

# Report of the Directors

The Directors hereby present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2001.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the development and operation of, and investment in media, entertainment, Internet and technology-oriented businesses, the provision of advertising agency services and the management of hotel operations. There were no significant changes in the nature of the Group’s principal activities during the year. During the year ended 31st December, 2000, the Group discontinued its investments in hotel and restaurant operations as further detailed in note 5 to the financial statements.

## SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st December, 2001 is set out in note 6 to the financial statements.

## RESULTS AND DIVIDENDS

Details of the results of the Group for the year ended 31st December, 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 80.

No interim dividend was paid or declared in respect of the year ended 31st December, 2001 (2000: Nil).

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st December, 2001 (2000: Nil).

## DIRECTORS

The Directors of the Company who were in office during the year and those as at the date of this report are as follows:

Lien Jown Jing, Vincent (*Chairman*)

Lee Po On (*Chief Executive Officer*)

Lam Kin Ngok, Peter

Lim Por Yen

Liu Ngai Wing

Shi Nan Sun

(appointed on 1st September, 2001)

Lam Kin Ming

Tam Wai Chu, Maria

U Po Chu

Shiu Kai Wah

Chiu Wai

Victor Yang

Alfred Donald Yap\*

Low Chee Keong\*

Stephen Hung (*Vice Chairman*)

(resigned on 1st April, 2002)

\* Independent non-executive Directors

# Report of the Directors

## DIRECTORS (continued)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Madam Shi Nan Sun will retire at the forthcoming Annual General Meeting and, being eligible, she offers herself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Lam Kin Ngok, Peter, Mr. Lim Por Yen, Madam U Po Chu and Mr. Chiu Wai will retire by rotation at the forthcoming Annual General Meeting and, being eligible, they offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company, or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

- (a) Pursuant to an agreement entered into by Lai Sun Hotels (B.V.I.) Limited, Lai Sun Development Company Limited ("LSD"), Grand Hill Holdings Limited, Lam Kin Ngok, Peter and Glynhill International Limited ("GIL") in respect of the acquisition of Heathfield Limited, LSD and Lam Kin Ngok, Peter have given an indemnity to the Group against all liabilities, losses, proceedings and claims arising from, or in consequence of, the litigation concerning the interest purchased.
- (b) A hotel management contract was entered into between a subsidiary of the Group, Delta Hotels Management (Thailand) Limited and P.S. Development Group of Companies Ltd. ("PSD"), an associate of LSD. This contract sets out the management services provided to a hotel owned by PSD in Bangkok.
- (c) A central marketing and promotional services agreement was entered into between a subsidiary of the Group, Delta Asia Limited ("DAL") and PSD. This agreement sets out the marketing and promotional services provided to a hotel owned by PSD in Bangkok.
- (d) A consultancy services agreement was entered into between Glynhill International Hotels Management Sdn. Bhd. ("GIH") and Pengkalen Holiday Resort Sdn Bhd ("PHR"), a company in which LSD has 10% interest in it. Effective as from 1st November, 1999, GIH and its fellow subsidiaries, Furama Hotel Enterprises Limited and Furama Hotels Resorts International Limited, act as consultants and advisors in respect of the management and operation of a hotel owned by PHR in Malaysia.
- (e) In connection with a hotel in the Philippines (the "Hotel") owned by Philippine Dream Company, Inc. ("PDC"), an associate of LSD, a number of agreements were set up by PDC on 8th December, 1995:
  - (1) A management agreement was entered into with Delta Hotels & Resorts Asia Pacific Pte. Ltd. ("DHR"), a subsidiary of DAL, for management services provided to the Hotel.

Under the agreement, DHR receives management fees based on a percentage of the gross operating profit of the Hotel and the reimbursement of costs and expenses incurred in the provision of such services. The management agreement had an initial term of five years and may be extended for three additional terms of five years at DHR's option. The management agreement term has expired, but DHR is continuing to manage the Hotel on the same terms.

## Report of the Directors

### DIRECTORS' INTERESTS IN CONTRACTS (continued)

- (2) An offshore agreement was entered into with DAL for marketing and advisory services provided to the Hotel. DAL is entitled to service fees based on a percentage of the gross revenue and gross room revenue of the Hotel and the reimbursement of costs and expenses incurred in the provision of such services. The agreement has an initial term of ten years and may be extended at DAL's option for an additional term of ten years.
- (f) A management agreement was entered into on 23rd April, 1998 between a subsidiary of the Group, Glynhill Hotels and Resorts (Vietnam) Pte. Limited and Chains Caravelle Hotel Joint Venture Company Limited ("CCJV"), which is a subsidiary of LSD. The agreement sets out the management services provided to a hotel owned by CCJV in Ho Chi Minh City, Vietnam.

Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were deemed to be interested in the contracts mentioned in (a) to (f) by virtue of their interests described under the section "Directors' interests in equity or debt securities" in page 18.

Mr. Victor Yang is a partner of Boughton Peterson Yang Anderson, a firm which provides legal services to the Group and receives normal professional fees for such services.

In the opinion of the Directors, the above transactions arose in the ordinary course of business.

Except as disclosed above, under the heading "Practice Note 19 to the Listing Rules", and in the notes to the financial statements, no Director had a material interest in any contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

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### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and upto the date of this report, the following Directors of the Company are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Mr. Lim Por Yen is a substantial shareholder and a director of Asia Television Limited ("ATV"), a company incorporated in Hong Kong and whose principal activities are television broadcasting, programme production and distribution of programme rights.

Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming are also directors of ATV. The controlling interest in ATV is held by independent third parties not connected with Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming or any of their respective associates.

Mr. Lam Kin Ming is also a director and the controlling shareholder of Big Honor Investment Ltd. ("Big Honor") (a private company incorporated in Hong Kong in 1988). The principal activities of Big Honor are the production and management of pop concerts and artistes.

Miss Shi Nan Sun is a director and substantial shareholder of Film Workshop Co. Ltd., the principal activity of which is film production. The entire issued share capital of the above company is owned by Miss Shi and her spouse. The above company has been established since 1984 and has produced 46 films.

# Report of the Directors

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)**

As the Board is independent from the boards of the aforesaid companies and none of the above directors of the Company can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

## **PRACTICE NOTE 19 TO THE LISTING RULES**

### **Advance to Furama Hotel Enterprises Limited ("FHEL"), a subsidiary of LSD**

On 1st June, 2000, the Company and LSD entered into a reorganisation agreement (the "Reorganisation Agreement") which contemplated the cancellation of the Development Agreement entered into in February 1999 and the reduction of the outstanding indebtedness owed by FHEL, to Golden Pool Enterprise Limited ("GPEL"), a subsidiary of the Company.

In connection with the Reorganisation Agreement, LSD agreed to dispose of certain technology-oriented assets to the Group and the Group agreed to transfer certain hotel and ancillary assets to LSD. The net consideration of HK\$399,960,000 on the disposal of assets made by both parties would be deducted from the outstanding principal amount of the indebtedness due from FHEL.

As of 31st December, 2001, the indebtedness due from FHEL was approximately HK\$1,506,945,000. GPEL is entitled to share security items (B) and (C) below with LSD's Exchangeable Bondholders and Convertible Bondholders in respect of the indebtedness due from FHEL on a pro rata basis.

- (A) LSD has guaranteed the repayment of the outstanding principal and accrued interest payable to GPEL.
- (B) The indebtedness shall be secured by a limited recourse second charge created over the 6,500 shares in Diamond String Limited, beneficially owned by LSD through Surearn Profits Limited, for repayment of the outstanding principal amount plus accrued interest.
- (C) LSD agreed to grant a negative pledge to its Exchangeable Bondholders, the Convertible Bondholders and the Company, and has agreed not to create additional security over Causeway Bay Plaza 1, Causeway Bay Plaza 2 and Cheung Sha Wan Plaza without the prior consent of LSD's Exchangeable Bondholders and Convertible Bondholders and the Company. LSD has also undertaken that, upon the disposal of all or a substantial part of such properties by LSD or any of its subsidiaries prior to 31st December, 2002 which results in a net consideration in excess of amounts secured by any first or prior charge or right over the property sold and costs and expenses related to such disposal ("Surplus"), 70% of any Surplus would be paid on a pro rata basis based on, in the case of LSD's Exchangeable Bondholders and the Convertible Bondholders, the outstanding principal amounts owed plus the accrued interest and redemption premium, and any investment parity payment due together with the accrued interest, and in the case of the Company, the outstanding principal amount owed plus the accrued interest, from time to time to LSD's Exchangeable Bondholders, the Convertible Bondholders and the Company.

The indebtedness due from FHEL is subject to interest at a rate of 5% per annum on the outstanding balance and the repayment date will fall due on 31st December, 2002.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS

### Executive Directors

Mr. Lien Jown Jing, Vincent, Chairman, aged 41, first joined the Board as an independent non-executive Director in August 1998 and was later appointed an executive Director and elected the Chairman of the Company in December 1999. He has over 11 years' experience in banking and corporate finance in Hong Kong, China, Singapore and South-east Asia, having held various senior positions at different major multinational banking institutions.

Mr. Lee Po On, Chief Executive Officer, aged 46, was appointed an executive Director and Chief Executive Officer of the Company in March 2000. Mr. Lee joined the Lai Sun Group in November 1987 and held the position of chief executive officer of Asia Television Limited during 1992 to 1996. He is a director of Lai Sun Garment (International) Limited and is a Fellow of the Association of Chartered Certified Accountants.

Mr. Lam Kin Ngok, Peter, aged 44, was appointed an executive Director and elected the Chairman of the Company in October 1996. Mr. Lam ceased to be the Chairman in December 1999 but remained as an executive Director of the Company. He is also a deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman and president of Lai Sun Development Company Limited ("LSD"), a director of Crocodile Garments Limited and the chairman of Lai Fung Holdings Limited. LSD is the controlling shareholder of the Company and LSG is the controlling shareholder of LSD. Mr. Lam has extensive experience in property development and investment business. He is a director of the Real Estate Developers Association of Hong Kong, a member of the Hong Kong Hotel Owners Association and a council member of the Anglo Hong Kong Trust. Mr. Lam is a son of Mr. Lim Por Yen and is the younger brother of Mr. Lam Kin Ming.

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Mr. Lim Por Yen, aged 87, is the founder of the Lai Sun Group. He is an executive Director of the Company and was first appointed to the Board in October 1996. He is also the chairman and managing director of Lai Sun Garment (International) Limited ("LSG"), the honorary chairman of Lai Sun Development Company Limited ("LSD") and the chairman of Crocodile Garments Limited. LSD is the controlling shareholder of the Company and LSG is the controlling shareholder of LSD. Mr. Lim first became involved in the property development and investment business in the mid-1950's and has over 60 years' experience in the garment business. He is an honorary citizen of the city of Guangzhou, the city of Swatow, the city of Xiamen and the city of Zhong Shan in the People's Republic of China. Mr. Lim was also one of the Hong Kong Affairs Advisers to the People's Republic of China and is a founder member of The Better Hong Kong Foundation.

Mr. Liu Ngai Wing, aged 51, was appointed an executive Director of the Company in November 1998. He is also an independent non-executive director of Hang Fung Gold Technology Limited, Climax International Company Limited and Jackley Holdings Ltd., all being listed companies in Hong Kong. Mr. Liu holds a Master Degree in Business Administration, a Master of Science Degree in Hotel and Tourism Management and a Master of Science Degree in Global Business, and is an Associate Member of both the Hong Kong Society of Accountants and the Institute of Chartered Secretaries and Administrators, and is also a Fellow of the Association of Chartered Certified Accountants.

Ms. Shi Nan Sun, aged 50, is an executive Director of the Company and was appointed to the Board in September 2001. Ms. Shi has over 20 years' experience in media-related industries and is currently the vice chairman of the Media Asia group and a director of Film Workshop Co. Ltd.. She is also a board member of the End Child Sexual Abuse Foundation and the vice president of Maryknoll Convent School Educational Trust.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

### Non-Executive Directors

Mr. Lam Kin Ming, aged 64, is a non-executive Director of the Company and was first appointed to the Board in October 1996. Mr. Lam is also a deputy chairman of Lai Sun Garment (International) Limited (“LSG”) and has been involved in the day-to-day management of the garment business since 1958. He is also the deputy chairman of Crocodile Garments Limited and a director of Lai Sun Development Company Limited (“LSD”) and Lai Fung Holdings Limited. LSD is the controlling shareholder of the Company and LSG is the controlling shareholder of LSD. Mr. Lam is a son of Mr. Lim Por Yen and is the elder brother of Mr. Lam Kin Ngok, Peter.

Miss Tam Wai Chu, Maria, G.B.S., C.B.E., J.P., aged 56, was appointed to the Board in October 2000. Miss Tam is a member of the Hong Kong Bar Association having been called to the Bar at Gray’s Inn in England in 1972 and admitted into practice in Hong Kong in 1973. She has been closely involved in community and public administration services in Hong Kong since 1979 and has served on an extensive number of public and government bodies. Miss Tam is a member of the Basic Law Committee of Hong Kong Special Administrative Region, and a deputy to the National People’s Congress. In addition to her other current community duties, she is also a board member of the Airport Authority of Hong Kong and a board member of the Urban Renewal Authority, and the president of Hong Kong Police Force Junior Police Officers’ Association. Miss Tam sits on the boards of a number of publicly-listed and private companies in Hong Kong.

Madam U Po Chu, aged 77, is a non-executive Director of the Company and was first appointed to the Board in October 1996. She is also a non-executive director of Lai Sun Garment (International) Limited (“LSG”), Lai Sun Development Company Limited (“LSD”) and Crocodile Garments Limited. LSD is the controlling shareholder of the Company and LSG is the controlling shareholder of LSD. Madam U has 57 years’ experience in the garment manufacturing business and has been involved in the printing business since the mid-1960’s. In the early 1970’s, she started to expand the business to fabric bleaching and dyeing and also became involved in property development and investment in the late 1980’s. She is Mr. Lim Por Yen’s wife.

Mr. Shiu Kai Wah, aged 69, is a non-executive Director of the Company and was first appointed to the Board in October 1996. He is also a director of Lai Sun Garment (International) Limited (“LSG”), Lai Sun Development Company Limited (“LSD”), Crocodile Garments Limited and Lai Fung Holdings Limited. LSD is the controlling shareholder of the Company and LSG is the controlling shareholder of LSD. Mr. Shiu has over 30 years’ experience in the management of the garment business.

Mr. Chiu Wai, aged 71, is a non-executive Director of the Company and was first appointed to the Board in October 1996. Mr. Chiu is also a director of Lai Sun Garment (International) Limited (“LSG”), Lai Sun Development Company Limited (“LSD”), Crocodile Garments Limited and Lai Fung Holdings Limited. LSD is the controlling shareholder of the Company and LSG is the controlling shareholder of LSD. Mr. Chiu has 47 years’ experience in production management. He has been working for the Lai Sun Group’s garment business since 1955.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

### Non-Executive Directors (continued)

Mr. Victor Yang, aged 56, first joined the Board in October 1996. He is a founding partner of the Canadian law firm of Boughton Peterson Yang Anderson and is presently a member of the Law Societies of British Columbia in Canada, Hong Kong and the United Kingdom. He has more than 27 years of legal experience.

Mr. Alfred Donald Yap, J.P., aged 63, is an independent non-executive Director of the Company and was first appointed to the Board in December 1996. Mr. Yap is presently a consultant of Donald Yap, Cheng & Kong. Mr. Yap is a former president of The Law Society of Hong Kong and past president of The Law Association for Asia and the Pacific (LAWASIA). Mr. Yap is also a former Hong Kong Affairs Adviser appointed by the Chinese Government.

Mr. Low Chee Keong, aged 41, was appointed an independent non-executive Director of the Company in August 1999. Mr. Low has been a member of the Chartered Institute of Marketing of the United Kingdom since 1986. He has over 10 years' experience in the property development and maintenance industry in Singapore, and is currently the managing director of Hong Siong Holding Pte Ltd..

## SHARE OPTION SCHEME

The Company operates an employee share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible employees who contribute to the success of the Group's operations. Eligible employees of the Share Option Scheme include executive Directors and other employees of the Company or any subsidiary. The Share Option Scheme was adopted by the Company on 25th November, 1996 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years.

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The maximum number of shares of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the Share Option Scheme will not, when aggregated with any Shares subject to any other schemes, exceed such number of Shares as shall represent 10% of the issued share capital of the Company from time to time excluding any Shares issued pursuant to the Share Option Scheme. Excluding the number of Shares issued and to be issued upon exercise of the outstanding options granted under the Share Option Scheme, the total number of Shares available for issue under the Share Option Scheme is 33,513,491 Shares, representing approximately 5.87% of the Company's issued share capital as at the date of the annual report.

No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of Shares as when aggregated with the total number of Shares already issued under all the options previously granted to him which have been exercised, and, issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25% of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme.

An offer of the grant of an option shall remain open for acceptance by the employee concerned for a period of 28 days from the date upon which it is made. An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$10.00 by way of consideration for the grant thereof is received by the Company. An option granted under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme and the conditions of grant during the two-year period commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of the two-year period.

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## SHARE OPTION SCHEME (continued)

The subscription price shall be a price notified by the Board of the Company to an employee being (a) not less than 80% of the average of the closing prices of the Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as stated in the Stock Exchange's quotation sheets for the 5 trading days immediately preceding the offer date or (b) the nominal value of the Shares, whichever is the higher.

The implementation of relevant terms of the Share Option Scheme will be adjusted to comply with the new requirements set out in Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange.

The following share options were outstanding under the Share Option Scheme during the year ended 31st December, 2001:

Name	Date of Grant	No. of Options			Option Period	Subscription Price	
		At 01/01/2001*	Lapsed During the Year**	At 31/12/2001**		At Grant Date	Adjusted**
<b>Directors</b>							
Lien Jown Jing, Vincent	12/02/2000	2,000,000	1,500,000	1,500,000	13/08/2000 — 12/08/2002***	HK\$0.610 per share	HK\$2.655 per share
Stephen Hung	12/02/2000	3,000,000	2,250,000	2,250,000	13/08/2000 — 12/08/2002***	HK\$0.610 per share	HK\$2.655 per share
Lee Po On	04/03/2000	4,000,000	Nil	6,000,000	05/09/2000 — 04/09/2002	HK\$1.400 per share	HK\$6.094 per share
Lam Kin Ngok, Peter	12/02/2000	4,000,000	Nil	6,000,000	13/08/2000 — 12/08/2002	HK\$0.610 per share	HK\$2.655 per share
	04/03/2000	3,000,000	Nil	4,500,000	05/09/2000 — 04/09/2002	HK\$1.400 per share	HK\$6.094 per share
Liu Ngai Wing	22/02/1999	1,200,000	1,800,000	Nil	23/08/1999 — 22/08/2001	HK\$0.500 per share	Not applicable
Victor Yang	12/02/2000	400,000	300,000	300,000	13/08/2000 — 12/08/2002***	HK\$0.610 per share	HK\$2.655 per share
	04/03/2000	2,000,000	Nil	3,000,000	05/09/2000 — 04/09/2002	HK\$1.400 per share	HK\$6.094 per share
		<u>19,600,000</u>	<u>5,850,000</u>	<u>23,550,000</u>			
<b>Other employees</b>							
	12/02/2000	2,000,000	1,500,000	1,500,000	13/08/2000 — 12/08/2002***	HK\$0.610 per share	HK\$2.655 per share
	28/04/2000	600,000	450,000	450,000	29/10/2000 — 28/10/2002***	HK\$0.283 per share	HK\$1.232 per share
		<u>2,600,000</u>	<u>1,950,000</u>	<u>1,950,000</u>			
		<u>22,200,000</u>	<u>7,800,000</u>	<u>25,500,000</u>			

\* As adjusted by the share consolidation which took effect on 29th December, 2000

\*\* As adjusted by the share consolidation and the rights issue of the Company

\*\*\* in 4 six-month tranches

## Report of the Directors

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December, 2001, the interests of the Directors and the chief executive of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) (the "SDI Ordinance") as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Code for Securities Transactions by Directors adopted by the Company (the "Code") were as follows:

#### The Company

Name	Number of Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lien Jown Jing, Vincent	931,800	Nil	Nil	1,500,000 (under share options)	931,800
Stephen Hung	Nil	Nil	Nil	2,250,000 (under share options)	Nil
Lee Po On	Nil	Nil	Nil	6,000,000 (under share options)	Nil
Lam Kin Ngok, Peter	3,426,567	Nil	Nil	10,500,000 (under share options)	3,426,567
Lim Por Yen	1,656,867	Nil	285,512,791 (Note)	Nil	287,169,658
Liu Ngai Wing	3,101,215	Nil	Nil	Nil	3,101,215
U Po Chu	112,500	Nil	Nil	Nil	112,500
Victor Yang	Nil	Nil	Nil	3,300,000 (under share options)	Nil

*Note:* Lai Sun Development Company Limited ("LSD") and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in the Company. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of LSD. Mr. Lim Por Yen (and his associates) held an interest of approximately 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate an interest of approximately 42% in the issued share capital of LSG.

In addition to the above, one Director held a non-beneficial interest in the share capital of one subsidiary of the Company as nominee shareholder for the purpose of complying with the statutory requirement for a minimum number of shareholders for such subsidiary.

Save as disclosed above, as at 31st December, 2001, none of the Directors or the chief executive of the Company or their respective associates had any interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance or the Code (including interests which they were deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

# Report of the Directors

## ARRANGEMENTS TO PURCHASE SECURITIES AND DEBENTURES

Except for the Share Option Scheme, at no time during the year was the Company, its holding company, any of its subsidiaries, or fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of the equity or debt securities of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the following persons were interested or deemed to be interested in 10% or more of the nominal value of the total issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance:

	<b>Number of Shares Held</b>
Lai Sun Development Company Limited ("LSD")	285,512,791
Lai Sun Garment (International) Limited ("LSG")	285,512,791 (Note 1)
Lim Por Yen	287,282,158 (Note 2)

### Notes:

1. These interests in the Company were held by LSD and its subsidiaries. LSG was deemed to be interested in the 285,512,791 shares in the Company held by LSD and its subsidiaries by virtue of LSG and its wholly-owned subsidiary holding collectively an interest of approximately 42.25% in the issued ordinary share capital of LSD.
2. Mr. Lim Por Yen (and his associates) held an interest of approximately 34.30% in the issued share capital of LSG. The above interest in the Company also includes Mr. Lim Por Yen's personal and family interests.  
  
Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate an interest of approximately 42% in the issued share capital of LSG.

Save for the interests disclosed above, the Directors are not aware of any other person being interested in 10% or more of the issued share capital of the Company as at 31st December, 2001.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2001, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## PRIOR YEAR ADJUSTMENT

Details of the prior year adjustment of the Group arising from the change of accounting policy as a result of the adoption of new Hong Kong Statements of Standard Accounting Practice, are set out in note 4 to the financial statements.

# Report of the Directors

## FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 32 to the financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

## DISTRIBUTABLE RESERVES

As at 31st December, 2001, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with Companies Act 1981 of Bermuda (as amended).

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 85% of the total sales for the year and sales to the largest customer included therein amounted to 54%. Purchases from the Group's five largest suppliers accounted for 79% of the total purchases for the year and purchases from the largest supplier included therein amounted to 35%.

Other than Mr. Lim Por Yen who owns an approximate 16% equity interest in one of the major suppliers, none of the directors of the Company or any of their associates or any shareholders (who, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

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## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and adjusted as appropriate, is set out below. The amounts for the financial years ended 31st December 1997 and 31st December, 2000, respectively, have been restated for the effects of the retrospective change in accounting policies affecting dividends and goodwill, as detailed in notes 2 and 4 to the financial statements.

### Results

	Year ended 31st December,				
	2001 HK\$'000	2000 HK\$'000 (Restated)	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TURNOVER	<u>84,376</u>	<u>206,948</u>	<u>374,694</u>	<u>369,221</u>	<u>405,094</u>
PROFIT/(LOSS) BEFORE TAX	<u>(179,423)</u>	<u>(1,114,292)</u>	<u>(1,322,202)</u>	<u>(61,131)</u>	<u>146,347</u>
Tax	<u>(2,130)</u>	<u>(14,875)</u>	<u>(4,649)</u>	<u>(13,703)</u>	<u>(16,109)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>(181,553)</u>	<u>(1,129,167)</u>	<u>(1,326,851)</u>	<u>(74,834)</u>	<u>130,238</u>
Minority interests	<u>(135)</u>	<u>462</u>	<u>442,100</u>	<u>25,032</u>	<u>(20,090)</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>(181,688)</u>	<u>(1,128,705)</u>	<u>(884,751)</u>	<u>(49,802)</u>	<u>110,148</u>

# Report of the Directors

## SUMMARY OF FINANCIAL INFORMATION (continued)

### Assets, Liabilities and Minority Interests

	Year ended 31st December,				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000 (Restated)
Fixed assets	141,975	95,089	1,107,843	2,580,724	2,195,057
Investment properties	—	—	—	483,000	479,919
Properties under development	—	—	—	—	563,230
Long term investments	9,682	34,553	85,001	—	—
Goodwill	—	—	—	61,272	86,874
Interest in a jointly-controlled entity	6,006	—	—	—	—
Interests in associates	85,983	52,537	81,062	1,191,398	1,533,539
Long term deposits	—	—	—	10,000	83,622
Due from Furama Hotel Enterprises Limited	1,500,040	1,500,040	—	—	—
Deposits paid to Furama Hotel Enterprises Limited	—	—	1,900,000	—	—
Due from Lai Sun Development Company Limited	—	—	—	382,377	382,690
Deferred tax assets	661	1,360	1,397	7,873	2,470
Long term receivables	—	—	92,832	31,091	—
Current assets	<u>219,791</u>	<u>284,912</u>	<u>496,539</u>	<u>863,840</u>	<u>569,431</u>
<b>TOTAL ASSETS</b>	<b><u>1,964,138</u></b>	<b><u>1,968,491</u></b>	<b><u>3,764,674</u></b>	<b><u>5,611,575</u></b>	<b><u>5,896,832</u></b>
Current liabilities	(72,385)	(57,016)	(195,487)	(723,713)	(404,356)
Long term bank loans and other borrowings	(107)	(103)	(232,829)	(305,027)	(704,998)
<b>TOTAL LIABILITIES</b>	<b><u>(72,492)</u></b>	<b><u>(57,119)</u></b>	<b><u>(428,316)</u></b>	<b><u>(1,028,740)</u></b>	<b><u>(1,109,354)</u></b>
<b>MINORITY INTERESTS</b>	<b><u>(319)</u></b>	<b><u>(221)</u></b>	<b><u>(338,754)</u></b>	<b><u>(743,341)</u></b>	<b><u>(778,874)</u></b>
	<b><u>1,891,327</u></b>	<b><u>1,911,151</u></b>	<b><u>2,997,604</u></b>	<b><u>3,839,494</u></b>	<b><u>4,008,604</u></b>

### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. The non-executive Directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-laws.

# Report of the Directors

## **CODE OF BEST PRACTICE (continued)**

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive Directors, Mr. Alfred Donald Yap and Mr. Low Chee Keong as at the report date.

## **AUDITORS**

Ernst & Young retire at the conclusion of the forthcoming Annual General Meeting and a resolution for their reappointment as auditors of the Company will be proposed at the Annual General Meeting.

On Behalf of the Board

**Lien Jown Jing, Vincent**

*Chairman*

Hong Kong

19th April, 2002