



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



A N N U A L R E P O R T 年 報 2 0 0 0

CONTENTS

	<i>Pages</i>
Corporate Information	2
Significant Events	3
Notice of Annual General Meeting	4
Chairman's Statement	6
Management's Discussion and Analysis	8
Report of the Directors	9
Auditors' Report	15
Consolidated Profit and Loss Account	16
Consolidated Balance Sheet	17
Balance Sheet	18
Consolidated Cash Flow Statement	19
Consolidated Statement of Recognised Gains and Losses	20
Notes to the Accounts	21
Financial Summary	40

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, 27th Floor West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong	
Principal Bankers	The Bank of East Asia Limited Bank of China 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

Significant Events:

20 April 2000 The Company's placing of 70 millions new shares at HK\$0.20 per Placing Share through its placing agent, Kingston Securities Limited.

30 May 2000 The Company acquired an aggregate of 40% of the enlarged issued share capital of Integrated Solutions Limited at a total consideration of HK\$8 million.

10 July 2000 Century Legend Strategic Investments Limited (formerly known as Onpower Company Limited), a wholly-owned subsidiary of the Company acquired shares from AcrossAsia Multimedia Limited at a total consideration of US\$1.5 million.

1 December 2000 Acquired a tour operator in developing tour business in Hong Kong and Mainland China.

28 December 2000



Following the passing of a special resolution at a special general meeting, the Company obtained the certificate of incorporation on change of name from the Registrar of Companies in Bermuda regarding the change of English name of the Company to "Century Legend (Holdings) Limited" and the new Chinese name to "世紀建業(集團)有限公司".

18 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.



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 Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on 10 May 2001 at 4:00 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 2000.
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

“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).”

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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, 9 April 2001

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 27 April 2001 to 10 May 2001, 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 26 April 2001.

CHAIRMAN'S STATEMENT



Mr Chan Yuk Sang – Chairman

I am pleased to present to the shareholders the annual report of Century Legend (Holdings) Limited ("Company") for the year ended 31 December 2000.

GROUP RESULTS

The audited consolidated turnover of the Company and its subsidiaries ("Group") for the year ended 31 December 2000 amounted to HK\$3,362,000 (1999: HK\$51,704,000), and the profit attributable to shareholders amounted to HK\$587,000 (1999: loss of HK\$55,771,000).

REVIEW AND OUTLOOK

The past year was a year of consolidation and diversification. Recovery of the Group's debts was completed with very satisfactory results. The return to profitability was mainly the result of Management's effort in debt recovery and successful cost control measures implemented by the Group.

As stated in my statement of last year, the Group was looking for good opportunities to continue its existing business and that was realized by the conclusion of a licensing arrangement in respect of the "FORTEI" trademark between the Group and Land-Feed (Holdings) Limited which has extensive sale connections within Mainland China. With China's entry to the World Trade Organization imminent, this licensing arrangement will enable the Group to generate steady income on an annual basis.

To diversify and strengthen the Group's earning capacity, the Group acquired a tour operator in December 2000 and this new acquisition will enable the Group to participate in the developing tourism industry in Hong Kong and Mainland China. This investment has already begun to make contribution to the income of the Group.

CHAIRMAN'S STATEMENT (cont'd)

To cope with the Group's diversification and to foster a new image, the Company changed its name from Fortei Holdings Limited to that of Century Legend (Holdings) Limited pursuant to a special resolution passed in a special general meeting held on 28 December 2000. Under the new name, the Group will continue to look for new investment opportunities with a view to expanding its earning base and generating more profits from the existing businesses and new investment opportunities available.

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 valuable support and contributions during the year.

By Order of the Board

Chan Yuk Sang

Chairman

Hong Kong, 9 April 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Financial Condition

The Group generally finances its operations with internally generated cash flow. As at 31 December 2000, the Group had cash and bank balances of a total amount of approximately HK\$20 million. The Group has consistently maintained a strong working capital during the year. As at 31 December 2000, the Group had no outstanding borrowings.

Significant Investments and Acquisitions

During the year the Group acquired a 40% shareholding of Integrated Solutions Limited ("ISL") for a consideration of HK\$8 million. The consideration was satisfied by allotment and issue of 8,000,000 new ordinary shares of the Company at HK\$0.50 each and a cash payment of HK\$4 million.

ISL has been a manufacturing software applications developer since 1985. Apart from its Hong Kong head office, ISL also operates a support centre in Shenzhen, PRC. ISL is actively involved in the computerisation of Hong Kong manufacturing industry.

In addition, the Group has made a strategic investment in AcrossAsia Multimedia Limited, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (Stock Exchange). As at 31 December 2000, the carrying value of the aforesaid investment amounted to approximately HK\$7 million.

Employees

The Group, including its subsidiaries but excluding associated companies, employed approximately 30 employees at the year end date. Staff cost (including directors' emoluments) amounted to approximately HK\$4,582,000 (1999 : HK\$6,270,000) for the year ended 31 December 2000. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. 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. There was no option outstanding at any time during the year.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 31 December 2000.

Change of name

By a special resolution passed on 28 December 2000, the name of the Company was changed to Century Legend (Holdings) Limited.

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 11 to the accounts. An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in note 2 to the accounts.

Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 16.

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 20 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$55,000.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 10 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

Distributable reserves

At 31 December 2000, the Company has no reserves available for distribution.

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 40.

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.

REPORT OF THE DIRECTORS (cont'd)

Directors

The Directors during the year and up to the date of this report 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

(appointed on 1 January 2000)

Mr. Yu Yun Kong

(appointed on 2 January 2001)

Mr. Yung Chi Hung

(appointed on 1 January 2000

and resigned on 2 January 2001)

In accordance with Bye-law 87 of the Company's Bye-laws, all remaining 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.

Management profile

Biographical details of the Directors are set out as follows:

Executive Directors

Mr. Chan Yuk Sang, aged 56, 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.

Management profile (cont'd)

Ms. Chu Ming Tak Evans Tania, aged 43, 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 74, was appointed Executive Director in September 1999. Mr. Fong has over 40 years of experience in garment industry in both Hong Kong and 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 25, 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 Century Legend Limited, a substantial shareholder of the Company.

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 28, 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.

Independent Non-Executive Directors

Mr. Szeto King Pui Albert, aged 46, was appointed an Independent Non-Executive Director in January 2000. He is also the Company's 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 34, was appointed an Independent Non-Executive Director in January 2001.

He is a partner of C. W. Leung & Co., Certified Public Accountants with over 11 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 2000, the interests of the Directors and Chief Executives in the shares, warrants and options of the Company and its associated corporation, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (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	320,000	(note 1)	–	–
Mr. Tsang Chiu Mo Samuel	–	(note 1 and 2)	–	–

Notes:

- 289,463,300 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. Both Mr. Chan Yuk Sang and Mr. Tsang Chiu Mo Samuel are directors of China Sky.

Save as disclosed above and the holding of certain nominees shares in trustee for the Group, none of the Directors and Chief Executives of the Company or their associates had any interest in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance as at 31 December 2000.

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 2000, 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 although there are no restrictions against such rights under the laws in 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 and suppliers of the Group were attributable to the money lending business and travel agency business respectively. The percentage of the turnover and purchases attributable to the Group's major customers and suppliers are as follows:

Turnover	
– the largest customer	45%
– five largest customers combined	87%
Purchases	
– the largest supplier	98%
– five largest suppliers combined	100%

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

Subsequent event

Details of a significant subsequent event are set out in note 24 to the accounts.

Auditors

Deloitte Touche Tohmatsu resigned as auditors of the Group on 29 June 1998. Coopers & Lybrand were then appointed to fill the casual vacancy and remained as the Group's auditors since then. In October 1998, Coopers & Lybrand, merged their practice with Price Waterhouse and now practise in the name of PricewaterhouseCoopers. Apart from this, there were no changes in the auditors of the Group in any of the preceding three years.

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, 9 April 2001

AUDITORS' REPORT



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**
(Formerly known as Fortei Holdings Limited)
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 16 to 39 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 the Group as at 31 December 2000 and of the profit 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, 9 April 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Note	2000 HK\$'000	1999 HK\$'000
Turnover	2	3,362	51,704
Cost of sales		(275)	(47,004)
Other revenues	2	1,627	4,032
Recovery of bad debts previously written-off		9,649	–
Provision for bad and doubtful debts		(500)	(30,027)
Distribution costs		–	(11,670)
Administrative expenses		(9,827)	(13,824)
Other operating expenses		(3,087)	(9,252)
Operating profit/(loss)	3	949	(56,041)
Finance costs	4	–	(92)
Share of losses of associated companies		(362)	–
Profit/(loss) before taxation		587	(56,133)
Taxation	5	–	362
Profit/(loss) attributable to shareholders	6 & 20	587	(55,771)
Earnings/(loss) per share	7	0.1 cent	(13.9) cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2000

	Note	2000 HK\$'000	1999 HK\$'000
Fixed assets	10	6,782	8,441
Investment in associated companies	12	954	–
Investment securities	13	6,851	–
Loan receivables	14	166	–
Current assets			
Trading securities	15	2,020	–
Trade and other receivables	16	1,622	10,459
Loan receivables, current portion	14	20,984	–
Short-term loan	17	–	24,050
Bank balances and cash		19,866	5,997
		<u>44,492</u>	<u>40,506</u>
Current liabilities			
Trade and other payables	18	2,439	1,722
Net current assets		<u>42,053</u>	<u>38,784</u>
		<u>56,806</u>	<u>47,225</u>
Financed by:			
Share capital	19	47,800	40,000
Reserves	20	9,006	7,225
Shareholders' funds		<u>56,806</u>	<u>47,225</u>

On Behalf of the Board

Chan Yuk Sang
Director

Tsang Chiu Mo Samuel
Director

BALANCE SHEET

As at 31 December 2000

	Note	2000 HK\$'000	1999 HK\$'000
Investment in subsidiaries	11	74,940	41,519
Current assets			
Other receivables, prepayments and deposits	16	149	145
Short-term loan	17	–	24,050
Bank balances and cash		12,754	5,906
		12,903	30,101
Current liabilities			
Other payables and accruals	18	617	1,223
Net current assets		12,286	28,878
		87,226	70,397
Financed by:			
Share capital	19	47,800	40,000
Reserves	20	39,426	30,397
Shareholders' funds		87,226	70,397

On Behalf of the Board

Chan Yuk Sang
Director

Tsang Chiu Mo Samuel
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2000

	Note	2000 HK\$'000	1999 HK\$'000
Net cash (outflow)/inflow from operating activities	22(a)	<u>(8,720)</u>	<u>2,916</u>
Returns on investments and servicing of finance			
Bank and short-term loan interest received		1,198	2,018
Interest paid		<u>-</u>	<u>(92)</u>
Net cash inflow from returns on investments and servicing of finance		<u>1,198</u>	<u>1,926</u>
Taxation			
Hong Kong profits tax paid		<u>-</u>	<u>(6,011)</u>
Investing activities			
Purchase of fixed assets		(366)	(243)
Sale of fixed assets		20	454
Purchase of a subsidiary	22(d)	(187)	-
Purchase of associated companies		(4,000)	-
Advance to an associated company		(2,137)	-
Purchase of investment securities		(11,567)	-
Sale of investment securities		3,468	-
Purchase of trading securities		(8,796)	-
Sale of trading securities		6,906	-
Repayment of short-term loan		<u>24,050</u>	<u>6,168</u>
Net cash inflow from investing activities		<u>7,391</u>	<u>6,379</u>
Net cash (outflow)/inflow before financing		<u>(131)</u>	<u>5,210</u>
Financing			
Issuance of ordinary shares	22(b)	<u>14,000</u>	<u>-</u>
Increase in cash and cash equivalents		13,869	5,210
Cash and cash equivalents at 1 January		<u>5,997</u>	<u>787</u>
Cash and cash equivalents at 31 December		<u>19,866</u>	<u>5,997</u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		<u>19,866</u>	<u>5,997</u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2000

	Note	2000 HK\$'000	1999 HK\$'000
Revaluation deficit on leasehold properties	20	-	(2,307)
Profit/(loss) for the year	20	<u>587</u>	<u>(55,771)</u>
Total recognised gains and losses		587	(58,078)
Goodwill eliminated directly against reserves	20	<u>(9,006)</u>	<u>-</u>
		<u>(8,419)</u>	<u>(58,078)</u>

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of properties and trading securities, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. 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, 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 goodwill or capital reserve 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.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) 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.

In the Company's balance sheet the investments in associated companies are stated at cost less provision, if necessary, for any permanent diminution in value other than temporary in nature. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill

Goodwill, which represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and associated companies acquired and is taken to reserves in the year of acquisition.

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(e) Property, plant and equipment

Leasehold properties are interests in land and buildings are stated at valuation less accumulated depreciation. Fair value 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.

Other tangible fixed assets are stated at cost less accumulated depreciation.

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

Land	2%
Buildings	5%
Motor vehicles	20%
Furniture and fixtures	15–50%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amount of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

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) 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.

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(g) 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 the sales 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.

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

Revenue from licence agreements is recognised when the underlying licenced products are sold.

Net gain or loss from sales of investment in securities is recognised upon completion of the transactions.

(h) Operating lease

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.

(i) Investments in securities

(i) Investment securities

Investment securities are stated at cost less any provision for diminution in value.

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 amount of the reduction is recognised as an expense in the profit and loss account.

(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.

(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.

NOTES TO THE ACCOUNTS (cont'd)

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(k) 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.

(l) Retirement benefit costs

The Group contributes to a defined contribution retirement scheme and mandatory provident fund scheme ("MPF Scheme"), which are available to all employees. The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group's contribution to these schemes are expensed as incurred.

2. TURNOVER AND REVENUE

The Group continues to engage in the promotion of the Group's brand, FORTEI, including distribution and sale of goods and merchandises. During the year, the Group has diversified its business activities into the provision of money lending, travel agency services, investment holding and trading in securities. Revenues recognised during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Turnover		
Interest income from money lending business	3,025	–
Travel agency services	337	–
Sale of goods	–	51,704
	<u>3,362</u>	<u>51,704</u>
Other revenues		
Bank interest income	1,198	187
Interest income from a short-term loan	–	2,218
Profit on sale of trading securities	429	–
Licence fee income	–	1,627
	<u>1,627</u>	<u>4,032</u>
Total revenues	<u>4,989</u>	<u>55,736</u>

NOTES TO THE ACCOUNTS (cont'd)

2. TURNOVER AND REVENUE (cont'd)

An analysis of the Group's turnover and contribution to operating profit/(loss) for the year by principal business activities is as follows:

	Turnover		Operating profit/(loss)	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal activities:				
Money lending	3,025	–	(4,582)	–
Travel agency services	337	–	(23)	–
Sale of goods	–	51,704	5,554	(56,041)
	<u>3,362</u>	<u>51,704</u>	<u>949</u>	<u>(56,041)</u>

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 PROFIT/(LOSS)

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

	2000 HK\$'000	1999 HK\$'000
Crediting		
Written back of forfeited contributions after net off retirement benefit charges	–	171
Charging		
Deficit on revaluation of leasehold properties not covered by previous surplus	1,524	1,515
Cost of inventories sold	–	47,004
Staff costs (including Directors' remuneration)	4,582	6,270
Retirement benefit costs	296	–
Depreciation	464	1,109
Loss on disposal of fixed assets	5	748
Written off of fixed assets	12	4,175
Realised losses on disposal of investment securities	154	–
Provision for diminution in value of investment securities	1,094	–
Unrealised losses on trading securities	299	–
Operating leases – land and buildings	772	6,836
Auditors' remuneration		
Current year	500	500
Underprovision in previous year	50	109
Exchange loss	–	68

NOTES TO THE ACCOUNTS (cont'd)

4. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts	<u>—</u>	<u>92</u>

5. TAXATION

Hong Kong profits tax has not been provided in the accounts as the Group has available tax loss as at 31 December 2000. The amount of taxation credit in the consolidated profit and loss account for the year ended 31 December 1999 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 accounts in respect of the following:

	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowance	15	41
Taxation loss	<u>291</u>	<u>5,402</u>
	<u>306</u>	<u>5,443</u>

6. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$1,171,000 (1999: loss of HK\$91,390,000).

7. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$587,000 for the year ended 31 December 2000 and the loss attributable to shareholders of HK\$55,771,000 for the year ended 31 December 1999.

The basic earnings/(loss) per share is based on the weighted average of 453,683,060 (1999: 400,000,000) ordinary shares in issue during the year.

8. RETIREMENT BENEFIT COSTS

The Group contributes to a defined contribution retirement scheme which is available to all permanent employees. Contributions to the scheme by the Group and the employees are calculated as a percentage of the employees' basic salaries. The Group's contributions may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK\$48,000 (1999: HK\$223,000) were utilised during the year and there was no outstanding forfeited contributions to reduce future contributions at balance sheet date.

Commencing from 1 December 2000, the above defined contribution scheme was replaced by the MPF Scheme. The Group's MPF Scheme contributions are at 5% of the employee's relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes 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 from 31 December 2000 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 Voluntary Contribution may be reduced by the contribution forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

Contributions totalling HK\$22,000 (1999: HK\$31,000) 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) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Fees	-	-
Other emoluments – executive directors		
Basic salaries, housing allowances, other allowances and benefits in kind	1,965	1,519
Discretionary bonuses	-	-
Inducement fees	-	-
Contributions to pensions schemes – as directors	89	28
Compensation for loss of office as director, paid by:		
the Company	-	-
the Company's subsidiaries	-	-
	<u>2,054</u>	<u>1,547</u>

NOTES TO THE ACCOUNTS (cont'd)

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

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2000	1999
HK\$ nil – HK\$1,000,000	5	12
HK\$1,000,001 – HK\$1,500,000	1	–
	<u> </u>	<u> </u>

No remuneration was paid to the Independent Non-Executive Directors during the years ended 31 December 2000 and 1999.

None of the Directors waived any emoluments in respect of the year ended 31 December 2000 and 1999.

- (b) The five individuals whose emoluments were the highest in the Group for the year include two directors (1999: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (1999: two) individuals during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	840	496
Bonuses	75	59
Pensions	41	6
Compensation for loss of office	–	–
	<u> </u>	<u> </u>
	<u>956</u>	<u>561</u>

NOTES TO THE ACCOUNTS (cont'd)

10. FIXED ASSETS – GROUP

	Leasehold properties in Hong Kong HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
Cost or valuation				
At 1 January 2000	8,400	160	318	8,878
Additions	–	251	115	366
Devaluation	(2,100)	–	–	(2,100)
Written off	–	–	(111)	(111)
Disposals	–	(160)	–	(160)
At 31 December 2000	6,300	251	322	6,873
Accumulated depreciation				
At 1 January 2000	192	135	110	437
Charge for the year	384	29	51	464
Devaluation	(576)	–	–	(576)
Written off	–	–	(99)	(99)
Disposals	–	(135)	–	(135)
At 31 December 2000	–	29	62	91
Net book value				
At 31 December 2000	6,300	222	260	6,782
At 31 December 1999	8,208	25	208	8,441

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

At cost	–	251	322	573
At 2000 valuation	6,300	–	–	6,300
	6,300	251	322	6,873

The analysis of the cost or valuation at 31 December 1999 of the above assets is as follows:

At cost	–	160	318	478
At 1999 valuation	8,400	–	–	8,400
	8,400	160	318	8,878

- (a) As at 31 December 2000, the leasehold properties are held for own use. They are located in Hong Kong and the remaining terms of the leases were between ten to fifty years.
- (b) Leasehold properties in Hong Kong were revalued at 31 December 2000 on the basis of 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\$10,286,000 (1999: HK\$10,759,000) had they been stated at cost less accumulated depreciation.

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	86,218	85,218
Amount due from subsidiaries	107,633	91,044
Amount due to subsidiaries	(4)	(15,836)
	<u>193,847</u>	<u>160,426</u>
Less: provision for diminution in value	(118,907)	(118,907)
	<u>74,940</u>	<u>41,519</u>

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

The following is a list of the subsidiaries at 31 December 2000:

<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 (formerly known as Fortei Far East 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 (formerly known as Fortei (B.V.I.) Limited)	British Virgin Islands	Investment holding in Hong Kong	63,000 ordinary shares of US\$0.01 each	*100%
Century Legend Strategic Investments Limited (formerly known as Onpower Company Limited)	Hong Kong	General trading 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%
Fortei International Limited	Hong Kong	Provision of properties management services in Hong Kong	1,000,000 ordinary shares of HK\$1 each	*100%

NOTES TO THE ACCOUNTS (cont'd)

11. INVESTMENT 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>
Fortei Licensing Limited	British Virgin Islands	Holding of trademarks and licensing in Hong Kong	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%
Hong Kong Macau Trading Limited (formerly known as Everluck Enterprise Limited)	Hong Kong	Trading and general merchandise in Hong Kong	100 ordinary shares of HK\$1 each	100%
Hong Kong Macau Travel and Entertainment Limited (formerly known as Golden Cavalier Limited)	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	*100%
Hong Kong Macau Travel Limited# (formerly known as Sun Air Tours Limited)	Hong Kong	Travel agency services in Hong Kong	500,000 ordinary shares of HK\$1 each	100%

* Directly held by the Company

Company not audited by PricewaterhouseCoopers and has a financial accounting period of 30 November which is not coterminous with the Group and the financial impact is not material to the Group.

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)

12. INVESTMENT IN ASSOCIATED COMPANIES

	2000 HK\$'000	Group 1999 HK\$'000
Share of net liabilities, other than goodwill	(1,183)	–
Advance to an associated company	2,137	–
	<u>954</u>	<u>–</u>

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

The following is a list of the associated companies at 31 December 2000:

<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	20,000 ordinary shares of HK\$10 each	40%
ISL Technologies Limited (formerly known as Internal Systems International Limited)	British Virgin Islands	Investment holding in Hong Kong	10,000 ordinary shares of US\$1 each	40%

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

NOTES TO THE ACCOUNTS (cont'd)

13. INVESTMENT SECURITIES

	2000 HK\$'000	Group 1999 HK\$'000
Equity securities, at cost		
Listed in Hong Kong	7,945	–
Less: Provision for permanent diminution in value	(1,094)	–
	<hr/>	<hr/>
Total	6,851	–
	<hr/>	<hr/>
Market value of listed securities at 31 December	7,513	–
	<hr/>	<hr/>

At 31 December 2000, the carrying amount of the following company exceeded 10% of total assets of the Group.

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal activity</u>	<u>Particulars of issued share held</u>	<u>Interest held</u>
AcrossAsia Multimedia Limited	Cayman Islands	Investment holding in Hong Kong	2,404,000 ordinary shares of HK\$0.10 each	0.05%

14. LOAN RECEIVABLES

	2000 HK\$'000	Group 1999 HK\$'000
Provision of personal and commercial loans		
Loan receivables – secured	20,000	–
Loan receivables – unsecured	1,650	–
	<hr/>	<hr/>
Gross loan receivables (note a)	21,650	–
Provision for doubtful loans	(500)	–
	<hr/>	<hr/>
Less: amount due within one year	(20,984)	–
	<hr/>	<hr/>
Amount due after one year	166	–
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (cont'd)

14. LOAN RECEIVABLES (cont'd)

- (a) 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:

	2000 HK\$'000	Group 1999 HK\$'000
On demand	14	–
Three months or less	21,015	–
Below one year but over three months	455	–
One to three years	166	–
	<u>21,650</u>	<u>–</u>

15. TRADING SECURITIES

	2000 HK\$'000	Group 1999 HK\$'000
Listed securities in Hong Kong, at market value	<u>2,020</u>	<u>–</u>

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade receivables (<i>note a</i>)	–	9,800	–	–
Interest receivable	17	–	–	–
Other receivables, prepayments and deposits	<u>1,605</u>	<u>659</u>	<u>149</u>	<u>145</u>
	<u>1,622</u>	<u>10,459</u>	<u>149</u>	<u>145</u>

- (a) At 31 December 1999, the ageing of the trade receivables was between one to two years.

17. SHORT-TERM LOAN

The amount at 31 Decemabr 1999 represents a short-term loan granted by the Company to a third party. During the year, the loan was assigned to Tasmanian Treasure Limited, the former ultimate holding company of the Company and has been fully repaid.

NOTES TO THE ACCOUNTS (cont'd)

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade payables (<i>note a</i>)	265	–	–	–
Other account payables	707	88	9	26
Accruals	1,467	1,634	608	1,197
	<u>2,439</u>	<u>1,722</u>	<u>617</u>	<u>1,223</u>

(a) At 31 December 2000, the ageing of the trade payables was within one month.

19. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.10 each	
	No of shares	HK\$'000
At 1 January 1999, 31 December 1999 and 2000	<u>600,000,000</u>	<u>60,000</u>
	Issued and fully paid ordinary shares of HK\$0.10 each	
	No of shares	HK\$'000
At 1 January 1999 and 31 December 1999	400,000,000	40,000
Issue upon a placement (<i>note a</i>)	70,000,000	7,000
Issue for acquisition of associated companies (<i>note b</i>)	<u>8,000,000</u>	<u>800</u>
At 31 December 2000	<u>478,000,000</u>	<u>47,800</u>

- a) On 20 April 2000 the issued share capital of the Company was increased to HK\$47,000,000 by a placement of 70,000,000 new ordinary shares of HK\$0.20 each for the purpose of the Company's working capital. These shares rank *pari passu* with the existing shares.
- b) In addition, 8,000,000 ordinary shares were issued on 30 May 2000 at HK\$0.50 per share as part of the consideration for the acquisition of associated companies.
- c) 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. There was no option outstanding at any time during the year.

NOTES TO THE ACCOUNTS (cont'd)

20. RESERVES

	Group				
	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 1999	72,131	2,307	17,314	(26,449)	65,303
Loss for the year	–	–	–	(55,771)	(55,771)
Revaluation deficit	–	(2,307)	–	–	(2,307)
At 31 December 1999	72,131	–	17,314	(82,220)	7,225
At 1 January 2000	72,131	–	17,314	(82,220)	7,225
Profit for the year	–	–	–	587	587
Premium on issue of shares (notes 19(a) and (b))	10,200	–	–	–	10,200
Goodwill arising from the acquisition of a subsidiary and associated companies	–	–	(9,006)	–	(9,006)
At 31 December 2000	82,331	–	8,308	(81,633)	9,006
Company and subsidiaries	82,331	–	8,308	(81,271)	9,368
Associated companies	–	–	–	(362)	(362)
At 31 December 2000	82,331	–	8,308	(81,633)	9,006
	Company				
	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	
At 1 January 1999	72,131	84,918	(35,262)	121,787	
Loss for the year	–	–	(91,390)	(91,390)	
At 31 December 1999	72,131	84,918	(126,652)	30,397	
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 (notes 19(a) and (b))	10,200	–	–	10,200	
At 31 December 2000	82,331	84,918	(127,823)	39,426	

The capital reserve of the Group represents the difference between the nominal value of share capital issued by the Company and the nominal value of the share capital and the share premium accounts of those companies forming the Group pursuant to a group reorganisation in 1993.

NOTES TO THE ACCOUNTS (cont'd)

20. RESERVES (cont'd)

The contributed surplus of the Company represents the differences between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company at the time of the group reorganisation referred to above. Under the Companies 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 share capital and share premium account.

At 31 December 2000 and 1999, the Company has no reserves available for distribution.

21. DEFERRED TAXATION

	Group	
	2000	1999
	HK\$'000	HK\$'000
The potential deferred taxation assets not provided for in the accounts amounting to:		
Accelerated depreciation allowances	15	–
Tax loss	22,863	22,572
	22,878	22,572

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.

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$'000	1999 HK\$'000
Operating profit/(loss)	949	(56,041)
Depreciation charges	464	1,109
Written off of fixed assets	12	4,175
Deficit on revaluation of leasehold properties not covered by previous surplus	1,524	1,515
Provision for doubtful debts	500	30,027
Recovery of bad debts previously written off	(9,649)	-
Loss on disposal of fixed assets	5	748
Realised loss on disposal of investment securities	154	-
Provision for diminution in value of investment securities	1,094	-
Realised profit on sales of trading securities	(429)	-
Unrealised losses of trading securities	299	-
Decrease in inventories	-	28,771
Increase in loan receivables	(21,650)	-
Decrease/(increase) in trade and other receivables	18,488	(1,634)
Increase/(decrease) in trade and other payables, including amount due to the former ultimate holding company	717	(3,349)
Bank and short-term loan interest income	(1,198)	(2,405)
	<u>(8,720)</u>	<u>2,916</u>
Net cash (outflow)/inflow from operating activities	<u>(8,720)</u>	<u>2,916</u>

(b) Analysis of changes in financing during the year

	Share capital including premium 2000 HK\$'000	1999 HK\$'000
At 1 January	112,131	112,131
Issuance of shares for cash	14,000	-
Shares issued for non-cash consideration (note 22(c))	4,000	-
	<u>130,131</u>	<u>112,131</u>
At 31 December	<u>130,131</u>	<u>112,131</u>

(c) Major non-cash transactions

Part of the consideration paid by the Group for the acquisition of associated companies during the year comprised an issuance of 8,000,000 ordinary shares in the Company of HK\$0.50 each and the remaining consideration of HK\$4,000,000 was paid by cash. A goodwill of HK\$8,821,000 was arising from the acquisition and the amount was transferred to the capital reserve.

NOTES TO THE ACCOUNTS (cont'd)

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

(d) Purchase of a subsidiary

	2000 HK\$'000	1999 HK\$'000
Net assets acquired	487	-
Goodwill	185	-
	<u>672</u>	<u>-</u>
Satisfied by		
Assumed the amount due from previous shareholders	485	-
Cash	187	-
	<u>672</u>	<u>-</u>

23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2000 the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	2000 HK\$'000	1999 HK\$'000
In the second to fifth year inclusive	<u>2,219</u>	<u>-</u>

24. SUBSEQUENT EVENT

On 18 January 2001, the Group has entered into a licence agreement with an independent third party to grant an exclusive licence to a third party for the use of 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.

25. ULTIMATE HOLDING COMPANY

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

26. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 9 April 2001.

FINANCIAL SUMMARY

Results

	For the year ended 31 December				2000 HK\$'000
	1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	
Turnover	<u>286,058</u>	<u>145,669</u>	<u>138,271</u>	<u>51,704</u>	3,362
Profit/(loss) attributable to shareholders	<u>21,103</u>	<u>(59,779)</u>	<u>(63,590)</u>	<u>(55,771)</u>	587

Assets and liabilities

	As at 31 December				2000 HK\$'000
	1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	
Total assets	263,374	192,742	129,387	48,947	59,245
Total liabilities including minority interest	<u>(30,693)</u>	<u>(23,849)</u>	<u>(24,084)</u>	<u>(1,722)</u>	(2,439)
Shareholders' funds	<u>232,681</u>	<u>168,893</u>	<u>105,303</u>	<u>47,225</u>	56,806