

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAP”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

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

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

(b) Group accounting

(i) Consolidation

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

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

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Group accounting *(continued)*

(ii) *Associated companies*

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

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

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

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

(c) Goodwill

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

(d) Impairment of intangible assets

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

(e) Fixed assets

(i) *Leasehold properties*

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Fixed assets *(continued)*

(ii) Other fixed assets

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

(iii) Depreciation

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

Land	2%
Buildings	5%
Leasehold improvements	25 - 33 $\frac{1}{3}$ %
Motor vehicles	20%
Furniture, fixtures and office equipment	20 - 33 $\frac{1}{3}$ %

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

(iv) Impairment and gain or loss on sale

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

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

(f) Operating leases

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Investments in securities

(i) Investment securities

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

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

(ii) Trading securities

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

(h) Inventories

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

(i) Accounts receivable

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

(j) Cash and cash equivalents

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

(k) Provisions

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Pension obligations*

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

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. When the contributions do not fall due wholly within twelve months after the end of period in which the employees render the related service, the contributions are discounted using the discount rate determined by reference to market yields at the balance sheet date on high quality investments.

(m) Deferred taxation

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

(n) Revenue recognition

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

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

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

Revenue from licence agreements is recognised in accordance with either (i) the agreement terms; or (ii) other terms specifically agreed between the relevant parties.

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

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) **Translation of foreign currencies**

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

(p) **Segment reporting**

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

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

2. TURNOVER, REVENUES AND SEGMENT INFORMATION

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

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

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

Primary report format — business segments

The Group is organised into three main business segments:

Travel agency — provision of travel agency services in Hong Kong

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

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

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

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

NOTES TO THE ACCOUNTS

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

Primary report format — business segments *(continued)*

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

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

3. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

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

4. TAXATION

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

5. LOSS ATTRIBUTABLE TO SHAREHOLDERS

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

6. LOSS PER SHARE

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

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

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

7. RETIREMENT BENEFIT COSTS

The Group's mandatory provident fund ("MPF Scheme") contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance up to a maximum of HK\$1,000 per employee per month ("MPF Contribution"). Contribution for certain employees includes the aforesaid MPF Contribution of HK\$1,000 per employee plus a corresponding amount of voluntary contribution made by the respective employee ("Voluntary Contribution") up to a maximum of HK\$4,000 per employee. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$4,000 per month. The Group's Voluntary Contributions may be reduced by the contribution forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK\$80,963 (2001: HK\$27,116) were utilised during the year and there was HK\$40,526 (2001: HK\$18,803) forfeited contributions to reduce future contributions at balance sheet date.

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

Contributions totalling HK\$31,000 (2001: HK\$20,000) were payable to the MPF Scheme at the year end and are included in accounts payable. The assets of the schemes are held separately from those of the Group in an independently administered fund.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

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

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

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

The emoluments of the Directors fell within the following bands:

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

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

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

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

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

NOTES TO THE ACCOUNTS

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

(b) Five highest paid individuals

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

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

The emoluments fell within the following band:

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

10. GOODWILL

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

11. FIXED ASSETS — GROUP

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

NOTES TO THE ACCOUNTS

11. FIXED ASSETS — GROUP *(continued)*

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

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

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

12. INVESTMENTS IN SUBSIDIARIES

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

12. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

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

NOTES TO THE ACCOUNTS

12. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
<i>Held indirectly:</i>				
Hong Kong Macau Travel Limited	Hong Kong	Provision of travel agency services in Hong Kong	500,000 Ordinary shares of HK\$1 each	100%
Century Entertainment Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Century Amusement Production Limited	Hong Kong	Inactive	10,000 Ordinary shares of HK\$1 each	100%
SVC Investments Limited	British Virgin Islands	Investment holding in Hong Kong	100 Ordinary shares of US\$ 1 each	100%
Spa D'or Limited	Hong Kong	Provision of health and beauty services in Hong Kong	10,000 Ordinary shares of HK\$1 each	100%
Headquarters Limited	Hong Kong	Investment holding and operation of hair salon under the brand name of "Headquarters" in Hong Kong	150,000 Ordinary shares of HK\$1 each	55%
Grand Mutual Investment Limited	Hong Kong	Operation of hair salon under the brand name of "Headquarters" in Hong Kong	500,000 Ordinary shares of HK\$1 each	55%

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

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

13. INTERESTS IN ASSOCIATED COMPANIES

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

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

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

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

Note:

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

NOTES TO THE ACCOUNTS

14. INVESTMENT SECURITIES

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

15. LOANS RECEIVABLE

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

Note:

- (a) The amount included a short term secured loan of HK\$15,000,000 (the "Loan") granted to an individual (the "Borrower") who is independent to the Group. Out of the Loan, HK\$5,000,000 originally due for repayment in February 2002 and the remaining balance was repayable in July 2002. The repayment dates of the Loan were further extended to September 2003 according to a loan agreement dated 3 April 2003 while other terms of the Loan remained unchanged. In 2001, the ultimate holding company issued a deed of guarantee in favour of the Group in respect of the Loan. Pursuant to the deed of guarantee, the ultimate holding company is responsible for repayment of the unrecoverable portion of the Loan should there be a shortfall in the realisation of the securities in case of default.
- (b) The repayment terms of the loans are negotiated on an individual basis. The maturity profile of loans receivable at the balance sheet date, which is analysed by the remaining periods to their contractual maturity dates, is as follows:

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

16. INVENTORIES

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

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

17. TRADING SECURITIES

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

18. TRADE AND OTHER RECEIVABLES

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

Note:

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

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

NOTES TO THE ACCOUNTS

18. TRADE AND OTHER RECEIVABLES *(continued)*

- (b) Pursuant to a Letter of Intent entered into between the Group and an independent third party (the “Vendor”) on 28 July 2001, the Group paid a deposit of HK\$25,000,000 for the granting of an option (the “Option”) by the Vendor to acquire the controlling interest in a company incorporated outside Hong Kong which is engaged in a property development project. The Option was exercisable or could be withdrawn on or before 30 June 2002, and in the latter case, full amount of the deposit will be refunded to the Group. The Option was withdrawn during the current year and the amount had been refunded in full prior to the year end.

19. TRADE PAYABLE

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

20. AMOUNT DUE TO AN ASSOCIATED COMPANY

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

21. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

22. SHARE CAPITAL

<i>Authorised:</i>	Ordinary shares of HK\$0.01 each (At 1 January 2001: HK\$0.10 each)	
	No of shares	HK\$'000
At 1 January 2001	600,000,000	60,000
Increase in authorised share capital <i>(note (a))</i>	1,200,000,000	120,000
Subdivision of each share of HK\$0.10 into ten shares of HK\$0.01 each <i>(note (c))</i>	16,200,000,000	—
Increase in authorised share capital <i>(note (e))</i>	22,000,000,000	220,000
At 31 December 2001 and 31 December 2002	40,000,000,000	400,000

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

22. SHARE CAPITAL *(continued)*

Note:

- (a) On 10 May 2001, the authorised share capital of the Company was increased from HK\$60,000,000 to HK\$180,000,000 by the creation of 1,200,000,000 shares of HK\$0.10 each.
- (b) On 6 June 2001, 478,000,000 shares were issued at HK\$0.10 per share pursuant to a rights issue on the basis of one rights share for every existing share held on 10 May 2001. In addition, 478,000,000 new shares were issued by way of a bonus issue by applying HK\$47,800,000 charging to the share premium account in payment in full at par and on the basis of one bonus share for every rights share taken up.
- (c) Pursuant to a special general meeting held on 11 October 2001, every one authorised share of HK\$0.10 each of the Company was subdivided into ten shares of HK\$0.01 each.
- (d) Pursuant to a special general meeting held on 11 October 2001, the share capital of the Company in issue was reduced by cancelling paid up capital to the extent of HK\$0.09 on each share of HK\$0.10 in issue. Accordingly, the issued share capital of the Company of HK\$143,400,000 was reduced to HK\$14,340,000. The credit arose from the reduction of issued share capital of HK\$129,060,000 was transferred to the contributed surplus accounts of the Company.
- (e) Upon the effective date of the share subdivision as detailed in note (c) above, the authorised share capital of the Company was further increased to HK\$400,000,000 by the creation of 22,000,000,000 shares of HK\$0.01 each.
- (f) On 11 October 2001, the Company issued convertible notes of HK\$8,604,000 (the “Notes”) as a consideration for the acquisition of subsidiaries. The Notes are non-interest bearing and are mandatorily converted into 286,800,000 shares of HK\$0.01 each at HK\$0.03 per share when the capital reduction, as detailed in note (d) above, became effective. All the Notes were converted into share capital of the Company on 11 October 2001.
- (g) Pursuant to a share placement on 7 November 2002, the Company issued 344,160,000 ordinary shares with a nominal value of HK\$0.01 each by way of placing at HK\$0.0145 per share for a total cash consideration of HK\$4,990,320 on 22 November 2002. As a result, approximately HK\$1,549,000, net of share issue expenses of approximately HK\$100,000, was credited to the share premium account (see note 23). The net proceeds would be used as general working capital of the Group. Such issued shares rank *pari passu* in all respects with the existing issued shares of the Company.
- (h) Under the Company’s share option scheme, the Directors may at their discretion grant options to Executive Directors and full time employees of the Company and its subsidiaries to subscribe for shares in the Company. The subscription price of the options shares is set at a price equal to the higher of the nominal value of the Company’s shares and 80% of the average of the closing prices of the shares of the Company on the Stock Exchange of Hong Kong Limited in the five trading days immediately preceding the date of offer of the option. Options granted are exercisable within three years from the date of grant. There was no option outstanding or granted at any time during the year ended 31 December 2002 (2001: same).

NOTES TO THE ACCOUNTS

23. RESERVES

	Group			Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2002	38,649	146,189	(114,965)	69,873
Loss for the year	—	—	(20,762)	(20,762)
Issue of shares	1,549	—	—	1,549
Expenses for placement of shares	(100)	—	—	(100)
At 31 December 2002	40,098	146,189	(135,727)	50,560
Company and subsidiaries	40,098	146,189	(125,350)	60,937
Associated companies	—	—	(10,377)	(10,377)
At 31 December 2002	40,098	146,189	(135,727)	50,560
At 1 January 2001	82,331	17,129	(90,454)	9,006
Loss for the year	—	—	(24,511)	(24,511)
Issue of bonus shares	(47,800)	—	—	(47,800)
Expenses for issue of rights shares and bonus shares	(1,618)	—	—	(1,618)
Capital reduction	—	129,060	—	129,060
Conversion of convertible notes	5,736	—	—	5,736
At 31 December 2001	38,649	146,189	(114,965)	69,873
Company and subsidiaries	38,649	146,189	(106,982)	77,856
Associated companies	—	—	(7,983)	(7,983)
At 31 December 2001	38,649	146,189	(114,965)	69,873
	Company			Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	
At 1 January 2002	38,649	213,978	(130,222)	122,405
Loss for the year	—	—	(724)	(724)
Issue of shares	1,549	—	—	1,549
Expenses for placement of shares	(100)	—	—	(100)
At 31 December 2002	40,098	213,978	(130,946)	123,130
At 1 January 2001	82,331	84,918	(127,823)	39,426
Loss for the year	—	—	(2,399)	(2,399)
Issue of bonus shares	(47,800)	—	—	(47,800)
Expenses for issue of rights shares and bonus shares	(1,618)	—	—	(1,618)
Capital reduction	—	129,060	—	129,060
Conversion of convertible notes	5,736	—	—	5,736
At 31 December 2001	38,649	213,978	(130,222)	122,405

24. DEFERRED TAXATION

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

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

The tax losses carried forward of approximately HK\$25,029,000 (2001: HK\$ 26,327,000) are subject to the approval by the Inland Revenue Department in Hong Kong. The revaluation deficit of leasehold properties does not constitute a timing difference for deferred taxation purposes as any profit on disposal of the properties would not be subject to taxation.

25. CONSOLIDATED CASH FLOW STATEMENT

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

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

NOTES TO THE ACCOUNTS

25. CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

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

25. CONSOLIDATED CASH FLOW STATEMENT *(continued)*

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

NOTES TO THE ACCOUNTS

26. COMMITMENTS

(a) Capital commitments for acquisition of fixed asset

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

(b) Commitments under operating leases

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

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

27. SUBSEQUENT EVENT

The following events occurred subsequent to the balance sheet date:

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

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

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

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

28. ULTIMATE HOLDING COMPANY

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

29. COMPARATIVE FIGURES

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

30. APPROVAL OF ACCOUNTS

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