



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Introduction**

Century Legend (Holdings) Limited (formerly known as Fortei Holdings Limited), has been listed since 1993. With the change of management since October 1999, the Group recorded a significant improvement in performance with an operating profit of \$587,000 in 2000 against an operating loss of \$55,771,000 in 1999. Operating loss for the six months ended 30 June 2001 was HK\$7,560,000 (30 June 2000: loss of HK\$1,877,000). Turnover increased by approximately four times to HK\$5,735,000 for the six months ended 30 June 2001 compared with HK\$1,300,000 for the six months ended 30 June 2000 following the launching of travel agency business and the increase of money lending business.

### **Business Review**

The Group has taken a significant step to diversify its core business from garment manufacturing and trading to financial investments and travel, entertainment and leisure related businesses to broaden its earning capacity and to minimize loss possibly caused by structural change of market conditions, while still owning the sales and distribution rights in relation to all merchandises under the “FORTEI” brand name.

### Financial Investments

Financial investments include money lending, direct investments, and other investments which contributed to approximately 53% of the Group’s turnover for the 6 months ended 30 June 2001. With increased resources, turnover of money lending business for the period increased by approximately 136% to HK\$3,066,000 (2000: HK\$1,300,000) and operating profit of HK\$789,000 (2000: loss of HK\$519,000) was recorded.

Money lending activities include facilities granted to individuals and corporate clients; direct investments focus on investment in software industry and trading securities; other investments include property holding and licence holding.

1. In April 2000, the Group acquired 40% minority stake in a well established software applications developer, Integrated Solutions Limited, for a consideration of \$8 million;

2. In July 2000, the Group invested a sum of US\$1.5 million to acquire a strategic stake in AcrossAsia Multimedia Limited, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited;
3. In January, 2001, the Group entered into a licence agreement with an independent third party to grant an exclusive right to a third party for the use of the “FORTEI” trademark in Hong Kong, Macau, Taiwan and Mainland China for an aggregate consideration of RMB24.5 million payable by way of a licence fee over eight years with ownership of the trademark remaining vested in the Group throughout and after the entire licence period. The granting of the licence promotes and enhances the value of the trademark of “FORTEI” and provides a steady income to the Group.

#### Travel, entertainment and leisure related businesses

Travel, entertainment and leisure related businesses contributed to approximately 47% of the Group’s turnover for the 6 months ended 30 June 2001 and have provided steady income and cashflow to the Group.

1. In December, 2000, the Group acquired a travel agent company, which specializes in ticketing, hotel room reservation and private group travel in Hong Kong, Macau and Mainland China;
2. In August 2001, the Group conditionally acquired a hair salon under the reputable trade name of “Headquarters” and a health and beauty centre in Hong Kong respectively. The acquisition represents a good opportunity for the Group to expand into the beauty, fitness and body care related business which has a recognised brand name and image, an existing infrastructure with necessary human resources and an established customer base. In addition, it would allow the Group to expand into retail operations to diversify its revenue stream as well as to bring in a recurring cashflow to the Group. The Group will further expand the existing operations to provide a full range of beauty, fitness and personal grooming services to its customers.

#### **Financial Resources Review**

In order to strengthen the Group’s business and to search for potential investments, the Group has raised HK\$47.8 million through a rights issue in June 2001. The Group is financially strong with no borrowings, contingent liabilities, charges on assets and capital commitment as at 30 June 2001 and operating and capital expenditure is adequately funded by internal generated capital resources.

The management always takes a conservative approach towards potential risk exposures. As to the Group's holding of investment securities, the carrying amount of individual investment is reviewed regularly and any impaired loss is recognized as an expense in the profit and loss account. As the Group's business focus is in Hong Kong, China and Macau, foreign exchange exposure is significantly avoided.

### **Outlook**

The market conditions may continue to be competitive and challenging in the second half of 2001. However, the management believes that there will be satisfactory growth in the travel, entertainment and leisure related businesses in view of the Olympic Game to be held in Beijing in 2008 and the opening of the Hong Kong Disneyland in a few years which will boost the tourism business in Hong Kong, Macau and Mainland China.

The Group believes that it has the flexibility and the strength to succeed in any of the Group's financial investments businesses or travel, entertainment and leisure related businesses. The Group will continue to look for profitable investment opportunity in order to generate better returns to strengthen its financial foundation on the one hand and to tighten control of its operating costs to improve its operating efficiencies on the other hand.