



 港澳旅遊有限公司



*HONG KONG  
MACAU  
TRAVEL*

### To the Shareholders of Century Legend (Holdings) Limited

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

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

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

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

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

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

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

On behalf of the Board  
**Tsang Chiu Mo Samuel**  
*Executive Director*

Hong Kong, 23 April 2003