



Annual Report  
Relatório Anual 2003



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



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This annual report is published in both English and Chinese languages.  
The English version shall prevail.

# CORPORATE INFORMATION

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## EXECUTIVE DIRECTORS

Mr. TSANG Chiu Mo Samuel (*Executive Chairman*)

Ms. CHU Ming Tak Evans Tania

Mr. TSANG Chiu Ching

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Yun Kong

Mr. SZETO King Pui Albert

Mr. CHEUNG Ka Wai

## COMPANY SECRETARY

Mr. SZETO King Pui Albert

## AUDITORS

Grant Thornton

Certified Public Accountants

13th Floor, Gloucester Tower

The Landmark

11 Pedder Street, Central

Hong Kong

## BANKERS

The Bank of East Asia Limited

Liu Chong Hing Bank Limited

The Standard Chartered Bank

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

## SOLICITORS

Chiu, Szeto & Cheng Solicitors

Bosco Tso & Partners Solicitors

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited

Rosebank Centre

14 Bermudiana Road, Pembroke

Bermuda

## HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

17th Floor

Hopewell Centre, 183 Queen's Road East

Hong Kong

## REGISTERED OFFICE

Clarendon House

Church Street

Hamilton, HM 11

Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2708-11, 27th Floor, West Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

## STOCK CODE

0079

# MILESTONES

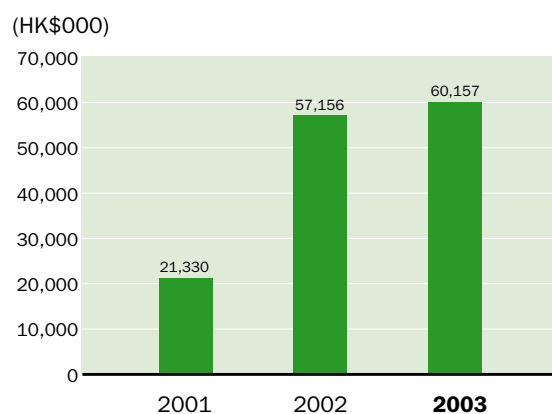
| 1990's                               |  |
|--------------------------------------|--|
| 17 June 1993                         | The Stock Exchange of Hong Kong Limited ("SEHK") approved the listing of shares of Fortei Holdings Limited ("The Company"). The Company is now known as Century Legend (Holdings) Limited.   |
| 8 July 1993                          | The Company raised HK\$128 million on the initial public offering with its shares listed on the SEHK.<br><br>The Company was involved in the design, marketing and distribution of sports and leather shoes as well as leisure wear under her "FORTEI" brand name.   |
| 15 June 1998                         | Change of controlling shareholder and management for the first time.   |
| 12 October 1999                      | Change of controlling shareholder and management for the second time. Century Legend Limited became the controlling shareholder of the Company and the current management was in charge of the daily operation thereafter.   |
| 2000                                 |  |
| 1 December 2000                      | In order to re-align its core businesses into travel, entertainment and leisure related business, the Company acquired Sun Air Travel Limited (which is now known as Hong Kong Macau Travel Limited) ("HKMTL") and successfully repackaged it 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. |
| 28 December 2000                     | Change of company name from "Fortei Holdings Limited" to "Century Legend (Holdings) Limited".  |
| 2001                                 |  |
| 19 January 2001                      | The Group entered into a license agreement ("The License Agreement") with an independent third party ("Licensee") which gave Licensee the exclusive right to use the trademark of "FORTEI" in the Greater China Region (Mainland China, Taiwan, Hong Kong and Macau).  |
| 11 October 2001                      | The Company acquired SVC Investments Limited ("SVC"), which owns different subsidiaries engaged in the operation of hair salons under the reputable brand "Headquarters" as well as health and beauty center under the brand "Spa D'or" in Hong Kong.<br><br>SVC becomes the flagship company of the Group in the leisure related business division.   |
| 2003 & 2004                          |  |
| 3 April 2003                         | The Company and the Licensee reached mutual agreement to the effect that the License Agreement was terminated and the Group was allowed to sell her entire interests in the "FORTEI" trademarks to another independent third party in consideration of RMB10 million (approximately HK\$9.6 million). After the disposal, the Company had discontinued most of its non-core business and had completely changed its core businesses to travel, entertainment and leisure related business.                       |
| 26 June 2003                         | Barsmark Investments Ltd controlled by part of the current management entered into a conditional agreement for sales and purchase of controlling interest (42.05%) in the Company from Century Legend Limited, former substantial shareholder of the Company.  |
| 2 September 2003<br>(Lunar 6 August) | Barsmark Investments Ltd completed acquisition of the Company and subsequently acquired in total 52.22% shares of the Company upon completion of the cash offers.  |
| 19 November 2003                     | Hong Kong Macau Junket Investments Limited ("HKMJIL"), a wholly-owned subsidiary of the Company, acquired 5% interest in junket operations in Macau. Junket related business concept in Macau was brought into a listed company in Hong Kong for the first time.   |
| 5 February 2004                      | The investment in the junket operations was increased to 15% in total after HKMJIL acquired further 10% interest in the relevant junket operations in Macau. HKMJIL becomes the major operation arm of the Group in the entertainment division.  |

# FINANCIAL HIGHLIGHTS

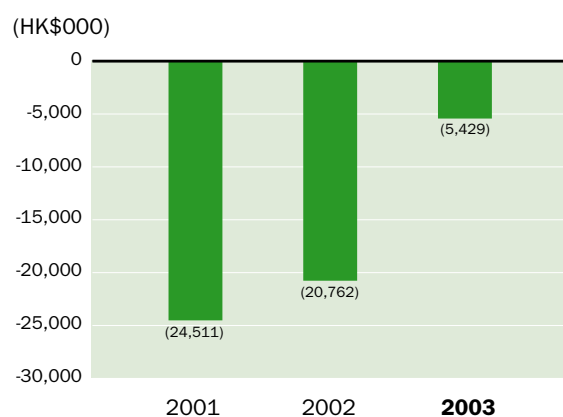
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|                                       | 2003<br>HK\$000 | 2002<br>HK\$000 | Variance<br>% |
|---------------------------------------|-----------------|-----------------|---------------|
| Turnover                              | <b>60,157</b>   | 57,156          | + 5%          |
| Loss attributable to shareholders     | <b>(5,429)</b>  | (20,762)        | -74%          |
| Shareholder's equity                  | <b>65,781</b>   | 71,210          | -8%           |
| Basic loss per share (HK cents)       | <b>(0.26)</b>   | (1.18)          | -78%          |
| Net assets value per share (HK cents) | <b>3.19</b>     | 3.45            | -8%           |

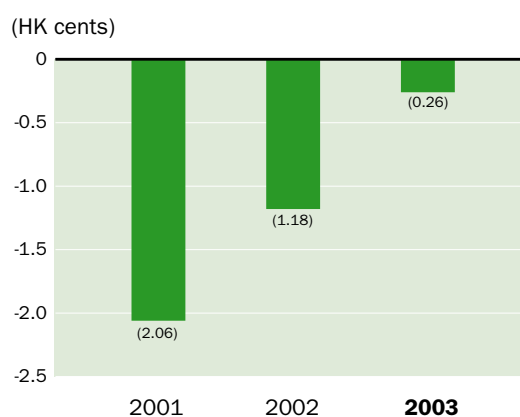
## Turnover



## Loss attributable to shareholders



## Basic loss per share





# CHAIRMAN'S LETTER

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## TO THE SHAREHOLDERS OF CENTURY LEGEND (HOLDINGS) LIMITED

The year 2003 has been a challenging year for the Group. Owing to the outbreak of severe acute respiratory syndrome ("SARS") and the war in Iraq in 2003, we saw great economic and political instabilities around the world, leading to uncertainties in the global investment environment including of course, the Hong Kong and Macau region which the Group based in. However despite the unfavorable market condition, the management has undertaken the expansion strategies as planned before. The Group is well-poised to focus on the core businesses and is ready to embark on further expansion. This will enable the Group to capture the uprising opportunities once the global economy recovers.

At present, core businesses of the Group are segregated into two major areas:

- (1) Travel and gaming related businesses, and
- (2) Health and beauty services business

### Travel and Gaming Related Businesses

Macau has achieved social stability following the handover in 1999 with an increasing number of visitor arrivals. With the granting of gaming licenses to three reputable concessionaires including SJM, Wynn Resorts and Galaxy & Venetian Consortium, the Macau Government is determined to turn the territory into a world-class tourism, gaming and entertainment destination. The completion of the new mega-luxurious Las Vegas type of casinos, entertainment, resort and other ancillary facilities by the three concessionaires will bring positive and significant impact to the gaming industry as well as the economy of Macau by attracting more visitors and investments from all over the world. The Group believes that Macau will eventually become the leader and driver of the gaming industry in the Asia Pacific region.

Macau's gaming industry comprises of three major tiers of operations, namely (i) Casino Operators, (ii) Gaming Intermediaries and (iii) Gaming Intermediaries Cooperators. The Group had participated in the bidding process for a gaming license to operate in the first tier of the market segment in 2001-2002. Unfortunately the consortium formed by the Group and other parties ranked only seventh and was not chosen at the end. However precious experience and in-depth understanding of the whole industry accumulated from the bidding process. The management concludes that the second and the third tier of operation are also important components of the gaming industry and should never be ignored. Its profitability and growth opportunity are attractive and materially comparable to other participants of the industry. It is definitely worthwhile for the Group to consider investments in these sectors. As time is always an essence of any successful investment and we believe that if we can act ahead of others, the market would inevitably give us a first mover advantage to become a key player in the gaming intermediaries and gaming intermediaries cooperators sectors.

Based on the favorable factors and consideration aforesaid, the Group is determined to take advantage of the said investment opportunities. As a result a wholly-owned subsidiary, Hong Kong Macau Junket Investments Limited ("HKMJIL") was set up by the Group in 2003. HKMJIL focuses on investments in the gaming intermediaries sector and had acquired 5% interest in each of the Diamond Hall Syndicate and Diamond Entertainment Hall Syndicate in Macau at year end of 2003. Upon the disclosure of the acquisition, media, general public and other relevant parties in the gaming industry claimed that the Company was the first listed company in Hong Kong to have investments in the Macau's gaming intermediaries business. HKMJIL strategically increased its interests in both syndicates to 15% in February 2004. The management is actively looking for other investment opportunities and is optimistic that such investments will bring stable and significant contributions to the Group in the future.

As the reaction of the market regarding the investment in the two syndicates was very positive, HKMJIL took the chance and issued HK\$45 million worth of convertible notes to independent third parties in January 2004. Funds raised from the issue strengthened the financial capability of HKMJIL as well as the Group and enable the Group to execute further acquisition in the gaming intermediaries sector when opportunities arises. On the other hand Hong Kong Macau Travel Limited ("HKMTL") has continued to achieve steady contribution to the Group for the last three consecutive years irrespective of the negative market conditions during the period. Moreover as gaming intermediaries cooperators sector is another targeted investment area of the Group and its operation nature is similar to the business of HKMTL, HKMTL has started actively to look for investment opportunities. The management is confident that HKMTL will start its participation in the sector by the end of June 2004.

## Health and Beauty Services Business

Another core business of the Group – the health and beauty services division is dedicated to offer comprehensive hair care, beauty and health services as well as related products to the stylish crowd.

Our premium hair salon, Headquarters, with some of the most influential creative directors and hairstylists in town, has gained widespread popularity and is one of the major trendsetters for the younger and stylish generation. Building on the concrete reputation of Headquarters and its potential growth in the market share, the management has planned to open a 7,000 sq. ft. mega flagship store in the heart of Central this year. The soft opening of the flagship store is expected to take place in July with the official launching in August 2004. The flagship store will increase the revenue and hence the profitability of the health and beauty services division. Moreover the flagship store will also help to strengthen the brand of Headquarters and guarantees its continuous growth.

Meanwhile as Spa D'or is still a new brand to the community, the Group will continue to put in resources on establishing a stronger branding for Spa D'or in order to increase its market reach and broaden its client base.

In line with the management intention to reform the composition as well as to improve the quality of the division's revenue and profit, the division will gradually transform its business focus from "service-oriented" to "service-driven and product-oriented" in the health and beauty services sector. The transformation will enable the division to deliver alternate and value-added services to the consumers. Moreover it will create new income stream and stabilizing the cash inflow for the division in the long run.



# CHAIRMAN'S LETTER

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## Prospects

Looking forward, the tourism industry in Hong Kong and Macau region is expected to gain huge momentum, attributable to the lifting of travel restriction on individual travelers from China. Coupled with the foreseeable completion of several significant projects in the region such as the Walt Disney Theme Park in Hong Kong, mega-luxurious Las Vegas type of casinos, entertainment, resort and other ancillary facilities in Macau, significant mass will be added to the tourism industry and its momentum will be further accelerated. The in-pull driving force will be tremendous and more visitors as well as investors will be attracted to the region. Moreover as more flexible currency control procedures are introduced, which allows the travelers to bring in more money to Hong Kong and Macau, this will increase the travelers spending power and consumption in the region. Dealing in Renminbi ("RMB") related businesses by local banks, especially the RMB credit card business, are expected to be executed in the near future and this will further stimulate the retail market as travelers from Mainland China are already the major streams of visitors in the region nowadays.

Meanwhile as the construction of HK-Zhuhai-Macau Bridge has been approved, Hong Kong and Macau will be more closely connected and the region will be further integrated. "Complementation but not Competition" rationale should be adopted and the two places should make use of its existing advantages to complement each other in order to maximize the potential synergy hidden behind. This will create a "win-win" situation for the two places and the region should be eventually emerged as one of the world's leading travel and gaming destinations.

All of these are favorable and value added ingredients to the current core businesses of the Group. The management is confident that the Group is capable and is in good shape to capture the upcoming opportunities as mentioned above.

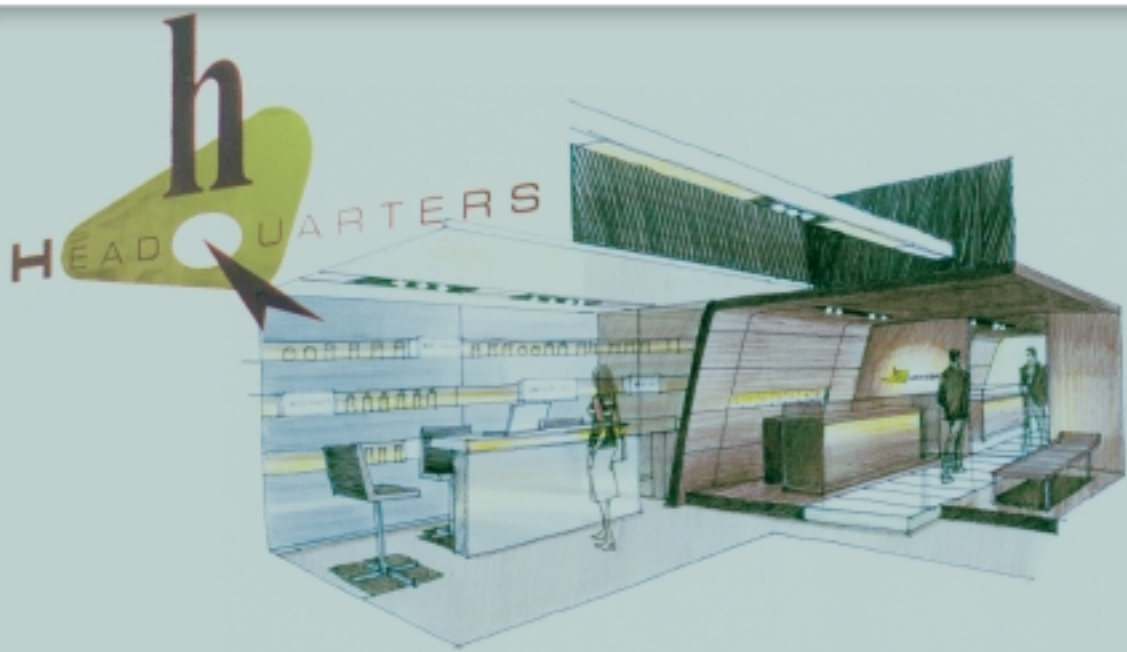
Travel, entertainment and leisure related business is the main focus of the Group after re-alignment of core business in 2001. As absolute focus in core businesses is extremely important to the Group for being a small and medium enterprise ("SME"), the Group has made continuous efforts to fortify its core businesses during the period. It has successfully launched a series of business expansions and as a result the core business of the Group is more concentrated and segregated into the two areas: (i) travel and gaming related business and (ii) health and beauty services by the end of 2003. Furthermore, dedicated, effective and professional management team is another key to success for SME. Thus continue management team enhancement is another major policy of the Group. The management will firmly continue these two strategies and allocate the Group's resources into the major areas accordingly.

Thanks to all of the shareholders, convertible note holders, business partners and our fellow colleagues of the Group for their continue support and appreciation and I wish them all the best in 2004.

With my warmest regards

**TSANG Chiu Mo Samuel**  
*Executive Chairman*

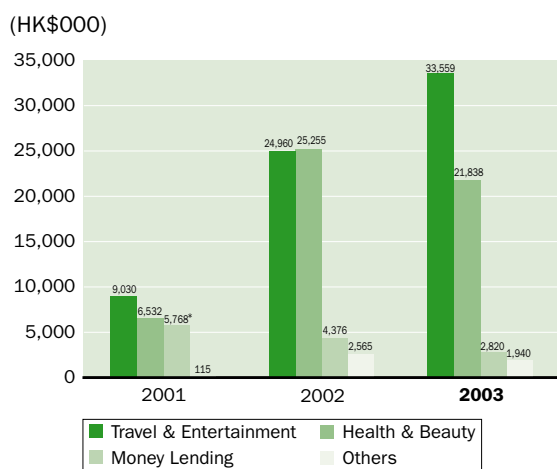
Hong Kong, 23 April 2004



# MANAGEMENT DISCUSSION AND ANALYSIS

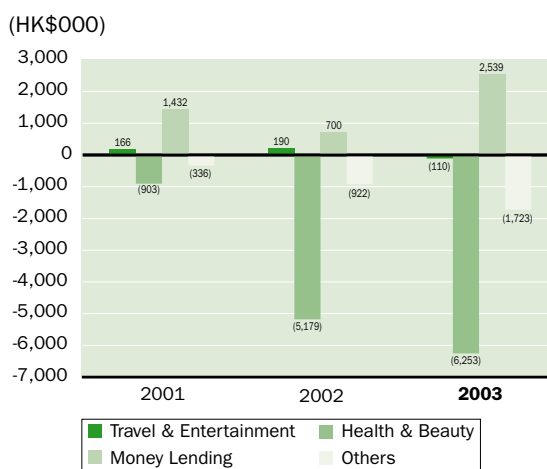
## Operation Review

### Turnover



\* The turnover accounts for 3 months operation since acquisition by the Company

### Segment Result



2003 was a difficult and exciting year for the Hong Kong economy. Local economy remained volatile in the first half year such as global political uncertainties and outbreak of SARS in mid-March. However the situation was turnaround in the second half year. Local economy was strongly rebounded. The business confidence and market sentiment has been restored gradually especially in the retail and tourism sectors where our core business divisions state. This could be attributed to the conclusion of the Closer Economic Partnership Arrangement (CEPA) and the relaxation of travel restriction for individual travelers from the Mainland China. In the year ahead, the management could remain focused to further build on the Group's strengths and be responsive to the ongoing changes of the operating environment.

### Travel and Entertainment

Despite the tough situation with the outbreak of SARS and war in Iraq, turnover of travel and entertainment division reached HK\$33.6 million representing an increase of 34% as compared to year 2002. It accounts for approximately 56% (2002:44%) of the Group's turnover in 2003. In order to bring in more value-added services to its customers and achieve synergy with its existing travel business, the Group acquired 5% interest in junket operations in Macau in November 2003. The investment is further increased by 10% to a total of 15% in February 2004. Business environment in travel sector in the past year had been volatile and competitive, in view thereof stringent cost control had been maintained over its operating cost with every endeavour to maximize its operating efficiency. As the junket investment was only recently acquired, time is required for reaping a return on such investment while professional expenses were incurred on the acquisition apart from the investment cost. From profit of HK\$190,000 in 2002, there is reported a segment loss of HK\$110,000 in 2003.

### Health and Beauty services

The operating results for health and beauty services derived from operations of a ladies beauty center trading under the name "Spa D'or" and a prestiged hair salon named "Headquarters" forming an integral part of leisure related business division. The sales for the year were approximately HK\$22 million, representing a decrease of 14% from last year. The business of health and beauty sector was badly stricken in view of the sluggish economy in the first half year and unfortunately it takes longer time to recover than the travel division. To combat, the Group has adopted various measures including launching a series of marketing events to boost sales and tightening cost control to minimize expenses. The loss of this sector for the year was approximately HK\$6.3 million, reflecting an increase of 21% from that of last year.

## Money Lending

Loan interest income for the year was approximately HK\$2.8 million, 36% decrease from last year as a result of the overall shrinkage in money lending business. The management in general holds a very conservative view on exposure to credit risk and as such, no provision for doubtful loans is required for the year except for the amount previously provided. It explains the HK\$2.5 million net profit generated from this business sector during the year under review compared to HK\$700,000 in 2002.

## Financial Review

### Financial Performance

The Group's net loss attributable to shareholders was approximately HK\$5.4 million for the year reduced by 74% as compared to year 2002. It was mainly attributable to an exceptional gain on disposal of a subsidiary, which holds Group's entire interest in "FORTEI" trademarks, of HK\$9.6 million which is in line with the Group's policy of focusing on travel, entertainment and leisure related business. Excluding the gain on disposal of subsidiary, the Group's net loss was about HK\$15 million. The Group's consolidated turnover for the year was approximately HK\$60 million, an increase of 5% from that of last year. This could be attributed to the Group's clear focus on its core businesses as well as effective operating cost control.

The other revenues was decreased by 22% to HK\$2.6 million mainly as a result of reduce in bank interest income, royalty income and management income.

The operating expenses net of other revenues and other operating expenses amounted to HK\$41 million decreased by 15% as compared to last year.

As at 31 December 2003, the Group's net asset value was HK\$66 million and had a net asset value per share of HK\$0.03. The Group's total assets and liabilities (excluding minority interest of HK\$0.9 million) were HK\$122 million and HK\$56 million respectively.

### Liquidity and Financial Resources

For the year ended 31 December 2003, the Group principally financed its operations and investing activities by its internal resources. The Group generated net cash flows from operating activities of approximately HK\$3.7 million. As at 31 December 2003, cash and cash equivalents of the Group amounted to approximately HK\$44 million (31 December 2002: HK\$43 million).

On 11 December 2003, HKMJIL entered into agreements with 19 parties in relation to subscription of the HK\$45 million 3% convertible notes of the Company. The subscription is completed on 15 January 2004. As at 31 December 2003, the HKMJIL received \$32 million deposit from some subscribers and which is included in the financial statements as other payables under current liabilities.

The Group had net current assets of approximately HK\$49 million (2002: HK\$63 million). The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2003 was approximately 1.9 (2002: 5.6). The gearing ratio (calculated as the total long term loan to the total shareholders' equity) of the Group as at 31 December 2003 and 2002 was zero.

# MANAGEMENT DISCUSSION AND ANALYSIS

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The sales and purchases of the Group are mainly denominated in U.S. dollars or Hong Kong dollars with exchange rate relatively stable during the year under review, the Directors considered that the Group's exposure to fluctuations in exchange rates was minimal.

The Group had no assets pledged during the year under review.

As at 31 December 2003, neither the Company nor the Group had any significant contingent liabilities (2002: Nil). The Group did not have any significant capital commitments during the year under review.

## Capital Structure

During the year under review, there is no changes in the capital structure of the Group. Subsequent to year ended 31 December 2003, HKMJIL issued a convertible notes of aggregate principal amount of HK\$45m with maturity date on 14 January 2007. The convertible notes can be converted into ordinary shares of the Company at a conversion price of HK\$0.3 per share (subject to adjustments from time to time in accordance with the provisions set out in the subscription agreement) during the period from 15 January 2005 to 14 January 2007. The total number of shares of the convertible notes will change with the change of conversion price of the convertible note from year to year. The net proceeds from the issue is for general working capital of the Group and other investment opportunities in the gaming and entertainment industry that the Group may identify from time to time in the future.

## Material Acquisitions and Disposals

On 19 November 2003, the Group acquired 5% interest in junket operations in Macau for an aggregate cash consideration of US\$1.5 million (approximately HK\$11.7 million). Details of which were disclosed in a circular dated 12 December 2003. The investment was increased to 15% by acquiring further 10% interest in the junket operations for an aggregate cash consideration of HK\$23.4 million in February 2004.

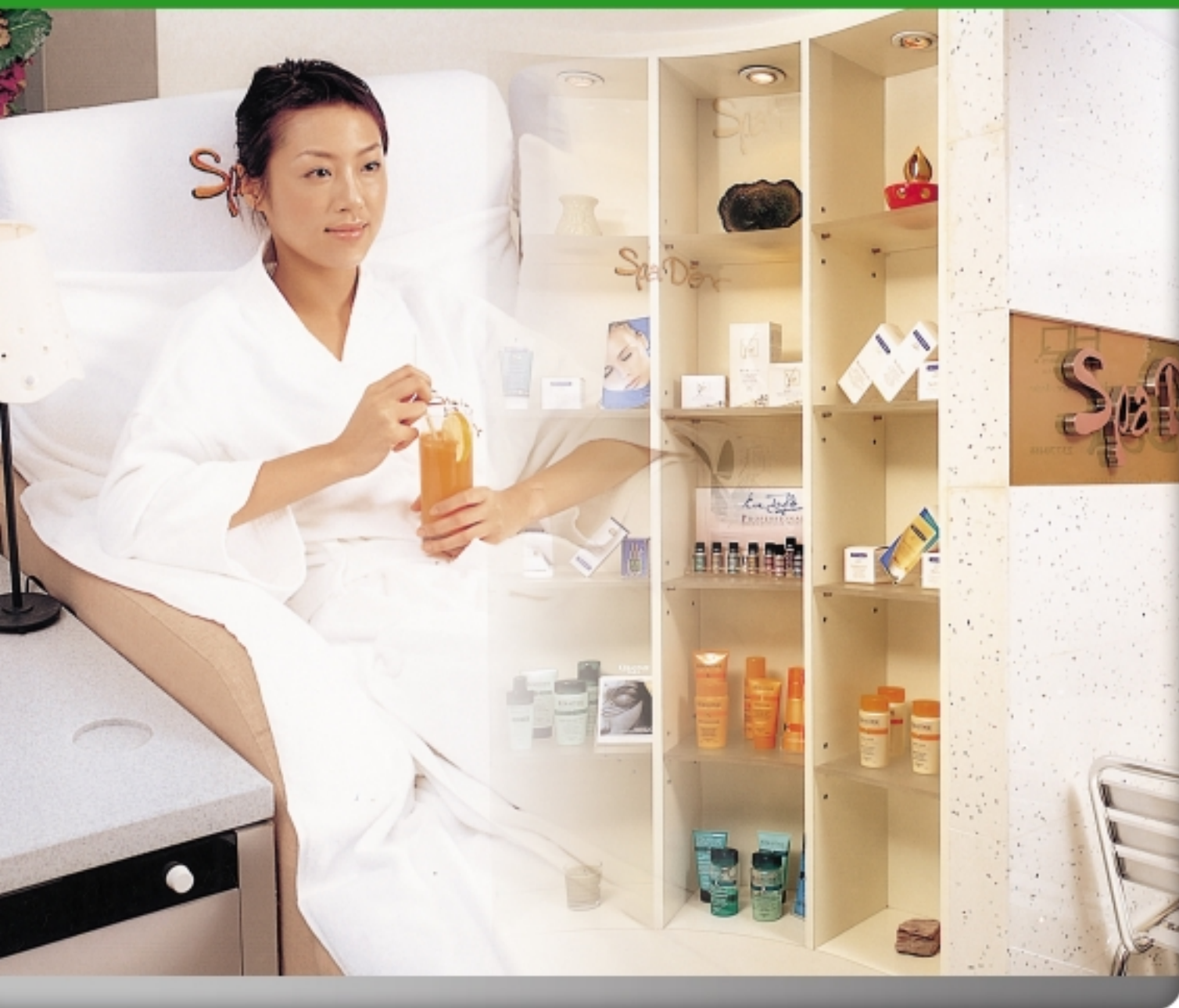
On 7 January 2003, the Group acquired 100% equity interest in Century Legend Securities Limited for a consideration of HK\$7.8 million.

During the year, the Group disposed of its entire interest in Fortei Licensing Limited which owned all the "FORTEI" trademarks to an independent third party for a consideration of RMB10 million (approximately HK\$9.6 million).

## Employment Information

As at 31 December 2003, the Group employed approximately a total of 105 employees (2002: 132). The Group's emoluments policies are formulated on the performance of individual employee and are competitive in the market. During the year ended 31 December 2003, the total staff costs (excluding Directors' emoluments) amounted to approximately HK\$11 million (2002: HK\$12.5 million).

The Group operated a share option scheme (the "SO Scheme") for the purpose of providing incentives and rewards to Executive Directors and full time employees of the Group. The SO Scheme expired on 15 June 2003 and there was no option outstanding at any time during the year.



# DIRECTORS' REPORT

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The Directors present their report and the audited financial statements for the year ended 31 December 2003.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (collectively the "Group") are set out in note 12 to the financial statements. An analysis of the Group's performance for the year by business is set out in note 3 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 and the state of affairs of the Group and the Company at that date are set out in the financial statement on pages 23 to 57.

The Directors do not recommend the payment of a dividend.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$2,000.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 21 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31 December 2003, the distributable reserves of the Company available for distribution as dividend amounted to HK\$81,496,000, represented by the contributed surplus of HK\$213,978,000 after compensating the accumulated losses of HK\$132,482,000. Under the Bermuda Companies Act, the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium accounts.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws and there was no restriction against such rights under the laws of Bermuda.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 58.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## DIRECTORS

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

### **Executive Directors:**

Mr. TSANG Chiu Mo Samuel (*appointed as Executive Chairman on 7 April 2004*)

Ms. CHU Ming Tak Evans Tania

Mr. TSANG Chiu Ching

### **Independent Non-Executive Directors:**

Mr. YU Yun Kong

Mr. SZETO King Pui Albert

Mr. CHEUNG Ka Wai

In accordance with Bye-Law 87 of the Company's Bye-Laws, all Directors retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

Mr. SZETO King Pui Albert, one of the Independent Non-Executive Directors of the Group, is a partner of Chiu, Szeto & Cheng Solicitors, a firm of solicitors in Hong Kong which provides legal and professional services to the Group and receives professional fees for such services at market rates.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries, or holding companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



# DIRECTORS' REPORT

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## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out below.

### Executive Directors:

**Mr. TSANG Chiu Mo Samuel**, aged 31, brother of the Company's Executive Director, Mr. TSANG Chiu Ching, was appointed Executive Chairman in April 2004. He is responsible for the Group's strategic planning, business development and corporate finance portfolio. Mr. Tsang is a director of Barsmark Investments Limited, a substantial shareholder of the Company and a director of China Sky Investments Limited and China Sky Finance Limited.

Mr. TSANG holds a Master degree in Corporate Finance. Prior to joining the Group, he has gained broad experience working with international firms in building construction, hotel management, financing and strategic investment.

**Ms. CHU Ming Tak Evans Tania**, aged 46, joined the Group in 1999 and was appointed Executive Director in January 2001. She is responsible for overseeing the Group's financial and investment related activities.

Ms. CHU received her tertiary education in Canada. Prior to joining the Group, she had more than 12 years of experience working in the financial field of various commercial enterprises both in Hong Kong and Canada.

**Mr. TSANG Chiu Ching**, aged 28, brother of the Company's Executive Chairman, Mr. TSANG Chiu Mo Samuel, was appointed Executive Director in September 1999. He is responsible for the evaluation and implementation of business development strategies, as well as investment activities. Mr. Tsang is also a director of Barsmark Investments Limited, a substantial shareholder of the Company and a director of China Sky Investments Limited and China Sky Finance Limited.

Before joining the Group, Mr. TSANG worked in a finance company responsible for corporate finance functions, direct investments and project financing.

### Independent Non-Executive Directors:

**Mr. YU Yun Kong**, aged 37, was appointed an Independent Non-Executive Director in January 2001.

Mr. YU is a Certified Public Accountant with over 15 years of experience in public accounting practice. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

**Mr. SZETO King Pui Albert**, aged 49 was appointed an Independent Non-Executive Director in January 2000. He is also the Company Secretary.

Mr. SZETO is qualified solicitor in England and Wales and Hong Kong and a partner of Chiu, Szeto and Cheng Solicitors in Hong Kong.

**Mr. CHEUNG Ka Wai**, aged 34, was appointed an Independent Non-Executive Director in November 2002. He is currently working as a finance manager in an international corporation which provides financial management services.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2003, the interests and short positions of each of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") were as follows:

| Name of Director         | Personal<br>interests | Corporate<br>interests<br><i>(note)</i> | Family<br>interests | Other<br>interests | Total         | Approximate<br>percentage<br>of total<br>shareholding |
|--------------------------|-----------------------|---|---------------------|--------------------|---------------|---|
| Mr. TSANG Chiu Ching     | 960,000               | 1,078,383,900                           | -                   | -                  | 1,079,343,900 | 52.3%   |
| Mr. TSANG Chiu Mo Samuel | -                     | 1,078,383,900                           | -                   | -                  | 1,078,383,900 | 52.2%   |

Note: These shares are beneficially owned by Barsmark Investments Limited, the issued share capital of which is indirectly beneficially owned as to one-third by each of Mr. TSANG Chiu Mo Samuel, Mr. TSANG Chiu Ching and Ms. TSANG Chiu Yuen Sylvia. Ms. TSANG Chiu Yuen Sylvia is the sister of Mr. TSANG Chiu Mo Samuel and Mr. TSANG Chiu Ching.

Save as disclosed above, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

# DIRECTORS' REPORT

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## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2003, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

| Name of shareholder                  | Nature     | Number of shares held | Approximate percentage of total shareholding |
|--------------------------------------|------------|-----------------------|--|
| Barsmark Investments Limited         | Beneficial | 1,078,383,900         | 52.2%  |
| China Sky Investments Limited (Note) | Corporate  | 1,078,383,900         | 52.2%  |
| Conba Investments Ltd. (Note)        | Corporate  | 1,078,383,900         | 52.2%  |
| Sky Shore Limited (Note)             | Corporate  | 1,078,383,900         | 52.2%  |
| Fortune Ocean Limited (Note)         | Corporate  | 1,078,383,900         | 52.2%  |
| Ms. TSANG Chiu Yuen Sylvia (Note)    | Corporate  | 1,078,383,900         | 52.2%  |

Note: Barsmark Investments Limited is wholly and beneficially owned by China Sky Investments Limited, the issued share capital of which is beneficially owned as to one-third by each of (i) Conba Investments Ltd. (a company wholly and beneficially owned by Mr. TSANG Chiu Mo Samuel); (ii) Sky Shore Limited (a company wholly and beneficially owned by Ms. TSANG Chiu Yuen Sylvia); and (iii) Fortune Ocean Limited (a company wholly and beneficially owned by Mr. TSANG Chiu Ching).

Save as disclosed above, no other person other than the Directors or Chief Executives of the Company had interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

The five major customers of the Group were attributable to the money lending business and general merchandise trading business. The five major suppliers of the Group were attributable to travel agency business, general merchandise trading business and health and beauty services. The percentages of the sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

|                                   |    |
|-----------------------------------|----|
| Sales                             |    |
| – the largest customer            | 4% |
| – five largest customers combined | 7% |

## Purchases

|                                   |     |
|-----------------------------------|-----|
| – the largest supplier            | 90% |
| – five largest suppliers combined | 95% |

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, save that the Independent Non-Executive Directors were not appointed for a specific term but subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-laws of the Company.

## AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board of Directors and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. YU Yun Kong, Mr. SZETO King Pui Albert and Mr. CHEUNG Ka Wai. Two meetings were held during the current financial year. Audit Committee had met with the management of the Company and the auditors to review the final results, considered the significant accounting policies, and discussed with the management the Group's internal control system. The Group's consolidated financial statements for the year ended 31 December 2003 have been reviewed and approved by the Audit Committee.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:

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

# DIRECTORS' REPORT

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## SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 25 to the financial statements.

## AUDITORS

PricewaterhouseCoopers were auditors of the Company for the two financial years ended 31 December 2002 and 2001 and resigned as auditors on 22 March 2004. Grant Thornton was appointed to fill the casual vacancy on 7 April 2004.

Grant Thornton retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**CHU Ming Tak Evans Tania**

*Executive Director*

Hong Kong, 23 April 2004

Certified Public Accountants  
Hong Kong Member Firm of  
Grant Thornton International

Grant Thornton   
均富會計師行

## **TO THE MEMBERS OF CENTURY LEGEND (HOLDINGS) LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 23 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as explained below.

As detailed in note 14 to the financial statements, on 19 November 2003 the Group acquired a 5% interest in two unincorporated syndicates of which the principal activities are the carrying out of junket operations (the "Investment") and the cost for acquiring such investment amounting to US\$1.5 million (equivalent to HK\$11,645,000) has been included under Investments in the balance sheet of the Group as at 31 December 2003. We were not able to obtain sufficient documentary evidence to ascertain the existence of the Investment, the Group's ownership in the Investment and to assess whether there was any impairment in respect of the carrying value of the Investment. There were no alternative procedures we could adopt to satisfy ourselves regarding the existence of, the ownership of the Group in and the valuation of the Investment as at 31 December 2003. Any adjustments found to be necessary as a result of the scope limitations would reduce the Group's net assets as at 31 December 2003 and increase its loss for the year.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

# AUDITORS' REPORT

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## **Qualified opinion arising from limitation of audit scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the existence, ownership and the carrying value of the Investment as mentioned above, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the Investment, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

### **Grant Thornton**

*Certified Public Accountants*

Hong Kong, 23 April 2004

# CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 December 2003

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|  | Notes | 2003<br>HK\$'000  | 2002<br>HK\$'000 |
|--|-------|-------------------|------------------|
| <b>Turnover</b>                            | 3     | <b>60,157</b>     | 57,156           |
| Cost of sales                              |       | <u>(34,501)</u>   | <u>(27,756)</u>  |
| <b>Gross profit</b>                        |       | <b>25,656</b>     | 29,400           |
| Other revenues                             | 3     | <b>2,551</b>      | 3,271            |
| Administrative expenses                    |       | <b>(40,671)</b>   | (43,719)         |
| Other operating expenses                   |       | <b>(3,284)</b>    | (8,238)          |
| Gain on disposal of a subsidiary           |       | <b>9,583</b>      | –                |
| Recovery of deposit previously written off |       | <u>–</u>          | <u>498</u>       |
| <b>Loss from operations</b>                | 4     | <b>(6,165)</b>    | (18,788)         |
| Share of losses of associates              |       | <u>(60)</u>       | <u>(2,394)</u>   |
| <b>Loss before taxation</b>                |       | <b>(6,225)</b>    | (21,182)         |
| Taxation                                   | 5     | <u>–</u>          | <u>–</u>         |
| <b>Loss before minority interests</b>      |       | <b>(6,225)</b>    | (21,182)         |
| Minority interests                         |       | <u>796</u>        | <u>420</u>       |
| <b>Loss attributable to shareholders</b>   | 6     | <b>(5,429)</b>    | (20,762)         |
| <b>Basic loss per share</b>                | 7     | <b>0.26 cents</b> | 1.18 cents       |



# CONSOLIDATED BALANCE SHEET

As at 31 December 2003

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|  | Notes | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>ASSETS AND LIABILITIES</b>                |       |                  |                  |
| <b>Non-current assets</b>                    |       |                  |                  |
| Goodwill                                     | 10    | 1,200            | 1,927            |
| Property, plant and equipment                | 11    | 3,611            | 7,402            |
| Interests in associates                      | 13    | -                | -                |
| Investments                                  | 14    | 11,681           | 36               |
| Loans receivable                             | 15    | 1,599            | 329              |
|  |       | <u>18,091</u>    | <u>9,694</u>     |
| <b>Current assets</b>                        |       |                  |                  |
| Inventories                                  | 16    | 314              | 314              |
| Trading securities                           | 17    | 4,154            | 4,156            |
| Trade and other receivables                  | 18    | 30,350           | 12,109           |
| Loans receivable, current portion            | 15    | 25,855           | 17,097           |
| Tax recoverable                              |       | -                | 7                |
| Cash at banks and in hand                    |       | 43,584           | 43,129           |
|  |       | <u>104,257</u>   | <u>76,812</u>    |
| <b>Current liabilities</b>                   |       |                  |                  |
| Trade payables                               | 19    | 6,573            | 2,709            |
| Other payables and accruals                  |       | 41,069           | 3,121            |
| Amount due to an associate                   | 20    | 7,120            | 7,127            |
| Deferred income                              |       | 945              | 683              |
|  |       | <u>55,707</u>    | <u>13,640</u>    |
| <b>Net current assets</b>                    |       | <u>48,550</u>    | <u>63,172</u>    |
| <b>Total assets less current liabilities</b> |       | <u>66,641</u>    | <u>72,866</u>    |
| <b>Minority interests</b>                    |       | <u>860</u>       | <u>1,656</u>     |
| <b>Net assets</b>                            |       | <u>65,781</u>    | <u>71,210</u>    |
| <b>CAPITAL AND RESERVES</b>                  |       |                  |                  |
| <b>Share capital</b>                         | 21    | 20,650           | 20,650           |
| <b>Reserves</b>                              | 22    | 45,131           | 50,560           |
| <b>Shareholders' funds</b>                   |       | <u>65,781</u>    | <u>71,210</u>    |

On behalf of the Board

**TSANG Chiu Mo Samuel**  
Director

**CHU Ming Tak Evans Tania**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2003

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|                                       | Notes | <b>2003</b><br><b>HK\$'000</b> | 2002<br>HK\$'000 |
|---------------------------------------|-------|--------------------------------|------------------|
| Total equity as at 1 January          |       | <b>71,210</b>                  | 87,081           |
| Issue of ordinary shares              |       | -                              | 4,991            |
| Share issue expenses                  |       | -                              | (100)            |
| Loss for the year                     | 22    | <b>(5,429)</b>                 | (20,762)         |
| <b>Total equity as at 31 December</b> |       | <b>65,781</b>                  | 71,210           |

# CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 December 2003

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|   | Notes | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---|-------|------------------|------------------|
| Net cash inflow from operations                         | 23(a) | <b>3,658</b>     | 13,682           |
| Bank interest income received                           |       | <b>251</b>       | 1,205            |
| Dividend income received                                |       | <b>182</b>       | 111              |
| Tax refund  |       | <b>7</b>         | 82               |
| Tax paid  |       | <b>-</b>         | (51)             |
| Net cash inflow from operating activities               |       | <b>4,098</b>     | 15,029           |
| Investing activities                                    |       |                  |                  |
| Purchase of property, plant and equipment               |       | <b>(278)</b>     | (1,687)          |
| Proceeds from disposal of property, plant and equipment |       | <b>10</b>        | 2,842            |
| Acquisition of a subsidiary, net of cash acquired       | 23(b) | <b>(2,395)</b>   | -                |
| Disposal of a subsidiary                                | 23(c) | <b>9,615</b>     | -                |
| Purchase of remaining interest in subsidiaries          |       | <b>-</b>         | (11)             |
| Repayment of advance to an associate                    |       | <b>-</b>         | 12,783           |
| Acquisition of interest in unincorporated syndicates    |       | <b>(11,645)</b>  | -                |
| Purchase of trading securities                          |       | <b>(4,770)</b>   | -                |
| Sale of trading securities                              |       | <b>5,820</b>     | -                |
| Net cash (outflow)/inflow from investing activities     |       | <b>(3,643)</b>   | 13,927           |
| Net cash inflow before financing                        |       | <b>455</b>       | 28,956           |
| Financing activities                                    |       |                  |                  |
| Issue of ordinary shares                                |       | <b>-</b>         | 4,991            |
| Share issue expenses                                    |       | <b>-</b>         | (100)            |
| Repayment of advance from ultimate holding company      |       | <b>-</b>         | (132,655)        |
| Net cash outflow from financing                         |       | <b>-</b>         | (127,764)        |
| Increase/(Decrease) in cash and cash equivalents        |       | <b>455</b>       | (98,808)         |
| Cash and cash equivalents at 1 January                  |       | <b>43,129</b>    | 141,937          |
| Cash and cash equivalents at 31 December                |       | <b>43,584</b>    | 43,129           |
| Analysis of balances of cash and cash equivalents:      |       |                  |                  |
| Cash at banks and in hand                               |       | <b>43,584</b>    | 43,129           |

# BALANCE SHEET

As at 31 December 2003

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|   | Notes | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>ASSETS AND LIABILITIES</b>               |       |                  |                  |
| <b>Non-current assets</b>                   |       |                  |                  |
| Interests in subsidiaries                   | 12    | 120,753          | 113,026          |
| <b>Current assets</b>                       |       |                  |                  |
| Prepayments, deposits and other receivables | 18    | 555              | 419              |
| Cash at banks and in hand                   |       | 22,095           | 31,190           |
|   |       | <u>22,650</u>    | <u>31,609</u>    |
| <b>Current liabilities</b>                  |       |                  |                  |
| Other payables and accruals                 |       | 1,159            | 855              |
|   |       | <u>21,491</u>    | <u>30,754</u>    |
| <b>Net current assets</b>                   |       | <u>21,491</u>    | <u>30,754</u>    |
| <b>Net assets</b>                           |       | <u>142,244</u>   | <u>143,780</u>   |
| <b>CAPITAL AND RESERVES</b>                 |       |                  |                  |
| Share capital                               | 21    | 20,650           | 20,650           |
| Reserves                                    | 22    | 121,594          | 123,130          |
| <b>Shareholders' funds</b>                  |       | <u>142,244</u>   | <u>143,780</u>   |

On behalf of the Board

**TSANG Chiu Mo Samuel**  
Director

**CHU Ming Tak Evans Tania**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in travel agency and investment in gaming related business, provision of health and beauty services and money lending. Details of the principal activities of the Company's subsidiaries are set out in note 12. The Directors consider the ultimate holding company to be China Sky Investments Limited, a company incorporated in the British Virgin Islands.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements on page 23 to 57 are prepared in accordance with and comply with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention as modified by the revaluation of leasehold properties and trading securities which are stated at fair value as disclosed in the accounting policies below.

#### **Adoption of revised SSAP**

In the current year, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has no material effect on the results for the current and prior years. Accordingly, no prior year adjustment is required.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

The consolidated financial statements also include the Group's share of post-acquisition results and reserves of its associates.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### (b) Basis of consolidation (continued)

The gain or loss on 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 income statement and any related accumulated foreign currency translation reserve.

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

### (c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

In the Company's balance sheet, 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 at the balance sheet date.

### (d) Associates

An associate is an enterprise, not being a subsidiary or a joint venture, in which the Group has significant influence.

The results of the associates are accounted for by the Group using the equity method of accounting. The Group's investments in associates are stated at its share of net assets. The Company's investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Group on the basis of dividends received and receivable.

An assessment of investment in associates is performed when there is an indication that the investment has been impaired or the impairment losses recognised in prior years no longer exist.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates except for unrealised losses, where the transaction provides evidence of an impairment of the asset transferred.

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### (e) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired as at the date of acquisition. In respect of subsidiaries, goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses.

In respect of acquisition of associates, goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of goodwill less accumulated amortisation and impairment losses is included in the carrying amount of the interests in associates.

### (f) Property, plant and equipment

#### (i) Measurement bases

Property, plant and equipment other than leasehold properties are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

#### (ii) 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 property 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.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### (f) Property, plant and equipment (continued)

#### (iii) Depreciation

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

|  |                         |
|--|-------------------------|
| Leasehold land                           | 2%                      |
| Buildings                                | 8%                      |
| Leasehold improvements                   | 25 – 33 $\frac{1}{3}$ % |
| Motor vehicles                           | 20%                     |
| Furniture, fixtures and office equipment | 20 – 33 $\frac{1}{3}$ % |

Leasehold land is depreciated over the period of the lease. Improvements are capitalised and depreciated over their expected useful lives to the Group.

#### (iv) Gain or loss on disposal

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between net disposal proceeds and the carrying amount of the assets, is included in the income statement. Any revaluation surplus relating to the assets under disposal is transferred to retained profits.

### (g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

### (h) Investments in securities

#### (i) Investment securities

Investment securities are securities which are intended to be held on a continuing basis for an identified long-term purpose. Investment securities are stated at cost less any provision for impairment losses.

Provisions against the carrying value of such securities are written back to income statement 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 securities which are held for trading purposes and are carried at fair value. Changes in fair value of trading securities are recognised in the income statement as they arise.



# NOTES TO THE FINANCIAL STATEMENTS

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## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### (h) Investments in securities (continued)

#### (iii) Gain or loss on disposal

Gain or loss on disposal of investments in securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

### (i) Interest in unincorporated syndicates

During the year, the Group acquired 5% interest in two unincorporated syndicates engaging in junket operations at certain casino facilities. The investment is intended to be held on a continuing basis for an identified long-term purpose and is stated at cost less any provision for impairment losses.

### (j) 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 calculated as the actual or estimated selling price less all further costs of completion and the estimated costs necessary to make the sale.

### (k) 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.

### (l) 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.

### (m) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For investment securities carried at cost, their carrying amounts are reviewed at the balance sheet date in order to assess whether the fair value of such securities has declined below the carrying amount. If such a decline occurs the carrying amount of the investment securities is reduced to the fair value unless there is evidence that the decline is temporary.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### (m) Impairment (continued)

#### (i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### (ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (n) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (o) 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.

Non-accumulating compensated absences such as sick leaves are not recognised until the time of leave.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### (o) Employee benefits (continued)

#### (ii) Retirement benefits

The Group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The retirement plans are generally funded by payments from employees and by the relevant Group companies.

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

### (p) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

### (q) Income tax

Income tax for the year comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### (q) **Income tax** (continued)

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### (r) **Revenue recognition**

Revenue from the sale of goods is recognised when the goods are delivered to customers.

Revenue from rendering of services is recognised when the services are performed. Amounts received from customers in respect of services which are not yet performed are not recognised as revenue but are recorded as deferred income in the balance sheet.

Interest income is recognised on a time proportion basis.

Commission income is recognised when the agreed services are provided.

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

Dividend income is recognised when the Group's right as a shareholder to receive payment is established.

### (s) **Borrowing costs**

All borrowing costs are charged to the income statement in the year in which they are incurred.

### (t) **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 property, plant and equipment, loans receivable, inventories, trade and other receivables and operating cash, and mainly exclude investment and trading securities and non-operating cash. Segment liabilities comprise operating liabilities but exclude amount due to an associate. Capital expenditure comprises additions to goodwill and property, plant and equipment, including additions resulting from acquisition of subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. TURNOVER, REVENUES AND SEGMENT INFORMATION

|   | <b>2003</b>     | 2002     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Turnover                                    |                 |          |
| Travel agency services                      | <b>33,559</b>   | 24,960   |
| Health and beauty services                  | <b>21,838</b>   | 25,255   |
| Interest income from money lending business | <b>2,820</b>    | 4,376    |
| Brokerage and commission income             | <b>368</b>      | –        |
| Sales of goods                              | <b>1,572</b>    | 2,565    |
|   | <b>60,157</b>   | 57,156   |
| Other revenues                              |                 |          |
| Bank interest income                        | <b>251</b>      | 1,205    |
| Management fee income                       | <b>78</b>       | 156      |
| Licensing income                            | –               | 707      |
| Dividend income from listed securities      | <b>182</b>      | 111      |
| Profit on sales of trading securities       | <b>823</b>      | –        |
| Operating lease rental income               | <b>856</b>      | 890      |
| Other income                                | <b>361</b>      | 202      |
|   | <b>2,551</b>    | 3,271    |
| Total revenues                              | <b>62,708</b>   | 60,427   |

### Primary report format – business segments

The Group is organised into three main business segments:

- Travel and entertainment – provision of travel agency services in Hong Kong and investment in gaming related business in Macau
- Health and beauty services – provision of health and beauty services in Hong Kong
- Money lending – provision of commercial and personal loans in Hong Kong

Other operations of the Group mainly comprise trading of general merchandise and stock broking, neither of which are of a sufficient size to be reported separately.

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)

### Primary report format – business segments (continued)

| 2003                              | Travel<br>and<br>entertainment<br>HK\$'000 | Health<br>and beauty<br>services<br>HK\$'000 | Money<br>lending<br>HK\$'000 | Other<br>operations<br>HK\$'000 | Group<br>HK\$'000 |
|-----------------------------------|--|--|------------------------------|---------------------------------|-------------------|
| <b>Turnover</b>                   | <b>33,559</b>                              | <b>21,838</b>                                | <b>2,820</b>                 | <b>1,940</b>                    | <b>60,157</b>     |
| <b>Segment results</b>            | <b>(110)</b>                               | <b>(6,253)</b>                               | <b>2,539</b>                 | <b>(1,723)</b>                  | <b>(5,547)</b>    |
| Unallocated revenues              |  |  |                              |                                 | <b>11,788</b>     |
| Unallocated costs                 |  |  |                              |                                 | <b>(12,406)</b>   |
| Loss from operations              |  |  |                              |                                 | <b>(6,165)</b>    |
| Share of losses of associates     |  |  |                              |                                 | <b>(60)</b>       |
| Loss before taxation              |  |  |                              |                                 | <b>(6,225)</b>    |
| Taxation                          |  |  |                              |                                 | <b>-</b>          |
| Loss before minority interests    |  |  |                              |                                 | <b>(6,225)</b>    |
| Minority interests                |  |  |                              |                                 | <b>796</b>        |
| Loss attributable to shareholders |  |  |                              |                                 | <b>(5,429)</b>    |
| Segment assets                    | <b>39,567</b>                              | <b>6,615</b>                                 | <b>33,425</b>                | <b>11,097</b>                   | <b>90,704</b>     |
| Unallocated assets                |  |  |                              |                                 | <b>31,644</b>     |
| Total assets                      |  |  |                              |                                 | <b>122,348</b>    |
| Segment liabilities               | <b>(34,739)</b>                            | <b>(3,605)</b>                               | <b>(4,113)</b>               | <b>(4,176)</b>                  | <b>(46,633)</b>   |
| Unallocated liabilities           |  |  |                              |                                 | <b>(9,074)</b>    |
| Total liabilities                 |  |  |                              |                                 | <b>(55,707)</b>   |
| Segment capital expenditure       | <b>-</b>                                   | <b>106</b>                                   | <b>-</b>                     | <b>2,024</b>                    | <b>2,130</b>      |
| Unallocated capital expenditure   |  |  |                              |                                 | <b>68</b>         |
| Total capital expenditure         |  |  |                              |                                 | <b>2,198</b>      |
| Depreciation                      | <b>34</b>                                  | <b>1,080</b>                                 | <b>-</b>                     | <b>70</b>                       | <b>1,184</b>      |
| Unallocated depreciation          |  |  |                              |                                 | <b>2,013</b>      |
| Total depreciation                |  |  |                              |                                 | <b>3,197</b>      |
| Amortisation of goodwill          | <b>-</b>                                   | <b>1,927</b>                                 | <b>-</b>                     | <b>600</b>                      | <b>2,527</b>      |

# NOTES TO THE FINANCIAL STATEMENTS

## 3. TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)

### Primary report format – business segments (continued)

| 2002                              | Travel<br>and<br>entertainment<br>HK\$'000 | Health<br>and beauty<br>services<br>HK\$'000 | Money<br>lending<br>HK\$'000 | Other<br>operations<br>HK\$'000 | Group<br>HK\$'000 |
|-----------------------------------|--|--|------------------------------|---------------------------------|-------------------|
| 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)          |
| Loss from operations              |  |  |                              |                                 | (18,788)          |
| Share of losses of associates     |  |  |                              |                                 | (2,394)           |
| Loss before taxation              |  |  |                              |                                 | (21,182)          |
| Taxation                          |  |  |                              |                                 | –                 |
| Loss before minority interests    |  |  |                              |                                 | (21,182)          |
| Minority interests                |  |  |                              |                                 | 420               |
| Loss attributable to shareholders |  |  |                              |                                 | (20,762)          |
| Segment assets                    | 2,704                                      | 7,946  | 22,736                       | 697                             | 34,083            |
| Unallocated assets                |  |  |                              |                                 | 52,423            |
| Total assets                      |  |  |                              |                                 | 86,506            |
| Segment liabilities               | (2,250)                                    | (845)  | (131)                        | (266)                           | (3,492)           |
| Unallocated liabilities           |  |  |                              |                                 | (10,148)          |
| Total liabilities                 |  |  |                              |                                 | (13,640)          |
| Segment capital expenditure       | 21   | 1,570  | –                            | –                               | 1,591             |
| Unallocated capital expenditure   |  |  |                              |                                 | 96                |
| Total capital expenditure         |  |  |                              |                                 | 1,687             |
| Depreciation                      | 31   | 1,311  | –                            | –                               | 1,342             |
| Unallocated depreciation          |  |  |                              |                                 | 2,104             |
| Total depreciation                |  |  |                              |                                 | 3,446             |
| Amortisation of goodwill          | –  | 2,263  | –                            | –                               | 2,263             |

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. LOSS FROM OPERATIONS

|   | <b>2003</b>     | 2002     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Loss from operations is arrived at after crediting:   |                 |          |
| Unrealised gains on trading securities  | <b>225</b>      | –        |
| and after charging:   |                 |          |
| Staff costs (including Directors' remuneration (note 9(a))<br>and contributions to retirement benefit schemes (note 8)) | <b>12,015</b>   | 14,880   |
| Amortisation of goodwill (note 10)  | <b>2,527</b>    | 2,263    |
| Impairment of goodwill  | –               | 8        |
| Depreciation of property, plant and equipment   | <b>3,197</b>    | 3,446    |
| Deficit arising from revaluation of leasehold property  | <b>925</b>      | –        |
| Loss on disposal of property, plant and equipment   | <b>57</b>       | 1,245    |
| Impairment of investment securities   | –               | 633      |
| Unrealised losses on trading securities   | –               | 2,455    |
| Provision for doubtful loans  | –               | 1,600    |
| Bad debts written off   | –               | 34       |
| Operating lease charges – land and buildings  | <b>7,630</b>    | 7,660    |
| Auditors' remuneration  | <b>540</b>      | 500      |

## 5. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not derive any assessable profit for the year (2002: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rates:

|   | <b>2003</b>     | 2002     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Loss before taxation                                | <b>6,225</b>    | 21,182   |
| Tax at applicable rate of 17.5% (2002: 16%)         | <b>1,089</b>    | 3,389    |
| Tax effect of non-deductible expenses               | <b>(984)</b>    | (1,069)  |
| Tax effect of non-taxable revenues                  | <b>1,763</b>    | 210      |
| Utilisation of tax losses previously not recognised | <b>338</b>      | 196      |
| Tax losses not recognised                           | <b>(1,746)</b>  | (2,508)  |
| Other temporary differences not recognised          | <b>(460)</b>    | (218)    |
| Actual tax expense                                  | –               | –        |

At 31 December 2003, the Group had deferred tax assets of HK\$28,748,000 (2002: HK\$25,029,000) arising from tax losses. The deferred tax assets are not recognised as it is uncertain whether future taxable profit will be available for utilising the tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.



# NOTES TO THE FINANCIAL STATEMENTS

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## 6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$1,536,000 (2002: HK\$724,000).

## 7. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$5,429,000 (2002: HK\$20,762,000).

The basic loss per share is based on the weighted average of 2,064,960,000 (2002: 1,758,516,164) ordinary shares in issue during the year.

No diluted loss per share is presented as there was no dilutive potential ordinary shares in 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"). 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\$5,000 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\$63,198 (2002: HK\$80,963) were utilised during the year and there was HK\$10,951 (2002: HK\$40,526) 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.

Total contributions paid by the Group into the MPF Scheme and charged to the consolidated income statement during the year amounted to approximately HK\$645,000 (2002: HK\$711,000).

Contributions totalling HK\$57,575 (2002: HK\$31,000) were payable to the MPF Scheme at the year end and are included in other payables and accruals.

## 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:

|   | <b>2003</b>     | 2002     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Executive Directors                                     |                 |          |
| Fees  | –               | 100      |
| Basic salaries, housing allowances and other allowances | <b>971</b>      | 2,096    |
| Discretionary bonuses                                   | –               | 53       |
| Retirement benefit costs                                | <b>39</b>       | 92       |
|   | <b>1,010</b>    | 2,341    |

The emoluments of the Directors fell within the following band:

| <b>Emolument band</b>    | <b>Number of Directors</b> |      |
|--------------------------|----------------------------|------|
|                          | <b>2003</b>                | 2002 |
| HK\$ nil – HK\$1,000,000 | <b>6</b>                   | 8    |

No remuneration was paid to the Independent Non-Executive Directors during the years ended 31 December 2003 and 2002.

None of the Directors waived emoluments in respect of the years ended 31 December 2003 and 2002.

During the years ended 31 December 2003 and 2002, no emoluments were paid by the Group to the Directors as an inducement to join the Group, or as compensation for loss of office.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2002: four) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2002: one) individuals during the year are as follows:

|   | <b>2003</b>     | 2002     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Basic salaries, housing allowances and other allowances | <b>1,581</b>    | 293      |
| Retirement benefit costs                                | <b>55</b>       | 15       |
|   | <b>1,636</b>    | 308      |

# NOTES TO THE FINANCIAL STATEMENTS

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

### (b) Five highest paid individuals (continued)

The emoluments fell within the following band:

| Emolument band           | Number of individuals |          |
|--------------------------|-----------------------|----------|
|                          | 2003                  | 2002     |
| HK\$ nil – HK\$1,000,000 | <u>4</u>              | <u>1</u> |

## 10. GOODWILL

|   | Group               |                  |
|---|---------------------|------------------|
|   | 2003<br>HK\$'000    | 2002<br>HK\$'000 |
| As 1 January                                      | <b>1,927</b>        | 4,187            |
| Acquisition of remaining interest in subsidiaries | –                   | 11               |
| Acquisition of a subsidiary                       | <b>1,800</b>        | –                |
| Amortisation charge (note 4)                      | <b>(2,527)</b>      | (2,263)          |
| Impairment of goodwill                            | –                   | (8)              |
| As 31 December                                    | <u><b>1,200</b></u> | <u>1,927</u>     |

# NOTES TO THE FINANCIAL STATEMENTS

## 11. PROPERTY, PLANT AND EQUIPMENT

| Group                       | Leasehold<br>properties<br>in Hong Kong<br>HK\$'000 | Leasehold<br>improvements<br>HK\$'000 | Furniture,<br>fixtures<br>and office<br>equipment<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------|---|---------------------------------------|---|-------------------|
| Cost or valuation:          |   |                                       |   |                   |
| At 1 January 2003           | 2,100   | 9,034                                 | 5,708   | 16,842            |
| Additions                   | –   | 165                                   | 113   | 278               |
| Disposals                   | –   | (1,634)                               | (351)   | (1,985)           |
| Devaluation                 | (1,250)   | –                                     | –   | (1,250)           |
| Acquisition of a subsidiary | –   | –                                     | 120   | 120               |
| <b>At 31 December 2003</b>  | <b>850</b>  | <b>7,565</b>                          | <b>5,590</b>  | <b>14,005</b>     |
| Accumulated depreciation:   |   |                                       |   |                   |
| At 1 January 2003           | 217   | 6,545                                 | 2,678   | 9,440             |
| Charge for the year         | 108   | 1,808                                 | 1,281   | 3,197             |
| Disposals                   | –   | (1,634)                               | (284)   | (1,918)           |
| Devaluation                 | (325)   | –                                     | –   | (325)             |
| <b>At 31 December 2003</b>  | <b>–</b>  | <b>6,719</b>                          | <b>3,675</b>  | <b>10,394</b>     |
| Net book value:             |   |                                       |   |                   |
| <b>At 31 December 2003</b>  | <b>850</b>  | <b>846</b>                            | <b>1,915</b>  | <b>3,611</b>      |
| At 31 December 2002         | 1,883   | 2,489                                 | 3,030   | 7,402             |

The analysis of the cost or valuation at 31 December 2003 of the above assets is as follows:

|                   | HK\$'000   | HK\$'000     | HK\$'000     | HK\$'000      |
|-------------------|------------|--------------|--------------|---------------|
| At cost           | –          | 7,565        | 5,590        | 13,155        |
| At 2003 valuation | 850        | –            | –            | 850           |
|                   | <b>850</b> | <b>7,565</b> | <b>5,590</b> | <b>14,005</b> |

The analysis of the cost or valuation at 31 December 2002 of the above assets is as follows:

|                   | HK\$'000     | HK\$'000     | HK\$'000     | HK\$'000      |
|-------------------|--------------|--------------|--------------|---------------|
| At cost           | –            | 9,034        | 5,708        | 14,742        |
| At 2000 valuation | 2,100        | –            | –            | 2,100         |
|                   | <b>2,100</b> | <b>9,034</b> | <b>5,708</b> | <b>16,842</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) The leasehold property, located in Hong Kong with remaining term of lease unexpired between 10 to 50 years i.e. medium-term lease, is held for own use.
- (b) The leasehold property was revalued on an open market value basis as at 31 January 2004 by BMI Appraisals Limited, an independent firm of chartered surveyors at HK\$850,000. On 25 March 2004, the Group's subsidiary which owned the leasehold property was disposed of to a company in which a Director of the Company has equity interest. Cash consideration of HK\$850,000 was received from such disposal. The Group regards the amount of HK\$850,000 to be the fair value of the leasehold property as at 31 December 2003.
- (c) The carrying amount of the leasehold property would have been HK\$2,547,000 (2002: HK\$2,676,000) had they been stated at cost less accumulated depreciation.

## 12. INTERESTS IN SUBSIDIARIES

|                                | Company          |                  |
|--------------------------------|------------------|------------------|
|                                | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Unlisted shares, at cost       | <b>86,218</b>    | 86,218           |
| Less: provision for impairment | <b>(30,000)</b>  | (30,000)         |
|                                | <b>56,218</b>    | 56,218           |
| Amounts due from subsidiaries  | <b>153,442</b>   | 146,476          |
| Less: provision for impairment | <b>(88,907)</b>  | (88,907)         |
|                                | <b>64,535</b>    | 57,569           |
| Amounts due to subsidiaries    | -                | (761)            |
|                                | <b>120,753</b>   | 113,026          |

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries at 31 December 2003 were as follows:

| Name   | Place of incorporation | Principal activities and place of operation              | Particulars of issued share capital  | Interest held |
|--|------------------------|--|--|---------------|
| <b>Held directly:</b>  |                        |  |  |               |
| Century Legend Investments Limited   | British Virgin Islands | Investment holding in Hong Kong                          | 63,000 Ordinary shares of US\$0.01 each  | 100%          |
| Century Legend Management Limited (formerly known as "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 nominee shares for the Group in Hong Kong        | 1 Ordinary share of US\$1 each   | 100%          |
| <b>Held indirectly:</b>  |                        |  |  |               |
| Century Legend Finance Limited   | Hong Kong              | Provision of commercial and personal loans in Hong Kong  | 10,000,000 Ordinary shares of HK\$1 each   | 100%          |
| Century Legend Securities Limited # (formerly known as "Coin Fall Limited")          | Hong Kong              | Stock broking in Hong Kong                               | 6,000,000 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;<br>5,000,000 Non-voting deferred 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%          |

# NOTES TO THE FINANCIAL STATEMENTS

## 12. INTERESTS IN SUBSIDIARIES (continued)

| Name   | Place of incorporation | Principal activities and place of operation  | Particulars of issued share capital   | Interest held |
|--|------------------------|--|---------------------------------------|---------------|
| <b>Held indirectly:</b>  |                        |  |                                       |               |
| Century Legend International Limited (formerly known as "Fortei Limited")                                  | Hong Kong              | Property holding in Hong Kong  | 10,000 Ordinary shares of HK\$1 each  | 100%          |
| Hong Kong Macau Travel Limited   | Hong Kong              | Provision of travel agency services in Hong Kong   | 500,000 Ordinary shares of HK\$1 each | 100%          |
| Hong Kong Macau Junket Investments Limited (formerly known as "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 Investments 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.

# On 7 January 2003, the Group acquired 100% equity interest in Century Legend Securities Limited ("CLSL"). The consideration of HK\$7,800,000 was settled in cash. The fair value of the net identifiable assets of CLSL at the date of acquisition was HK\$6,000,000, resulting in goodwill of HK\$1,800,000. The revenue and operating loss of CLSL since the date of acquisition amounted to HK\$368,000 and HK\$550,000 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. INTERESTS IN ASSOCIATES

|                     | <b>Group</b>    |          |
|---------------------|-----------------|----------|
|                     | <b>2003</b>     | 2002     |
|                     | <b>HK\$'000</b> | HK\$'000 |
| Share of net assets | —               | —        |

Particulars of the associates at 31 December 2003 were as follows:

| <b>Name</b>                                   | <b>Place of incorporation</b> | <b>Principal activities</b>  | <b>Particulars of issued share held</b> | <b>Interest held indirectly</b> |
|---|-------------------------------|--|---|---------------------------------|
| 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 associates have a financial accounting period end of 31 March which is not coterminous with the Group.



# NOTES TO THE FINANCIAL STATEMENTS

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## 14. INVESTMENTS

|  | Group            |                  |
|--|------------------|------------------|
|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Investment securities – listed equity securities in Hong Kong, at cost | 6,810            | 6,810            |
| Provision for impairment   | <b>(6,774)</b>   | (6,774)          |
|  | <b>36</b>        | 36               |
| Interest in unincorporated syndicates, at cost (Note)                  | <b>11,645</b>    | –                |
|  | <b>11,681</b>    | 36               |
| Market value of listed equity securities                               | <b>196</b>       | 98               |

Note:

The Group's interest in unincorporated syndicates represents 5% interest in two unincorporated syndicates engaging in junket operations at certain casino facilities in Macau. The interest was acquired from a former shareholder of the Company for a consideration of US\$1.5 million (equivalent to HK\$11,645,000) on 19 November 2003. The casino facilities are owned and operated by an independent third party (the "casino operator") who, in accordance with prevailing market practice, has a verbal agreement with the two syndicates that:

- (i) the two syndicates market and organise trips for the purpose of introducing customers to participate in the gaming activities at the casino facilities and provide other related services as appropriate;
- (ii) the casino operator is responsible for providing the casino facilities and gaming activities and all associated costs; and
- (iii) the two syndicates are entitled to the operating profit or loss generated from the gaming activities at those casino facilities at an agreed rate.

Upon the implementation of the Gaming Intermediaries Regulation of Macau (which was enacted in March 2002 but has not been implemented as at the date of approval of the financial statements by the board of directors), a written agreement is expected to be entered into between the syndicates and the casino operator in compliance with the requirements of the Gaming Intermediaries Regulation of Macau. It is currently not known when the Gaming Intermediaries Regulation of Macau will be implemented. The Directors are confident that upon the implementation of the relevant laws of Macau, the syndicates will comply with all relevant laws and regulations that are in effect from time to time.

# NOTES TO THE FINANCIAL STATEMENTS

## 15. LOANS RECEIVABLE

|   | Group            |                  |
|---|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| In respect of personal and commercial loans |                  |                  |
| – secured (note (a))                        | <b>27,684</b>    | 15,559           |
| – unsecured                                 | <b>1,870</b>     | 3,967            |
| Gross loans receivable (note (b))           | <b>29,554</b>    | 19,526           |
| Provision for doubtful loans                | <b>(2,100)</b>   | (2,100)          |
|   | <b>27,454</b>    | 17,426           |
| Less: amounts due within one year           | <b>(25,855)</b>  | (17,097)         |
| Amounts due after one year                  | <b>1,599</b>     | 329              |

Notes:

- (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 was 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 deed of loan dated 3 April 2003 while other terms of the Loan remained unchanged. In 2001, Century Legend Limited, the former ultimate holding company, issued a deed of guarantee in favour of the Group in respect of the Loan. Pursuant to the deed of guarantee, Century Legend Limited is responsible for repayment of the Loan if the Borrower defaults in repayment.

Apart from this, the amount included another secured loan of HK\$8,000,000 which is secured by a cash deposit to the Group of HK\$4,000,000 (included under Cash at Banks and in Hand as well as Other Payables and Accruals in the balance sheet of the Group).

- (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            |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| On demand                            | <b>16,994</b>    | 13               |
| Three months or less                 | <b>9,073</b>     | 3,797            |
| Below one year but over three months | <b>1,858</b>     | 15,379           |
| One to three years                   | <b>1,629</b>     | 337              |
|                                      | <b>29,554</b>    | 19,526           |

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. INVENTORIES

|                            | Group      |            |
|----------------------------|------------|------------|
|                            | 2003       | 2002       |
|                            | HK\$'000   | HK\$'000   |
| Consumable stocks, at cost | <u>314</u> | <u>314</u> |

## 17. TRADING SECURITIES

|  | Group        |              |
|--|--------------|--------------|
|  | 2003         | 2002         |
|  | HK\$'000     | HK\$'000     |
| Listed equity securities in Hong Kong, at fair value | <u>4,154</u> | <u>4,156</u> |

## 18. TRADE AND OTHER RECEIVABLES

|   | Group         |               | Company    |            |
|---|---------------|---------------|------------|------------|
|   | 2003          | 2002          | 2003       | 2002       |
|   | HK\$'000      | HK\$'000      | HK\$'000   | HK\$'000   |
| Trade receivables (note (a))  | 7,023         | 914           | -          | -          |
| Deposit for the acquisition of a subsidiary subsequent to year end date           | -             | 7,800         | -          | -          |
| Deposit for the acquisition of interest in certain business operations (note (b)) | 20,000        | -             | -          | -          |
| Other receivables and deposits  | <u>3,327</u>  | <u>3,395</u>  | <u>555</u> | <u>419</u> |
|   | <u>30,350</u> | <u>12,109</u> | <u>555</u> | <u>419</u> |

Notes:

- (a) The majority of the Group's turnover is on cash basis. The remaining balance of the turnover is on credit terms ranging from 30 to 60 days. At 31 December 2003, the ageing analysis of the trade receivables was as follows:

|              | Group        |            |
|--------------|--------------|------------|
|              | 2003         | 2002       |
|              | HK\$'000     | HK\$'000   |
| 0-30 days    | 4,834        | 587        |
| 31-60 days   | 425          | 154        |
| 61-90 days   | 285          | 61         |
| Over 91 days | <u>1,479</u> | <u>112</u> |
|              | <u>7,023</u> | <u>914</u> |

## 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 11 December 2003, the Group paid a deposit of HK\$20,000,000 to the Vendor for the potential investment of acquiring Vendor's 6.5% interest in the junket operation of a cruise (the "Deal"). The Deal was ultimately not completed and the amount of deposit was refunded to the Group subsequently after the year end.

## 19. TRADE PAYABLES

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

## 20. AMOUNT DUE TO AN ASSOCIATE

The amount due was unsecured, interest-free and had no fixed terms of repayment.

## 21. SHARE CAPITAL

| <b>Authorised:</b>                              | <b>Ordinary shares of HK\$0.01 each</b> |                 |
|---|---|-----------------|
|   | <b>No of shares</b>                     | <b>HK\$'000</b> |
| <b>At 31 December 2002 and 31 December 2003</b> | <b>40,000,000,000</b>                   | <b>400,000</b>  |
|   | Ordinary shares of HK\$0.01 each        |                 |
| <b>Issued and fully paid:</b>                   | <b>No of shares</b>                     | <b>HK\$'000</b> |
| At 1 January 2002                               | 1,720,800,000                           | 17,208          |
| Issue upon a placement (note (a))               | 344,160,000                             | 3,442           |
| <b>At 31 December 2002 and 31 December 2003</b> | <b>2,064,960,000</b>                    | <b>20,650</b>   |

Notes:

- (a) 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 22). 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.
- (b) 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. Such share option scheme expired on 15 June 2003. There was no option outstanding or granted at any time during the years ended 31 December 2002 and 2003.

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. RESERVES

|                                  | Group                        |                                    |                                   | Total<br>HK\$'000 |
|----------------------------------|------------------------------|------------------------------------|-----------------------------------|-------------------|
|                                  | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000     | Accumulated<br>losses<br>HK\$'000 |                   |
| At 1 January 2003                | 40,098                       | 146,189                            | (135,727)                         | 50,560            |
| Loss for the year                | –                            | –                                  | (5,429)                           | (5,429)           |
| <b>At 31 December 2003</b>       | <b>40,098</b>                | <b>146,189</b>                     | <b>(141,156)</b>                  | <b>45,131</b>     |
| Company and subsidiaries         | 40,098                       | 146,189                            | (130,719)                         | 55,568            |
| Associates                       | –                            | –                                  | (10,437)                          | (10,437)          |
| <b>At 31 December 2003</b>       | <b>40,098</b>                | <b>146,189</b>                     | <b>(141,156)</b>                  | <b>45,131</b>     |
| 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            |
| Associates                       | –                            | –                                  | (10,377)                          | (10,377)          |
| At 31 December 2002              | 40,098                       | 146,189                            | (135,727)                         | 50,560            |
|                                  | Company                      |                                    |                                   | Total<br>HK\$'000 |
|                                  | Share<br>premium<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 |                   |
| At 1 January 2003                | 40,098                       | 213,978                            | (130,946)                         | 123,130           |
| Loss for the year                | –                            | –                                  | (1,536)                           | (1,536)           |
| <b>At 31 December 2003</b>       | <b>40,098</b>                | <b>213,978</b>                     | <b>(132,482)</b>                  | <b>121,594</b>    |
| 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           |

## 22. RESERVES (continued)

Capital reserve of the Group represents:

- (i) the difference between the nominal value of share capital issued by the Company and the nominal value of the share capital and the share premium accounts of those companies forming the Group pursuant to the group reorganisation in 1993; and
- (ii) the reduction in issued share capital arising from the cancelling of paid up capital to the extent of HK\$0.09 on each share of HK\$0.1 in issue in 2001.

Contributed surplus of the Company represents:

- (i) the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company at the time of the group reorganisation referred to above; and
- (ii) the reduction in issued share capital arising from the cancelling of paid up capital to the extent of HK\$0.09 on each share of HK\$0.1 in issue in 2001.

Under the Bermuda Companies Act, the contributed surplus is distributable to shareholders under certain conditions.

# NOTES TO THE FINANCIAL STATEMENTS

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## 23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of loss from operations to net cash inflow from operations

|   | Group            |                  |
|---|------------------|------------------|
|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Loss from operations                                      | <b>(6,165)</b>   | (18,788)         |
| Depreciation charge                                       | <b>3,197</b>     | 3,446            |
| Amortisation of goodwill                                  | <b>2,527</b>     | 2,263            |
| Impairment of goodwill                                    | –                | 8                |
| Loss on disposal of property, plant and equipment         | <b>57</b>        | 1,245            |
| Deficit arising on revaluation of leasehold property      | <b>925</b>       | –                |
| Provision for doubtful loans                              | –                | 1,600            |
| Bad debt written off                                      | –                | 34               |
| Impairment of investment securities                       | –                | 633              |
| Realised gains on disposal of trading securities          | <b>(823)</b>     | –                |
| Unrealised (gains)/losses on trading securities           | <b>(225)</b>     | 2,455            |
| Gain on disposal of a subsidiary                          | <b>(9,583)</b>   | –                |
| Increase in inventories                                   | –                | (31)             |
| (Increase)/Decrease in loans receivable                   | <b>(10,028)</b>  | 5,758            |
| (Increase)/Decrease in trade and other receivables        | <b>(17,713)</b>  | 17,680           |
| Increase/(Decrease) in trade, other payables and accruals | <b>41,922</b>    | (1,305)          |
| Bank interest income                                      | <b>(251)</b>     | (1,205)          |
| Dividend income   | <b>(182)</b>     | (111)            |
|   | <hr/>            | <hr/>            |
| Net cash inflow from operations                           | <b>3,658</b>     | 13,682           |

# NOTES TO THE FINANCIAL STATEMENTS

## 23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (b) Acquisition of a subsidiary

|  | <b>2003</b>     | 2002     |
|--|-----------------|----------|
|  | <b>HK\$'000</b> | HK\$'000 |
| Net assets acquired  |                 |          |
| Property, plant and equipment  | <b>120</b>      | –        |
| Trade and other receivables  | <b>528</b>      | –        |
| Cash at banks and in hand  | <b>5,405</b>    | –        |
| Trade, other payables and accruals   | <b>(53)</b>     | –        |
|  | <b>6,000</b>    | –        |
| Goodwill   | <b>1,800</b>    | –        |
|  | <b>7,800</b>    | –        |
| Satisfied by   |                 |          |
| Cash   | <b>7,800</b>    | –        |
| Analysis of the net outflow in respect of the acquisition of a subsidiary: |                 |          |
|  | <b>2003</b>     | 2002     |
|  | <b>HK\$'000</b> | HK\$'000 |
| Cash consideration   | <b>7,800</b>    | –        |
| Cash at banks and in hand acquired   | <b>(5,405)</b>  | –        |
| Net cash outflow   | <b>2,395</b>    | –        |

The subsidiary acquired during the year had no significant impact to the cash flows of the Group during the year.



# NOTES TO THE FINANCIAL STATEMENTS

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## 23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Disposal of a subsidiary

|                                    | <b>2003</b>     | 2002     |
|------------------------------------|-----------------|----------|
|                                    | <b>HK\$'000</b> | HK\$'000 |
| Net liabilities disposed of        |                 |          |
| Trade, other payables and accruals | <b>(23)</b>     | –        |
| Gain on disposal*                  | <b>9,638</b>    | –        |
| Consideration                      | <b>9,615</b>    | –        |
| Satisfied by                       |                 |          |
| Cash                               | <b>9,615</b>    | –        |
| Net cash inflow                    | <b>9,615</b>    | –        |

\* Exclude associated legal and professional fee

The subsidiary disposed of during the year had no significant impact to the cash flows of the Group during the year or in prior year.

The revenue and operating loss of the subsidiary disposed of during the year up to date of disposal amounted to HK\$nil and HK\$9,000 respectively (2002: HK\$707,000 and HK\$230,000).

## 24. OPERATING LEASE COMMITMENTS

At 31 December 2003, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases were payable by the Group as follows:

|                             | Group            |                  |
|-----------------------------|------------------|------------------|
|                             | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Within one year             | 2,642            | 6,912            |
| In the second to fifth year | 2,747            | 802              |
|                             | <b>5,389</b>     | <b>7,714</b>     |

## 25. SUBSEQUENT EVENTS

The following events occurred subsequent to the balance sheet date:

- (i) On 5 February 2004, the Group entered into an agreement with an independent third party to acquire from him a 10% interest in two unincorporated syndicates engaging in junket operations at certain casino facilities in Macau at a consideration of HK\$23,400,000 (the "Acquisition"). The Acquisition is a further investment made by the Group to the two syndicates in which the Group invested on 19 November 2003 which is disclosed under note 14 to the financial statements. As a result of the Acquisition, the Group would in aggregate hold a total of 15% interest in each of the two unincorporated syndicates.
- (ii) On 25 March 2004, a sale and purchase agreement (the "Agreement") was entered into between Century Legend Investments Limited and Century Legend Nominees Limited (the "Vendor"), the subsidiaries of the Company, and Conba Investments Limited (the "Purchaser"), in which one of the Directors of the Company has material equity interest. Pursuant to the Agreement, the Purchaser agreed to acquire the entire issued share capital of Century Legend International Limited (the "Disposal"), a wholly owned subsidiary holding properties in Hong Kong.

The Disposal was completed on 31 March 2004 and the consideration for the Disposal of HK\$850,000 had been fully paid by the Purchaser upon completion of the Disposal.

- (iii) On 15 January 2004, HKMJIL issued convertible notes of aggregate principal amount of HK\$45,000,000 with maturity date on 14 January 2007. The convertible notes can be converted into ordinary shares of the Company at a conversion price of HK\$0.3 per share (subject to adjustments from time to time in accordance with the provisions set out in the subscription agreement) during the period from 15 January 2005 to 14 January 2007. The total number of shares of the convertible notes will change with the change of conversion price of the convertible note from year to year. The net proceeds from the issue is for general working capital of the Group and other investment opportunities in the gaming and entertainment industry that the Group may identify from time to time in the future.

## 26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 23 to 57 were approved by the Board of Directors on 23 April 2004.

# FINANCIAL SUMMARY

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## RESULTS

|                                   | For the year ended 31 December |          |          |          | 2003           |
|-----------------------------------|--------------------------------|----------|----------|----------|----------------|
|                                   | 1999                           | 2000     | 2001     | 2002     | HK\$'000       |
|                                   | HK\$'000                       | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000       |
| Turnover                          | 51,704                         | 3,362    | 21,330   | 57,156   | <b>60,157</b>  |
| Loss attributable to shareholders | (55,771)                       | (8,234)  | (24,511) | (20,762) | <b>(5,429)</b> |

## ASSETS AND LIABILITIES

|  | As at 31 December |          |           |          | 2003            |
|--|-------------------|----------|-----------|----------|-----------------|
|  | 1999              | 2000     | 2001      | 2002     | HK\$'000        |
|  | HK\$'000          | HK\$'000 | HK\$'000  | HK\$'000 | HK\$'000        |
| Total assets                                   | 48,947            | 59,245   | 229,630   | 86,506   | <b>122,348</b>  |
| Total liabilities including minority interests | (1,722)           | (2,439)  | (142,549) | (15,296) | <b>(56,567)</b> |
| Shareholders' funds                            | 47,225            | 56,806   | 87,081    | 71,210   | <b>65,781</b>   |