

# NOTES TO THE ACCOUNTS

## 1 PRINCIPAL ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

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

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

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

### (b) Group accounting

#### (i) Consolidation

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

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

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

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

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

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (b) Group accounting (cont'd)

##### (i) Consolidation (cont'd)

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

##### (ii) Associated companies

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

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

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

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

#### (c) Fixed assets

##### (i) Leasehold properties

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

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(c) Fixed assets (cont'd)

(ii) Other fixed assets

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

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

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

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

(d) Operating leases

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

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

(e) Goodwill

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

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

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (e) Goodwill (cont'd)

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

#### (f) Investments in securities

##### (i) Investment securities

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

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

##### (ii) Trading securities

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

#### (g) Inventories

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

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (h) Accounts receivable

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

#### (i) Cash and cash equivalents

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

#### (j) Deferred taxation

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

#### (k) Revenue recognition

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

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

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

#### (l) Translation of foreign currencies

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

#### (m) Retirement benefit costs

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

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

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

## NOTES TO THE ACCOUNTS (cont'd)

### 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (n) Segment reporting

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

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

### 2 TURNOVER, ACQUISITION AND SEGMENT INFORMATION

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

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

## NOTES TO THE ACCOUNTS (cont'd)

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

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

## NOTES TO THE ACCOUNTS (cont'd)

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

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



## NOTES TO THE ACCOUNTS (cont'd)

### 3 OPERATING (LOSS)/PROFIT

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

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

### 4 PROVISION FOR IMPAIRMENT OF GOODWILL

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

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

## NOTES TO THE ACCOUNTS (cont'd)

### 5 TAXATION CREDIT

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

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

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

### 6 LOSS ATTRIBUTABLE TO SHAREHOLDERS

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

### 7 LOSS PER SHARE

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

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

### 8 RETIREMENT BENEFIT COSTS

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

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

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

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

The emoluments of the Directors fell within the following bands:

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

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

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

## NOTES TO THE ACCOUNTS (cont'd)

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

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

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

The emoluments fell within the following bands:

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

### 10 GOODWILL

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

## NOTES TO THE ACCOUNTS (cont'd)

### 11 FIXED ASSETS - GROUP

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

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

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

## NOTES TO THE ACCOUNTS (cont'd)

### 11 FIXED ASSETS - GROUP (cont'd)

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

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

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

### 12 INVESTMENTS IN SUBSIDIARIES

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

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

## NOTES TO THE ACCOUNTS (cont'd)

### 12 INVESTMENTS IN SUBSIDIARIES (cont'd)

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

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

## NOTES TO THE ACCOUNTS (cont'd)

### 12 INVESTMENTS IN SUBSIDIARIES (cont'd)

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

\* Directly held by the Company

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

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



## NOTES TO THE ACCOUNTS (cont'd)

### 13 INVESTMENTS IN ASSOCIATED COMPANIES

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

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

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

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

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

## NOTES TO THE ACCOUNTS (cont'd)

### 14 INVESTMENT SECURITIES

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

### 15 LOAN RECEIVABLES

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

Note:

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

## NOTES TO THE ACCOUNTS (cont'd)

### 15 LOAN RECEIVABLES (cont'd)

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

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

### 16 INVENTORIES

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

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

### 17 TRADING SECURITIES

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

## NOTES TO THE ACCOUNTS (cont'd)

### 18 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

### 19 TRADE PAYABLES

The ageing of trade payables was less than three months.

### 20 AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

## NOTES TO THE ACCOUNTS (cont'd)

### 21 SHARE CAPITAL

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

### 21 SHARE CAPITAL (cont'd)

*Notes:*

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

## NOTES TO THE ACCOUNTS (cont'd)

### 22 RESERVES

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

## NOTES TO THE ACCOUNTS (cont'd)

### 22 RESERVES (cont'd)

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

	Company			Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	
At 1 January 2000	72,131	84,918	(126,652)	30,397
Loss for the year	–	–	(1,171)	(1,171)
Premium on issue of shares	10,200	–	–	10,200
<b>At 31 December 2000</b>	<b>82,331</b>	<b>84,918</b>	<b>(127,823)</b>	<b>39,426</b>
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
<b>At 31 December 2001</b>	<b>38,649</b>	<b>213,978</b>	<b>(130,222)</b>	<b>122,405</b>

### 23 DEFERRED TAXATION

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

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



24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

## NOTES TO THE ACCOUNTS (cont'd)

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

(b) Analysis of changes in financing during the year

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

(c) Major non-cash transactions

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

## NOTES TO THE ACCOUNTS (cont'd)

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

(d) Acquisition of subsidiaries

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

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

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

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

## NOTES TO THE ACCOUNTS (cont'd)

### 25 COMMITMENTS

- (a) Capital commitments for acquisition of fixed asset

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

- (b) Commitments under operating leases

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

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

### 26 ULTIMATE HOLDING COMPANY

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

### 27 APPROVAL OF ACCOUNTS

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