the Company and allow the Company to focus on its core business in a more effective way.

The above mentioned were the major changes and some of the significant events happened to the Group for the past three years that I would like to share with you. As you may be well aware of the Company had changed its core business from the design and distribution of the "FORTEI" products to travel, entertainment and leisure related business and the nature of the Company was changed from manufacturing to service oriented business. This is exactly what is happening to the Hong Kong and Macau region at the moment. Travel and tourism, entertainment such as theme parks and gaming activities, leisure related business such as food & beverage and health & beauty services etc are expected to become the major economy drivers within the region in the future. Hong Kong and Macau had already prepared its own blueprints for the future development — Disney theme park is expected to be completed by 2005. The three gaming licensees, SJM, Venetian and Wynn's resort are required to start to build their complex in Macau soon. All these development will enhance the tourism destination position of the Hong Kong and Macau region. The Company will centralize all of its resources and focus on its core business. The management will well equip themselves in order to cope with the changes and capture the exciting opportunities coming ahead.

I would also like to take this opportunity to act on behalf of the Board of Directors to thank all of the shareholders, business partners and my fellow colleagues for all of their sincere and faithful supports during the past few years. None of us could have delivered the job without your kind consideration and tolerance.

As of to-date, the disease severe acute respiratory syndrome (“SARS”) is still penetrating our society. I would also like to thank all the medical staffs in Hong Kong who work hard for the patients and take care of those who are in need.

Your kindness and braveness are appreciated and will never be forgotten. I hope that those who are infected by SARS can recover soon and that SARS will be under control in the near future.

On behalf of the Board
Tsang Chiu Mo Samuel
Executive Director

Hong Kong, 23 April 2003



OVERALL PERFORMANCE

2002 was a challenging year, both for Hong Kong and the Century Legend Group. Despite record low interest rates, there was not a great deal of improvement in the general economic environment. The lingering high unemployment rate, ongoing deflation, further declines in the real estate market and the growing incidence of personal bankruptcies all being unfavourable market conditions present in the service industry. Inevitably turnover and profit margin of our core businesses in travel agency, health and beauty services and money lending have been adversely affected.

BUSINESS SEGMENT REVIEW

Travel Agency

During the year, our tour operator maintained its business focus on Hong Kong-Macau ferry route ticketing, hotel reservation and sale of customised holiday package in Hong Kong and Macau. Turnover surged by HK\$16.0 million to HK\$25.0 million in 2002. Despite the very encouraging increase in revenue in 2002, it is anticipated that the first half of 2003 will be very tough for the tourist industry. The recent outbreak of SARS crisis in Hong Kong has had a profound detrimental impact on the tourism industry. In general, looking ahead, the Group will redouble its efforts to exceed customers' expectations through quality assurance and service excellence. We are confident we are capable of enduring and overcoming the hardship.

Health and Beauty Services

Compared to HK\$6.5 million turnover in 2001, our health and beauty services generated HK\$25.3 million of revenue in 2002 as a result of a full year operation since its acquisition in the fourth quarter in 2001. The sluggish local economy and weak consumer sentiment have depressed the demand and desire for consumer-related activities. This segment incurred a loss of HK\$5.2 million of which about 75% was caused by the new ladies beauty center (Spa D'or) opened in March 2002. Currently, Spa D'or is at the stage of market reach and brand building. It requires time to broaden its customer base and gain recognition from the industry. On the other hand, Headquarters, our premium hair salon in town, faced keen competition and immense pressure for price cuts. To boost sales and profit margin, we have begun to explore new customers targets, for instance, the young and the fashionable niche group. Mainland China is also seen to be a market with great potential for the future development of Headquarters following China's accession into the World Trade Organization, coupled with its consumer population of 1.3 billion and the continuously improving economy and living standards.

Money Lending

Loan interest income declined 24% from HK\$5.8 million in 2001 to HK\$4.4 million in 2002. In view of the sharp rise in the number of personal bankruptcies, delinquent loans and keen competition from banks offering loans at falling interest rates, it is expected that loan interest income may drop even further in 2003. Nevertheless, management will continue to exploit new market opportunities and develop alternative income sources while maintaining its prudent lending policy.

Liquidity and Financial Resources

During the year, the Group raised HK\$4.9 million by way of private placing of 344,160,000 ordinary shares with the net proceeds to be used as general working capital. As at year end, the Group had fully settled the outstanding shareholders' loan while still holding cash and bank deposits of approximately HK\$42.8 million (2001: HK\$141.9 million). About 67% of the cash and bank deposits were denominated in US dollars with the remainder in Hong Kong dollars.

As most of the transactions were conducted either in US dollars or Hong Kong dollars with the exchange rates being relatively stable, the Group is not exposed to any significant exchange rate risk.

The Group's financial position remained strong with no borrowing from banks, contingent liability and charge on assets anytime during the year.

Employees and Remuneration Policy

The Group's total staff costs for the year ended 31 December 2002, excluding Directors' emoluments, amounted to HK\$12.5 million (2001: HK\$7.2 million). As at 31 December 2002, the Group employed a total of 132 (2001: 140) permanent staff.

Existing human resources policies and procedures are based on performance and merit. The Group ensures that the pay levels of its employees are competitive to the market and employees are rewarded on a performance-related basis within the general framework of its salary system. Discretionary bonus is linked to the performance of the Group as well as individual performance.

The Group has a share option scheme under which Directors may at discretion grant options to Executive Directors and full time employees of the Company and its subsidiaries to subscribe for shares in the Company. There was no option outstanding at any time during the year.

Spa Dén



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 31 December 2002.

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 is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 22.

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 23 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$5,000.

FIXED ASSETS

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 to the accounts.

DISTRIBUTABLE RESERVES

At 31 December 2002, the distributable reserves of the Company available for distribution as dividend amounted to HK\$83,032,000, representing by the contributed surplus of HK\$213,978,000 after compensating the accumulated losses of HK\$130,946,000. Under the Company Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds 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.

PRE-EMPTIVE RIGHTS

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

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 54.

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. Fong Yock Yee	(resigned on 1 July 2002)
Mr. ChanYuk Sang	(resigned on 1 August 2002)
Mr. Tsang Chiu Ching	
Mr. Tsang Chiu Mo Samuel	
Ms. Chu Ming Tak Evans Tania	

REPORT OF THE DIRECTORS

Independent Non-Executive Directors:

Mr. Szeto King Pui Albert

Mr. Yu Yun Kong

Mr. Cheung Ka Wai

(appointed on 1 November 2002)

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.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. Szeto King Pui Albert, one of the Independent Non-Executive Directors of the Group, 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 professional fees for such services at market rates.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out below.

Executive Directors:

Mr. Tsang Chiu Ching, aged 27, brother of the Company's Executive Director, Mr. Tsang Chiu Mo Samuel, was appointed Executive Director in September 1999. He is responsible for the evaluation and implementation of business development strategies, as well as investment activities. Mr. Tsang is also a director of Century Legend Limited, a substantial shareholder of the Company as well as a director of China Sky Finance Limited.

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 30, 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 investment.

Ms. Chu Ming Tak Evans Tania, aged 45, 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 11 years of experience working in the financial field of various commercial enterprises both in Hong Kong and Canada.

Independent Non-Executive Directors:

Mr. Szeto King Pui Albert, aged 48, was appointed an Independent Non-Executive Director in January 2000. He is also the Company Secretary.

Mr. Szeto is a 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 36, was appointed an Independent Non-Executive Director in January 2001.

Mr. Yu is a Certified Public Accountant with over 14 years of experience in public accounting practice. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

Mr. Cheung Ka Wai, aged 33, was appointed an Independent Non-Executive Director in November 2002. He is currently working as a finance manager in an international corporation which provides financial management services.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31 December 2002, the interests of the Directors and Chief Executive 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 of the Directors	Number of shares in the Company beneficially held			
	Personal interests	Corporate interests	Family interests	Other interests
Mr. Tsang Chiu Ching	960,000	(note (a))	—	—
Mr. Tsang Chiu Mo Samuel	—	(notes (a) & (b))	—	—

Note:

- (a) 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.
- (b) 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 had 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 had 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 had 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 had the right to require Mr. Tsang to purchase the CLL Option Shares from Mr. Ng and Madam Fu for a consideration of HK\$10,160,161.83 payable to each of Mr. Ng and Madam Fu.

Both Call Options and Put Options must be exercised prior to 17 April 2003 or any other date as might be agreed by all parties to the Option Agreement and the Supplemental Agreement, after which the Put Options and the Call Options lapsed. None of the Call Options or Put Options was exercised and the Option Agreement as amended by the Supplemental Agreement expired on 17 April 2003.

Save as disclosed above, at no time during the year, the Directors and Chief Executive (including their spouse and children under 18 years of age) of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for shares 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 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed 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 the Directors and Chief Executive as disclosed above.

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 and general merchandise trading business. The five major suppliers of the Group were attributable to travel agency business, general merchandise trading business and health and beauty services. The percentages of the sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
— the largest customer	4%
— five largest customers combined	10%
Purchases	
— the largest supplier	85%
— five largest suppliers combined	94%

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 or 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 Rules”), 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 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. One meeting was held during the current financial year.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

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

Mr. Tsang Chiu Ching and Mr. Tsang Chiu Mo Samuel are the directors of China Sky Finance Limited (“China Sky”). The provision of personal and commercial loan service of China Sky constitutes a competing business to the Group.

SUBSEQUENT EVENTS

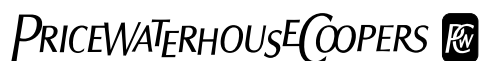
Details of significant subsequent events are set out in note 27 to the accounts.

AUDITORS

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

On behalf of the Board
Tsang Chiu Mo Samuel
Executive Director

Hong Kong, 23 April 2003



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 22 to 53 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 2002 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 April 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	<i>Note</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
Turnover	2	57,156	21,330
Cost of sales		(27,756)	(8,313)
Gross profit		29,400	13,017
Other revenues	2	3,271	2,065
Administrative expenses		(43,719)	(22,721)
Other operating expenses		(8,238)	(9,650)
Recovery of deposit previously written-off		498	—
Recovery of bad debts previously written-off		—	100
Operating loss	3	(18,788)	(17,189)
Share of losses of associated companies		(2,394)	(7,621)
Loss before taxation		(21,182)	(24,810)
Taxation	4	—	60
Loss after taxation		(21,182)	(24,750)
Minority interests		420	239
Loss attributable to shareholders	5	(20,762)	(24,511)
Basic loss per share	6	1.18 cents	2.06 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2002

	Note	2002 HK\$'000	2001 HK\$'000
Non-current assets			
Goodwill	10	1,927	4,187
Fixed assets	11	7,402	13,248
Interests in associated companies	13	—	8,051
Investment securities	14	36	669
Loans receivable	15	329	406
		9,694	26,561
Current assets			
Inventories	16	314	283
Trading securities	17	4,156	6,611
Trade and other receivables	18	12,109	29,788
Loans receivable, current portion	15	17,097	24,412
Tax recoverable		7	38
Bank balances and cash		42,840	141,937
		76,523	203,069
Current liabilities			
Trade payable	19	2,709	2,135
Other payables and accruals		2,832	5,683
Amount due to an associated company	20	7,127	—
Amount due to ultimate holding company	21	—	132,655
Deferred income		683	—
		13,351	140,473
Net current assets		63,172	62,596
Total assets less current liabilities		72,866	89,157
Financed by:			
Share capital	22	20,650	17,208
Reserves	23	50,560	69,873
Shareholders' funds		71,210	87,081
Minority interests		1,656	2,076
		72,866	89,157

On behalf of the Board

Tsang Chiu Mo Samuel
Director

Chu Ming Tak Evans Tania
Director

BALANCE SHEET

As at 31 December 2002

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Non-current assets			
Investments in subsidiaries	<i>12</i>	113,026	116,471
Current assets			
Prepayments, deposits and other receivables	<i>18</i>	419	25,269
Bank balances and cash		30,902	131,308
		31,321	156,577
Current liabilities			
Other payables and accruals		567	780
Amount due to ultimate holding company	<i>21</i>	—	132,655
		567	133,435
Net current assets		30,754	23,142
Total assets less current liabilities		143,780	139,613
Financed by:			
Share capital	<i>22</i>	20,650	17,208
Reserves	<i>23</i>	123,130	122,405
Shareholders' funds		143,780	139,613

On behalf of the Board

Tsang Chiu Mo Samuel
Director

Chu Ming Tak Evans Tania
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2002

	<i>Note</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
Total equity as at 1 January		87,081	56,806
Conversion of convertible notes	22(f)	—	8,604
Issue of ordinary shares	22(g)	4,991	47,800
Share issue expenses	22(g)	(100)	(1,618)
Loss for the year	23	(20,762)	(24,511)
Total equity as at 31 December		71,210	87,081

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2002

	Note	2002 HK\$'000	2001 HK\$'000
Net cash inflow/(outflow) generated from operations	25(a)	13,393	(34,588)
Bank interest income received		1,205	825
Dividend income received		111	177
Tax refund		82	—
Tax paid		(51)	—
Net cash inflow/(outflow) from operating activities		14,740	(33,586)
Investing activities			
Purchase of fixed assets		(1,687)	(7,124)
Sale of fixed assets		2,842	—
Purchase of subsidiaries	25(c)	—	4,080
Purchase of remaining interest in subsidiaries		(11)	—
Additional interest in an associated company		—	(1,713)
Advance to an associated company		—	(12,783)
Repayment of advance to an associated company		12,783	—
Sale of investment securities		—	43
Purchase of trading securities		—	(19,601)
Sale of trading securities		—	13,915
Net cash inflow/(outflow) from investing activities		13,927	(23,183)
Net cash inflow/(outflow) before financing		28,667	(56,769)
Financing activities	25(b)		
Issue of ordinary shares		4,991	47,800
Share issue expenses		(100)	(1,618)
Advance from ultimate holding company		—	132,655
Repayment of advance from ultimate holding company		(132,655)	—
Contribution from a minority shareholder in a subsidiary		—	3
Net cash (outflow)/inflow from financing		(127,764)	178,840
(Decrease)/Increase in cash and cash equivalents		(99,097)	122,071
Cash and cash equivalents at 1 January		141,937	19,866
Cash and cash equivalents at 31 December		42,840	141,937
Analysis of balances of cash and cash equivalents			
Bank balances and cash		42,840	141,937

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”). They 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 (“SSAP”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP1 (revised)	:	Presentation of financial statements
SSAP11 (revised)	:	Foreign currency translation
SSAP15 (revised)	:	Cash flow statements
SSAP34 (revised)	:	Employee benefits

The adoption of the new policies has had no material financial impact on the accounts of the current and the prior year.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the Board of Directors; or to cast majority of votes at the meetings of the Board of Directors.

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.

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

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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Group accounting *(continued)*

(ii) *Associated companies*

An associated company is a company, not being a subsidiary or a joint ventures, 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.

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) 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 at the date of acquisition.

(d) Impairment of intangible assets

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

(e) 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 leasehold 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 *(continued)*

(e) Fixed assets *(continued)*

(ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, motor vehicles and furniture and fixtures and office equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

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 $\frac{1}{3}$ %
Motor vehicles	20%
Furniture, fixtures and office equipment	20 - 33 $\frac{1}{3}$ %

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

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in leasehold properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(f) 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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) 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 the circumstances and events that led to the write-downs 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.

(h) 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.

(i) Accounts receivable

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

(j) Cash and cash equivalents

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

(k) Provisions

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

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. When the contributions do not fall due wholly within twelve months after the end of period in which the employees render the related service, the contributions are discounted using the discount rate determined by reference to market yields at the balance sheet date on high quality investments.

(m) Deferred taxation

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

(n) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

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 with either (i) the agreement terms; or (ii) other terms specifically agreed between the relevant parties.

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

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) **Translation of foreign currencies**

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

(p) **Segment reporting**

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, loans receivable, inventories, trade and other receivables and operating cash, and mainly exclude investments securities and trading securities. Segment liabilities comprise operating liabilities and exclude items such as amount due to ultimate holding company. Capital expenditure comprises additions to fixed assets.

2. TURNOVER, REVENUES AND SEGMENT INFORMATION

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover		
Travel agency services	24,960	9,030
Health and beauty services	25,255	6,532
Interest income from money lending business	4,376	5,768
Sales of goods	2,565	—
	57,156	21,330
Other revenues		
Bank interest income	1,205	825
Management fee income	156	192
Licensing income	707	456
Dividend income from listed investments	111	177
Profit on sales of trading securities	—	415
Operating lease rental income	890	—
Other income	202	—
	3,271	2,065
Total revenues	60,427	23,395

2. TURNOVER, REVENUES AND SEGMENT INFORMATION *(continued)*

Primary report format — business segments

The Group is organised into three main business segments:

Travel agency — provision of travel agency services in Hong Kong

Health and beauty services — provision of health and beauty services in Hong Kong

Money lending — provision of commercial and personal loans in Hong Kong

There are no sales or other transactions between the business segments.

	Travel agency 2002 <i>HK\$'000</i>	Health and beauty services 2002 <i>HK\$'000</i>	Money lending 2002 <i>HK\$'000</i>	Other operations 2002 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Turnover	24,960	25,255	4,376	2,565	57,156
Segment results	190	(5,179)	700	(922)	(5,211)
Unallocated revenues					3,478
Unallocated costs					(17,055)
Operating loss					(18,788)
Share of losses of associated companies					(2,394)
Loss before taxation					(21,182)
Taxation					—
Loss after taxation					(21,182)
Minority interests					420
Loss attributable to shareholders					(20,762)
Segment assets	2,704	7,946	22,736	697	34,083
Interests in associated companies					—
Unallocated assets					52,134
Total assets					86,217
Segment liabilities	(2,250)	(2,501)	(131)	(266)	(5,148)
Unallocated liabilities					(9,859)
Total liabilities					(15,007)
Segment capital expenditure	21	1,570	—	—	1,591
Unallocated capital expenditure					96
Total capital expenditure					1,687
Depreciation per segment	31	1,311	—	—	1,342
Unallocated depreciation					2,104
Total depreciation					3,446
Amortisation of goodwill	—	2,263	—	—	2,263

NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUES AND SEGMENT INFORMATION *(continued)*

Primary report format — business segments *(continued)*

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

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to markets outside Hong Kong.

3. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Gain on deemed disposal of associated companies	—	222
Realised gains on disposal of investment securities	—	2
Charging		
Staff costs (including Directors' remuneration, <i>see note 8</i>)	14,880	10,213
Amortisation of goodwill (<i>note 10</i>)	2,263	2,094
Impairment of goodwill (<i>note 10</i>)	8	—
Depreciation of fixed assets	3,446	1,871
Written-off of fixed assets	—	25
Loss on disposal of fixed assets	1,245	—
Impairment loss of investment securities	633	6,141
Unrealised losses on trading securities	2,455	1,510
Provision for doubtful loans	1,600	100
Bad debts written-off	34	—
Operating leases — land and buildings	7,660	3,556
Auditors' remuneration	500	460

4. TAXATION

Hong Kong profits tax has not been provided in the accounts as the Group has available tax losses as at 31 December 2002. The amount of taxation credit for the year ended 31 December 2001 represents an over-provision of Hong Kong profits tax in previous years.

5. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$724,000 (2001: HK\$2,399,000).

6. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$20,762,000 (2001: HK\$24,511,000).

The basic loss per share is based on the weighted average of 1,758,516,164 (2001: 1,191,202,192) ordinary shares in issue during the year.

No diluted loss per share is presented as there was no dilutive potential ordinary share in existence during the year.

7. 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"). Contribution for certain employees includes the aforesaid MPF Contribution of HK\$1,000 per employee plus a corresponding amount of voluntary contribution made by the respective employee ("Voluntary Contribution") up to 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 Group's Voluntary Contributions may be reduced by the contribution forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK\$80,963 (2001: HK\$27,116) were utilised during the year and there was HK\$40,526 (2001: HK\$18,803) forfeited contributions to reduce future contributions at balance sheet date.

The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Contributions totalling HK\$31,000 (2001: HK\$20,000) 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.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Wages and salaries	13,426	9,936
Unutilised annual leave	372	—
Termination benefits	371	—
Pension costs — defined contribution plans	711	277
	14,880	10,213

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:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Executive Directors		
Fees	100	—
Basic salaries, housing allowances, other allowances	2,096	2,649
Discretionary bonuses	53	221
Contributions to pension schemes	92	113
	2,341	2,983

The emoluments of the Directors fell within the following bands:

Emolument bands	Number of Directors	
	2002	2001
HK\$nil — HK\$1,000,000	8	6
HK\$1,000,001 — HK\$1,500,000	—	1

No remuneration was paid to the Independent Non-Executive Directors during the years ended 31 December 2002 and 2001.

The Directors' emoluments for 2002 included HK\$946,000 (2001: Nil) in respect of two Directors (2001: Nil) who resigned during the year.

None of the Director waived emoluments in respect of the years ended 31 December 2002 and 2001.

During the years ended 31 December 2002 and 2001, no emoluments were paid by the Group to the Directors as an inducement to join the Group, or as compensation for loss of office.

NOTES TO THE ACCOUNTS

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four Directors (2001: four) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2001: one) individual during the year are as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Basic salaries, housing allowances and other allowances	293	293
Discretionary bonuses	—	24
Contributions to pension schemes	15	16
	308	333

The emoluments fell within the following band:

Emolument band	Number of individuals	
	2002	2001
HK\$nil — HK\$1,000,000	1	1

10. GOODWILL

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
At 1 January	4,187	—
Acquisition of subsidiaries	—	6,281
Acquisition of remaining interest in subsidiaries	11	—
Amortisation charge (<i>note 3</i>)	(2,263)	(2,094)
Impairment of goodwill (<i>note 3</i>)	(8)	—
At 31 December	1,927	4,187

11. FIXED ASSETS — GROUP

	Leasehold properties in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost or valuation:					
At 1 January 2002	6,300	8,608	251	4,482	19,641
Additions	—	426	—	1,261	1,687
Disposals	(4,200)	—	(251)	(35)	(4,486)
At 31 December 2002	2,100	9,034	—	5,708	16,842
Accumulated depreciation:					
At 1 January 2002	317	4,563	79	1,434	6,393
Charge for the year	178	1,982	34	1,252	3,446
Disposals	(278)	—	(113)	(8)	(399)
At 31 December 2002	217	6,545	—	2,678	9,440
Net book value:					
At 31 December 2002	1,883	2,489	—	3,030	7,402
At 31 December 2001	5,983	4,045	172	3,048	13,248
The analysis of the cost or valuation at 31 December 2002 of the above assets is as follows:					
At cost	—	9,034	—	5,708	14,742
At 2000 valuation	2,100	—	—	—	2,100
	2,100	9,034	—	5,708	16,842

NOTES TO THE ACCOUNTS

11. FIXED ASSETS — GROUP *(continued)*

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

	Leasehold properties in Hong Kong <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

- (a) As at 31 December 2002, the leasehold property is for own use. It is located in Hong Kong and the remaining terms of the lease is between ten and fifty years.
- (b) Leasehold properties in Hong Kong were revalued on an open market value basis as at 31 December 2000 by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors.
- (c) The carrying amount of the leasehold property would have been HK\$2,676,000 (2001: HK\$2,805,000) had it been stated at cost less accumulated depreciation.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted shares, at cost <i>(note (a))</i>	86,218	86,218
Less: provision for impairment loss	(30,000)	(30,000)
	56,218	56,218
Amounts due from subsidiaries <i>(note (b))</i>	146,476	150,324
Less: provision for doubtful debts	(88,907)	(88,907)
	57,569	61,417
Amounts due to subsidiaries <i>(note (b))</i>	(761)	(1,164)
	113,026	116,471

12. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) The following is a list of subsidiaries at 31 December 2002:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
<i>Held directly:</i>				
Century Legend Investments Limited	British Virgin Islands	Investment holding in Hong Kong	63,000 Ordinary shares of US\$0.01 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%
Hong Kong Macau Travel and Entertainment Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Century Legend Nominees Limited	British Virgin Islands	Holding nominees shares for the Group in Hong Kong	1 Ordinary share of US\$1 each	100%
<i>Held indirectly:</i>				
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%
Hong Kong Macau Trading Limited	Hong Kong	Trading of general merchandises in Hong Kong	100 Ordinary shares of HK\$1 each	100%
Century Legend Strategic Investments Limited	Hong Kong	Investment holding in Hong Kong	10,000,000 Ordinary shares of HK\$1 each; 5,000,000 Non-voting deferred shares* of HK\$1 each	100%
Fortei Licensing Limited	British Virgin Islands	Licensing of trademarks in Hong Kong, Macau, Taiwan and Mainland China	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

12. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) The following is a list of the subsidiaries at 31 December 2002: *(continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
<i>Held indirectly:</i>				
Hong Kong Macau Travel Limited	Hong Kong	Provision of travel agency services in Hong Kong	500,000 Ordinary shares of HK\$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	Inactive	10,000 Ordinary shares of HK\$1 each	100%
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	100%
Headquarters Limited	Hong Kong	Investment holding and operation of 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 hair salon under the brand name of "Headquarters" in Hong Kong	500,000 Ordinary shares of HK\$1 each	55%

* 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.

(b) The amounts due from/to subsidiaries are unsecured, interest free and without fixed terms of repayment.

13. INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net liabilities, other than goodwill	—	(4,732)
Advance to an associated company (<i>note (a)</i>)	—	12,783
	—	8,051

The following is a list of the principal associated companies at 31 December 2002:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held indirectly
Integrated Solutions (Holdings) Limited*	Cayman Islands	Investment holding	100 Ordinary shares of HK\$0.10 each	40%
ISL Technologies Limited*	British Virgin Islands	Investment holding	25,600 Ordinary shares of US\$1 each	32.8%
Integrated Solutions Limited*	Hong Kong	Software development, hardware trading and provision of maintenance services	27,750 Ordinary shares of HK\$10 each	32.8%
Grand Macau International Development Limited	British Virgin Islands	Investment holding	2 Ordinary shares of US\$1 each	50%

* The associated companies have a financial accounting period end of 31 March which is not coterminous with the Group.

Note:

(a) The advance to an associated company was unsecured, interest free and without fixed terms of repayment.

NOTES TO THE ACCOUNTS

14. INVESTMENT SECURITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Listed equity securities in Hong Kong, at cost	6,810	6,810
Provision for impairment loss	(6,774)	(6,141)
Total	36	669
Market value of listed equity securities at 31 December	98	836

15. LOANS RECEIVABLE

	Group	
	2002	2001
	HK\$'000	HK\$'000
In respect of personal and commercial loans receivable		
— secured (<i>note (a)</i>)	15,559	9,446
— unsecured	3,967	15,872
Gross loans receivable (<i>note (b)</i>)	19,526	25,318
Provision for doubtful loans	(2,100)	(500)
	17,426	24,818
<i>Less:</i> amounts due within one year	(17,097)	(24,412)
Amounts due after one year	329	406

Note:

- (a) The amount included a short term secured 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 originally due for repayment in February 2002 and the remaining balance was repayable in July 2002. The repayment dates of the Loan were further extended to September 2003 according to a loan agreement dated 3 April 2003 while other terms of the Loan remained unchanged. In 2001, the ultimate holding company issued a deed of guarantee in favour of the Group in respect of the Loan. Pursuant to the deed of guarantee, the ultimate holding company is responsible for repayment of the unrecoverable portion of the Loan should there be a shortfall in the realisation of the securities in case of default.
- (b) The repayment terms of the loans are negotiated on an individual basis. The maturity profile of loans receivable at the balance sheet date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
On demand	13	102
Three months or less	3,797	18,224
Below one year but over three months	15,379	6,578
One to three years	337	414
	19,526	25,318

16. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Consumable stocks	314	283

At 31 December 2002 and 2001, all inventories were stated at cost.

17. TRADING SECURITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Listed equity securities in Hong Kong, at fair value	4,156	6,611

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivable (<i>note (a)</i>)	914	766	—	—
Deposit for the acquisition of a subsidiary subsequent to year end date (<i>note 27(b)</i>)	7,800	—	—	—
Deposit for the acquisition of interest in a property development project (<i>note (b)</i>)	—	25,000	—	25,000
Other receivables and deposits	3,395	4,022	419	269
	12,109	29,788	419	25,269

Note:

- (a) The majority of the Group's turnover is on cash basis. The remaining balances of the turnover are on credit terms ranging from thirty to sixty days. At 31 December 2002, the ageing analysis of the trade receivable was as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current	587	424
31-60 days	154	115
61-90 days	61	119
Over 91 days	112	108
	914	766

NOTES TO THE ACCOUNTS

18. TRADE AND OTHER RECEIVABLES *(continued)*

- (b) Pursuant to a Letter of Intent entered into between the Group and an independent third party (the “Vendor”) on 28 July 2001, the Group paid a deposit of HK\$25,000,000 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 Option was exercisable or could be withdrawn on or before 30 June 2002, and in the latter case, full amount of the deposit will be refunded to the Group. The Option was withdrawn during the current year and the amount had been refunded in full prior to the year end.

19. TRADE PAYABLE

The ageing of trade payable of the Group was less than three months.

20. AMOUNT DUE TO AN ASSOCIATED COMPANY

The amount is unsecured, interest-free and without fixed terms of repayment.

21. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount was unsecured, interest-free and repayable on demand. It was repaid in full during the year.

22. SHARE CAPITAL

<i>Authorised:</i>	Ordinary shares of HK\$0.01 each (At 1 January 2001: HK\$0.10 each)	
	No of shares	HK\$'000
At 1 January 2001	600,000,000	60,000
Increase in authorised share capital <i>(note (a))</i>	1,200,000,000	120,000
Subdivision of each 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
At 31 December 2001 and 31 December 2002	40,000,000,000	400,000

<i>Issued and fully paid:</i>	Ordinary shares of HK\$0.01 each (At 1 January 2001: HK\$0.10 each)	
	No of shares	HK\$'000
At 1 January 2001	478,000,000	47,800
Issue of rights share and bonus share <i>(note (b))</i>	956,000,000	95,600
Reduction of capital <i>(note (d))</i>	—	(129,060)
Conversion of convertible notes <i>(note (f))</i>	286,800,000	2,868
At 31 December 2001	1,720,800,000	17,208
At 1 January 2002	1,720,800,000	17,208
Issue upon a placement <i>(note (g))</i>	344,160,000	3,442
At 31 December 2002	2,064,960,000	20,650

22. SHARE CAPITAL *(continued)*

Note:

- (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\$47,800,000 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 effective date of the share subdivision as detailed in note (c) above, 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 when 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) Pursuant to a share placement on 7 November 2002, the Company issued 344,160,000 ordinary shares with a nominal value of HK\$0.01 each by way of placing at HK\$0.0145 per share for a total cash consideration of HK\$4,990,320 on 22 November 2002. As a result, approximately HK\$1,549,000, net of share issue expenses of approximately HK\$100,000, was credited to the share premium account (see note 23). The net proceeds would be used as general working capital of the Group. Such issued shares rank *pari passu* in all respects with the existing issued shares of the Company.
- (h) 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 or granted at any time during the year ended 31 December 2002 (2001: same).

NOTES TO THE ACCOUNTS

23. RESERVES

	Group			Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2002	38,649	146,189	(114,965)	69,873
Loss for the year	—	—	(20,762)	(20,762)
Issue of shares	1,549	—	—	1,549
Expenses for placement of shares	(100)	—	—	(100)
At 31 December 2002	40,098	146,189	(135,727)	50,560
Company and subsidiaries	40,098	146,189	(125,350)	60,937
Associated companies	—	—	(10,377)	(10,377)
At 31 December 2002	40,098	146,189	(135,727)	50,560
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			Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	
At 1 January 2002	38,649	213,978	(130,222)	122,405
Loss for the year	—	—	(724)	(724)
Issue of shares	1,549	—	—	1,549
Expenses for placement of shares	(100)	—	—	(100)
At 31 December 2002	40,098	213,978	(130,946)	123,130
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

24. DEFERRED TAXATION

Deferred tax assets for the year, which have not been recognised as at year end are related to the following:

	Group	
	2002 HK\$'000	2001 HK\$'000
Unprovided deferred taxation assets:		
— Accelerated depreciation allowances	393	121
— Taxation losses	25,029	26,327
— Others	336	—
	25,758	26,448

The tax losses carried forward of approximately HK\$25,029,000 (2001: HK\$ 26,327,000) are subject to the approval by the Inland Revenue Department in Hong Kong. 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.

25. CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Operating loss	(18,788)	(17,189)
Depreciation charge	3,446	1,871
Amortisation of goodwill	2,263	2,094
Impairment of goodwill	8	—
Loss on disposal of fixed assets	1,245	—
Written-off of fixed assets	—	25
Provision for bad and doubtful debts	1,600	100
Bad debt written-off	34	—
Recovery of bad debts previously written-off	—	(100)
Realised gains on disposal of investment securities	—	(2)
Impairment loss of investment securities	633	6,141
Realised profit on sales of trading securities	—	(415)
Unrealised losses on trading securities	2,455	1,510
Gain on deemed disposal of associated companies	—	(222)
Increase in inventories	(31)	(11)
Decrease/(Increase) in loans receivable	5,758	(3,668)
Decrease/(Increase) in trade and other receivables	17,680	(25,799)
(Decrease)/Increase in trade, other payables and accruals	(1,594)	2,079
Bank interest income	(1,205)	(825)
Dividend income	(111)	(177)
Net cash inflow/(outflow) generated from operations	13,393	(34,588)

NOTES TO THE ACCOUNTS

25. CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Share capital including premium		Minority interest		Advance from ultimate holding company	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	55,857	130,131	2,076	—	132,655	—
Conversion of convertible notes <i>(note 22(f))</i>	—	8,604	—	—	—	—
Issuance of shares for cash	4,991	46,182	—	—	—	—
Share issue expenses	(100)	—	—	—	—	—
Cash inflow from financing	—	—	—	—	—	132,655
Repayment of advance from ultimate holding company	—	—	—	—	(132,655)	—
Acquisition of subsidiaries	—	—	—	2,312	—	—
Share of loss of minority interests	—	—	(420)	(239)	—	—
Capital reduction <i>(note 22(d))</i>	—	(129,060)	—	—	—	—
Contribution from a minority shareholder in a subsidiary	—	—	—	3	—	—
At 31 December	60,748	55,857	1,656	2,076	—	132,655

25. CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Purchase of subsidiaries	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net assets acquired		
Goodwill	—	500
Fixed assets	—	1,238
Inventories	—	272
Trade and other receivables	—	2,367
Bank balances and cash	—	4,080
Trade, other payables and accruals	—	(3,300)
Taxation payable	—	(22)
Minority interests	—	(2,312)
	—	2,823
Goodwill	—	5,781
	—	8,604
Satisfied by		
Issue of convertible notes	—	8,604
Analysis of the net inflow in respect of the acquisition of subsidiaries:		
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Bank balances and cash in hand acquired	—	4,080

NOTES TO THE ACCOUNTS

26. COMMITMENTS

(a) Capital commitments for acquisition of fixed asset

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	—	312

(b) Commitments under operating leases

At 31 December 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	6,912	7,517
Later than one year and not later than five years	802	7,750
	7,714	15,267

27. SUBSEQUENT EVENT

The following events occurred subsequent to the balance sheet date:

- (a) On 28 January 2003, a sale and purchase agreement (“Agreement”) was entered into between Century Legend Strategic Investments Limited (“CLSIL”), a subsidiary of the Group, and an independent third party (the “Purchaser”) on disposal to the Purchaser the entire issued share capital of Fortei Licensing Limited (the “Disposal”), a wholly owned subsidiary engaged in licensing the “FORTEI” trademark in Hong Kong, Macau, Taiwan and Mainland China.

The Disposal was completed on 4 April 2003. As a result, the entire issued share capital held by CLSIL and all the “FORTEI” trademarks registered by Fortei Licensing Limited were transferred to the Purchaser. The consideration for the Disposal of RMB10,000,000 had been fully paid by the Purchaser upon completion of the Disposal.

- (b) On 25 September 2002, Century Legend Investments Limited (“CLIL”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with the existing shareholders (the “Vendor”) of Coin Fall Limited, pursuant to which CLIL agreed to acquire from the Vendor the entire issued share capital of Coin Fall Limited (the “Acquisition”) for a total cash consideration of HK\$7,800,000. Such amount had been paid to the Vendor during the year and was included in the trade and other receivables balance of the Group accounts as at 31 December 2002.

The Acquisition was completed on 7 January 2003 and Coin Fall Limited became a wholly owned subsidiary of the Group since then.

28. ULTIMATE HOLDING COMPANY

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

29. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified in order to conform to the current year presentation.

30. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 23 April 2003.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	138,271	51,704	3,362	21,330	57,156
Loss attributable to shareholders	(63,590)	(55,771)	(8,234)	(24,511)	(20,762)

ASSETS AND LIABILITIES

	As at 31 December				
	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Total assets	129,387	48,947	59,245	229,630	86,217
Total liabilities including minority interests	(24,084)	(1,722)	(2,439)	(142,549)	(15,007)
Shareholders' funds	105,303	47,225	56,806	87,081	71,210