Notes to Financial Statements

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1. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

During the year, the Group was involved in the following principal activities:

- development and operation of, and investment in media, entertainment, Internet and technology-oriented businesses;
- provision of advertising agency services; and
- management of hotel operations.

In the opinion of the directors, during the year up to 4th April, 2001, the ultimate holding company is Lai Sun Development Company Limited ("LSD") which is incorporated and listed in Hong Kong. On 4th April, 2001, LSD ceased to hold more than 50% equity interest in the Company and ceased to have control over the Company. As a result, the Company became an associate of LSD and LSD ceased to be the Company's ultimate holding company since then.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (''SSAPs'')

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations — subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

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2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (''SSAPs'') (continued)

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 30 and 36 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 6 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has resulted in a prior year adjustment, further details of which are included in note 4 to the financial statements. The required new additional disclosures are also included in notes 18, 19 and 33 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated against reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 to 20 years. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provisions of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1st January, 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the contributed surplus at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the unexpired lease terms
Buildings	2.5% – 5.0%
Leasehold improvements	Over the terms of the leases
Furniture, fixtures and equipment	5.0% – 20.0%
Broadcast operations and engineering equipment	10.0%
Motor vehicles	10.0% – 20.0%
Computers	10.0% – 20.0%

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Construction in progress represents a building under construction and is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant assets.

Long term investments

Long term investments comprise non-trading investments in unlisted equity securities intended to be held for an identified long term purpose. Unlisted securities are stated at cost less any impairment losses, on an individual investment basis.

When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. Where the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairments previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Short term investments

Short term investments are investments in equity securities held for trading purposes. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values, as determined by the directors, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Self-produced programmes

Self-produced programmes are stated at cost less any impairment losses. Cost comprises direct expenditure and an attributed portion of direct production overheads. The relevant portion of the cost of self-produced programmes is charged to the profit and loss account in accordance with the number of episodes broadcast in the financial year.

Purchased programme rights

Purchased programme rights, which represent entitlements under contracts to receive and broadcast programmes, are stated at cost less any impairment losses. The cost of purchased programme rights is charged to the profit and loss account upon the first broadcasting of the programmes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stocks

Stocks were stated at the lower of cost and net realisable value, after making due allowances for obsolete or slow-moving items. Cost for food, beverages, cutlery, linen and supplies was determined on the first-in, first-out basis. Net realisable value was determined on the basis of anticipated sales proceeds less estimated selling expenses.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following bases:

(a) from the operation of hotels and restaurants, when the services are provided;

(b) hotel, restaurant and other management fee income, in the period in which such management services are rendered;

(c) advertising agency fee income, in the period in which such advertising services are rendered;

(d) from the sale of short term investments, on the transaction date when the relevant contract is entered into;

(e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(f) dividend income, when the shareholders' right to receive payment is established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, ie, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme has operated since 1st December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

Prior to the Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "prior scheme") for its employees who were eligible and had elected to participate in the scheme. This prior scheme operated in a similar way to the Mandatory Provident Fund retirement benefits scheme, except that when an employee left the prior scheme before his/her interest in the employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. With effect from 1st December, 2000, the prior scheme was terminated.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are dealt with as movements in reserves.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. PRIOR YEAR ADJUSTMENT

Due to the adoption of SSAP 30 and Interpretation 13, the Group has adopted a policy to assess goodwill eliminated against reserves for impairment. As a result, the Group has performed an assessment of the fair value of the goodwill previously eliminated against reserves and has recognised an impairment of such goodwill of HK$823,055,000 as at 31st December, 2000. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30.

This prior year adjustment has resulted in impairment of goodwill in the amounts of HK$595,610,000 and HK$227,445,000 arising on acquisition of associates and subsidiaries, respectively, being charged to the consolidated profit and loss account for the year ended 31st December, 2000; a consequential increase in the amount of accumulated losses of HK$823,055,000 and a consequential increase in the amount of the contributed surplus of HK$823,055,000, previously reported in reserves as at 31st December, 2000. This prior year adjustment has had no effect on the current year. The amounts of the goodwill still remaining in reserves, arising from the acquisition of subsidiaries and associates prior to 1st January, 2001, are further detailed in note 33 to the financial statements.

5. DISCONTINUED OPERATIONS

On 1st June, 2000, the Company and LSD entered into a reorganisation agreement to effect an overall group reorganisation of the Lai Sun group of companies. As a result of the group reorganisation, among other things, the Group transferred to LSD certain of its subsidiaries, associates and a long term investment, the principal activities of which were the investment in and the operation of hotels and restaurants, and property investment (the "Discontinued Operations").

The transaction was completed in two phases, which were undertaken on 30th June, 2000 and 31st July, 2000, respectively.

The results of the Discontinued Operations were accounted for until their effective dates of disposal, and the related assets and liabilities were included in the calculation of the net gain arising on the disposal of the Discontinued Operations, which amounted to HK$8,562,000 for the year ended 31st December, 2000.

The Discontinued Operations disposed of generated turnover of HK$156,936,000 and other revenue of HK$42,840,000 and contributed a net profit of HK$54,826,000 to the Group's loss from operating activities for the year ended 31st December, 2000.

6. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Notes to Financial Statements

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6. SEGMENT INFORMATION (continued)

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the hotel and restaurant operations segment engages in the operation of hotels and restaurants, and was discontinued in the prior year as detailed in note 5 to the financial statements;

(b) the hotel management segment engages in the provision of management services to hotels;

(c) the media and entertainment segment engages in investment in and production of entertainment events, and the operation of websites;

(d) the satellite television segment engages in the television broadcasting business, including production of television programmes and the operation of a satellite television channel;

(e) the advertising agency segment engages in the provision of advertising agency services, primarily in respect of advertisements on television and in newspapers; and

(f) the corporate and other segment comprises the segment details in relation to the debt advanced to FHEL of HK$1,500,040,000, further details of which are included in note 20 to the financial statements, together with corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

6. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	(Discontinued) Hotel and restaurant operations		Hotel management		Media and entertainment		Satellite television		Advertising agency		Corporate and other		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Segment revenue:														
Sales to external customers	—	156,936	4,955	4,160	—	—	—	—	79,421	45,852	—	—	84,376	206,948
Other revenue	—	—	—	553	715	—	—	—	—	767	77,930	110,837	78,645	112,157
Total	—	156,936	4,955	4,713	715	—	—	—	79,421	46,619	77,930	110,837	163,021	319,105
Segment results	—	43,949	2,316	1,840	(14,338)	(5,759)	(49,425)	(7,203)	1,873	3,265	14,261	(3,591)	(45,313)	32,501
Dividend income and unallocated interest and other gains													7,932	19,843
Gain on disposal of interests in associates		5,060			3,855							6,552	3,855	11,612
Gain/(loss) on disposal of short term investments											(65,853)	15,389	(65,853)	15,389
Impairment of goodwill arising on acquisition of associates and a jointly-controlled entity					(32,990)								(32,990)	—
Unrealised holding loss on short term investments												(351,206)	—	(351,206)
Gain on disposal of subsidiaries		22,127										1,469	—	23,596
Loss on disposal of a long term investment		(20,000)											—	(20,000)
Impairment of a long term investment					(29,871)								(29,871)	—
Impairment of an investment in an associate					(3,168)								(3,168)	—
Prior year adjustment:														
Impairment of goodwill arising on acquisition of associates						(595,610)							—	(595,610)
Impairment of goodwill arising on acquisition of subsidiaries						(194,577)				(32,868)			—	(227,445)
Loss from operating activities													(165,408)	(1,091,320)
Finance costs													(4,141)	(15,819)
Share of profits and losses of :														
Associates					(7,216)	(7,153)							(7,216)	(7,153)
A jointly-controlled entity					(2,658)								(2,658)	—
Loss before tax													(179,423)	(1,114,292)
Tax													(2,130)	(14,875)
Loss before minority interests													(181,553)	(1,129,167)
Minority interests													(135)	462
Net loss attributable to shareholders													(181,688)	(1,128,705)

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6. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	(Discontinued) Hotel and restaurant operations		Hotel management		Media and entertainment		Satellite television		Advertising agency		Corporate and other		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	—	18,368	3,061	1,441	16,218	14,871	202,442	81,748	20,070	19,289	1,578,393	1,581,290	1,820,184	1,717,007
Interests in associates	—	—	—	—	85,983	52,537	—	—	—	—	—	—	85,983	52,537
Interest in a jointly-controlled entity	—	—	—	—	6,006	—	—	—	—	—	—	—	6,006	—
Unallocated assets													51,965	198,947
Total assets													1,964,138	1,968,491
Segment liabilities	—	1,055	1,528	4,503	483	4,783	2,592	855	13,094	12,136	12,252	15,474	29,949	38,806
Unallocated liabilities													42,543	18,313
Total liabilities													72,492	57,119
Other segment information:														
Depreciation and amortisation	—	9,386	—	—	4,581	1,727	4,649	—	39	50	718	1,132	9,987	12,295
Impairment losses recognised in the profit and loss account	—	—	—	—	66,029	790,187	—	—	—	32,868	—	—	66,029	823,055
Provision for bad debts	—	—	—	—	—	—	—	—	237	—	882	16,624	1,119	16,624
Write-back of provisions for bad and doubtful debts	—	31,558	—	—	—	—	—	—	—	—	1,531	—	1,531	31,558
Write off of deposits paid	—	—	—	—	3,412	—	—	—	—	—	—	—	3,412	—
Capital expenditure	—	2,248	—	—	270	12,151	59,230	78,374	13	820	681	1,136	60,194	94,729

6. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		Elsewhere in the PRC		Canada		Other areas		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue:										
Sales to external customers	**22,800**	125,940	**56,621**	36,695	**—**	11,177	**4,955**	33,136	**84,376**	206,948
Segment results	**(46,105)**	4,789	**(826)**	1,910	**—**	(6,709)	**1,618**	32,511	**(45,313)**	32,501
Other segment information:										
Segment assets	**1,872,204**	1,735,778	**31,617**	13,782	**—**	18,374	**8,352**	1,610	**1,912,173**	1,769,544
Unallocated assets									**51,965**	198,947
Total assets									**1,964,138**	1,968,491
Capital expenditure	**48,931**	91,195	**11,263**	2,358	**—**	924	**—**	252	**60,194**	94,729

Notes to Financial Statements

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7. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year.

		Group	
		2001	2000
	Notes	**HK$'000**	HK$'000
Rental expense paid to a fellow subsidiary (a)	(i)	—	2,325
Rental expense paid to a related company (a)	(i)	**2,238**	—
Hotel management, royalty and marketing fees received from hotels held by certain associates of LSD and a fellow subsidiary (a)	(ii)	—	3,062
Hotel management, royalty and marketing fees received from hotels held by related companies (a)	(ii)	**5,056**	—
Hotel management fees paid to a fellow subsidiary (a)	(iii)	—	2,127
Hotel management fees paid to a related company (a)	(iii)	**1,948**	—
Legal fees paid to Boughton Peterson Yang Anderson	(iv)	**762**	2,010
Interest income on deposits paid to Furama Hotel Enterprises Limited *(note 20)*		—	69,787
Interest income on an amount due from Furama Hotel Enterprises Limited *(note 20)*		**75,002**	37,489
Interest income from an associate	(v)	**1,654**	—
Interest income from a jointly-controlled entity	(vi)	**379**	—
Purchase of programme rights from an associate	(vii)	**50,600**	—

(a) The related companies (the "LSD Subsidiaries") are all subsidiaries of LSD, other than those which are members in the Group. Since the Company remained as a subsidiary of LSD up to 4th April, 2001, these LSD Subsidiaries are regarded as fellow subsidiaries on or before 4th April, 2001 and subsequent to that date, they became related companies of the Group.

7. RELATED PARTY TRANSACTIONS (continued)

Notes:

(i) Rental is charged with reference to market rates.

(ii) The hotel management, royalty and marketing fees are charged to the hotels at certain percentages ranging from 1% to 10% (2000: 1% to 10%) on the gross revenue or operating profits of the hotels.

(iii) The hotel management fees paid are charged at certain percentages ranging from 1.5% to 1.8% (2000: 1.5% to 1.8%) on the gross revenue of the hotels.

(iv) The legal fees were charged by Boughton Peterson Yang Anderson for the legal services rendered to the Group at market rates. Mr. Victor Yang, a director of the Company, is a partner of the firm.

(v) The interest income from an associate was charged at 1% above the prime rate quoted by the Hong Kong and Shanghai Banking Corporation Limited (the "HSBC prime rate") per annum or at 1.75% above the United States prime rate per annum.

(vi) Interest income from a jointly-controlled entity was charged at 1% above the HSBC prime rate per annum.

(vii) The programme rights were purchased from an associate of the Group on terms stated in the sale and purchase agreement.

8. TURNOVER AND REVENUE

Turnover, principally comprises hotel and restaurant operating income, hotel management fees and advertising income. An analysis of turnover and revenue is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Turnover		
Continuing operations:		
Advertising income	**79,421**	45,852*
Hotel management fee income	**4,955**	4,160
	84,376	50,012
Discontinued operations:		
Hotel and restaurant operations	**—**	156,936
	84,376	206,948
Other revenue		
Interest income	**82,784**	126,119
Dividend income from a long term investment	**—**	1,000
Others	**3,793**	4,881
	86,577	132,000
	170,953	338,948

* *During the year, the directors have reviewed the operations of the Group's advertising agency services and consider that it is more appropriate to record the income earned from such services on a gross basis instead of on a net commission income basis. Accordingly, the amount of the Group's advertising income for the year ended 31st December, 2000 has been reclassified to conform with the current year's presentation.*

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9. LOSS FROM OPERATING ACTIVITIES

	Group 2001 HK$'000	Group 2000 HK$'000 (Restated)
This is arrived at after crediting:		
Gross and net rental income	**—**	2,658
Write-back of provisions for bad and doubtful debts	**1,531**	31,558
Gain on disposal of fixed assets	**—**	1,015
and after charging:		
Cost of inventories sold	**18,723**	—
Cost of services provided	**75,921**	124,694
Staff costs:		
Wages and salaries (including directors' emoluments — see note 11)	**66,885**	85,494
Pension contributions	**1,736**	115
Less: Forfeited contributions	**—**	(69)
Net pension contributions	**1,736**	46
	68,621	85,540
Auditors' remuneration	**850**	1,237
Depreciation	**8,224**	12,295
Minimum lease payments under operating leases in respect of land and buildings	**3,378**	4,508
Foreign exchange losses, net	**868**	898
Provisions for bad and doubtful debts	**1,119**	16,624
Amortisation of goodwill on acquisition of associates and a jointly-controlled entity*	**1,763**	—
Impairment of a long term investment*	**29,871**	—
Impairment of an investment in an associate*	**3,168**	—
Loss on disposal of fixed assets	**792**	—
Write off of deposits paid	**3,412**	—

* *These items are included in the "Other operating expenses" as shown on the face of the consolidated profit and loss account.*

Notes to Financial Statements

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10. FINANCE COSTS

	Group 2001 HK$'000	Group 2000 HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**1,947**	13,169
Interest on finance leases	**17**	3
Bank charges	**2,177**	1,229
Exchange differences arising from translation of bank loans and other borrowings	**—**	1,418
	4,141	15,819

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on Stock Exchange and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group 2001 HK$'000	Group 2000 HK$'000
Fees	**480**	480
Other emoluments:		
Basic salaries, bonuses, housing and other allowances, and benefits in kind	**31,941**	18,229
Pension scheme contributions	**217**	—
	32,638	18,709

Directors' fees of HK$480,000 (2000: HK$480,000) were paid to two (2000: two) independent non-executive directors during the year.

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11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The number of directors whose emoluments fell within the designated bands is as follows:

	Group Number of directors	
	2001	2000
Nil – HK$1,000,000	**8**	10
HK$1,000,001 – HK$1,500,000	**3**	1
HK$1,500,001 – HK$2,000,000	**1**	—
HK$2,000,001 – HK$2,500,000	—	1
HK$2,500,001 – HK$3,000,000	—	1
HK$3,000,001 – HK$3,500,000	**2**	1
HK$3,500,001 – HK$4,000,000	—	1
HK$4,500,001 – HK$5,000,000	—	1
HK$19,000,001 – HK$19,500,000	**1**	—
	15	16

There were no arrangements under which a Director waived or agreed to waive any emoluments during the year.

(b) Employees' emoluments

The five highest paid employees during the year included four (2000: five) directors, the details of whose emoluments are set out above. Details of the remuneration of the remaining one (2000: Nil) non-director, highest paid employee are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,142**	—
Pension scheme contributions	**90**	—
	2,232	—

Notes to Financial Statements

12. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2001	2000
	HK$'000	HK$'000
Provision for tax for the year:		
Hong Kong	**3,195**	14,000
Elsewhere	**393**	645
Deferred *(note 21)*	**699**	—
	4,287	14,645
Prior year's overprovisions		
Hong Kong	**(3,000)**	—
Elsewhere	**(942)**	(42)
	(3,942)	(42)
Associates:		
Hong Kong	**1,785**	92
Elsewhere	**—**	180
	1,785	272
Tax charge for the year	**2,130**	14,875

13. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company during the year was HK$934,910,000 (2000: HK$358,221,000).

The Group's share of aggregate net losses retained by the associates and a jointly-controlled entity for the year amounted to HK$9,001,000 (2000: HK$7,425,000) and HK$2,658,000 (2000: Nil), respectively.

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14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$181,688,000 (2000 — restated: HK$1,128,705,000), and the weighted average of 561,493,823 (2000: 370,393,088) ordinary shares in issue during the year, after taking into account the effect of the rights issue during the year.

The diluted loss per share for the years ended 31st December, 2001 and 2000 has not been shown because the options outstanding during these years had no dilutive effect on the basic loss per share for these years.

15. FIXED ASSETS

Group

	31st December, 2000 HK$'000	Additions HK$'000	Disposals HK$'000	Exchange realignments HK$'000	**31st December, 2001 HK$'000**
Cost:					
Construction in progress	1,419	10,843	—	—	**12,262**
Land and buildings	75,000	—	—	—	**75,000**
Leasehold improvements	9,787	19,777	(5,596)	(123)	**23,845**
Furniture, fixtures and equipment	4,990	1,774	(3,084)	(54)	**3,626**
Broadcast operations and engineering equipment	—	24,692	—	—	**24,692**
Motor vehicles	44	496	(263)	(1)	**276**
Computers	11,878	2,612	(571)	14	**13,933**
	103,118	60,194	(9,514)	(164)	**153,634**
Accumulated depreciation:					
Land and buildings	—	968	—	—	**968**
Leasehold improvements	3,615	3,034	(2,740)	(55)	**3,854**
Furniture, fixtures and equipment	2,394	533	(1,573)	(25)	**1,329**
Broadcast operations and engineering equipment	—	1,193	—	—	**1,193**
Motor vehicles	43	29	(61)	(1)	**10**
Computers	1,977	2,467	(150)	11	**4,305**
	8,029	8,224	(4,524)	(70)	**11,659**
Net book value	95,089				**141,975**

15. FIXED ASSETS (continued)

The Group's land and buildings as at 31st December, 2001 were situated in Hong Kong, held under medium term leases and were pledged to secure general banking facilities granted to the Group (2000: Nil) (note 31).

The net book value of assets held under finance leases included in the total amount of furniture, fixtures and equipment as at 31st December, 2001, amounted to HK$144,000 (2000: HK$136,000).

The cost of the construction in progress comprises the premium paid for land registered in Macau with a medium term lease and expenditures incurred for the development of a building constructed thereon.

16. LONG TERM INVESTMENTS

	Group	
	2001	2000
	HK$'000	HK$'000
Unlisted equity investments, at cost	**39,553**	34,553
Provisions for impairment	**(29,871)**	—
	9,682	34,553

17. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	**1,145,820**	1,145,819
Amounts due from subsidiaries	**2,733,394**	2,584,071
	3,879,214	3,729,890
Provisions for impairment	**(2,047,467)**	(1,116,408)
	1,831,747	2,613,482

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for as set out below:

(i) an amount of HK$39,134,000 (2000: Nil), which bears interest at 15% per annum;

(ii) an amount of HK$7,500,000 (2000: Nil), which bears interest at 1% above the HSBC prime rate per annum; and

(iii) an amount of HK$1,500,040,000 (2000: Nil), which bears interest at 1% per annum.

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17. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation or registration/place of operations	Issued/ registered share capital and class of shares held	Effective % of capital held by Company	Group	Principal activities
Dragon Age Enterprise Inc.	British Virgin Islands	US$1 Ordinary	100	100	Investment holding
E-Scope Limited	British Virgin Islands	US$1 Ordinary	100	100	Investment holding
East Asia Entertainment Limited	Hong Kong	HK$2 Ordinary	—	100	Entertainment activity production
East Asia Satellite Television Limited	Hong Kong	HK$2 Ordinary	—	100	Programme production, distribution and broadcasting
East Asia-Televisão Por Satélite, Limitada*	Macau	MOP$25,000 Quota	—	100	Programme production, distribution and broadcasting
Express.com Group Limited	British Virgin Islands	US$100 Ordinary	100	100	Investment holding
Glynhill International Limited	Hong Kong	HK$912,623,351 Ordinary	100	100	Investment holding
Golden Pool Enterprise Limited	Hong Kong	HK$2 Ordinary	—	100	Investment holding
Houseman International Limited	British Virgin Islands	US$2 Ordinary	100	100	Investment holding
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	100	Property holding
Lai Sun Technology Company Limited	Hong Kong	HK$2 Ordinary	—	100	Provision of administration services
Lancaster Technology Limited	British Virgin Islands	US$1 Ordinary	100	100	Investment holding
Skymaster International Inc.	British Virgin Islands	US$1 Ordinary	100	100	Investment holding
Vision Advertising (HK) Limited	Hong Kong	HK$2 Ordinary	—	100	Provision of advertising agency services and investment holding

17. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/place of operations	Issued/ registered share capital and class of shares held	Effective % of capital held by Company	Group	Principal activities
Vision Communications (GZ) Limited*	The People's Republic of China	HK$3,000,000#	—	90	Provision of advertising agency services
Zimba International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Trading of marketable securities

\# *The amount stated represents the paid-up capital in the People's Republic of China.*

* *Audited by public accountants other than Ernst & Young.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2001 HK$'000	2000 HK$'000
Share of net liabilities	(2,658)	—
Goodwill on acquisition, net of amortisation and impairment	—	—
	(2,658)	—
Amount due from a jointly-controlled entity	8,664	—
	6,006	—

Except for an amount of HK$7,500,000 which is interest bearing at 1% above the HSBC prime rate per annum, the amount due from a jointly-controlled entity is unsecured, interest free and has no fixed terms of repayment.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
The Artiste Campus International Limited (formerly known as Union Holding Limited)	Corporate	Hong Kong	50%	50%	50%	Provision of agency services to artistes

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18. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

The interest in a jointly-controlled entity are indirectly held by the Company.

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of the goodwill capitalised as an asset, arising from the acquisition of a jointly-controlled entity, is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Cost:		
Acquisition of a jointly-controlled entity	**7,609**	—
At 31st December	**7,609**	—
Accumulated amortisation and impairment:		
Amortisation provided during the year	**349**	—
Impairment provided during the year	**7,260**	—
At 31st December	**7,609**	—
Net book value:		
At 31st December	**—**	—

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets	**44,764**	44,498	**—**	—
Goodwill on acquisition, net of amortisation and impairment	**—**	—	**—**	—
	44,764	44,498	**—**	—
Amounts due from associates, net of provisions	**4,200**	3,039	**411**	—
Amounts due to associates	**(76)**	—	**(2,250)**	—
Loans to associates	**37,095**	5,000	**32,095**	—
	85,983	52,537	**30,256**	—

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19. INTERESTS IN ASSOCIATES (continued)

The balances with associates, including loans to associates, are unsecured, interest-free and have no fixed terms of repayment, except for (i) an amount of HK$16,495,000 which bears interest at 1% above the HSBC prime rate per annum; and (ii) HK$15,600,000 which bears interest at 1.75% above the United States prime rate per annum.

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of the goodwill capitalised as an asset, arising from the acquisition of interests in associates, is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Cost:		
Acquisition of interests in associates	**33,704**	—
Disposal of interest in an associate	**(6,560)**	—
At 31st December	**27,144**	—
Accumulated amortisation and impairment:		
Amortisation provided during the year	**1,414**	—
Impairment provided during the year	**25,730**	—
At 31st December	**27,144**	—
Net book value:		
At 31st December	**—**	—

As detailed in note 3 to the financial statements, the Group has adopted the transitional provisions of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1st January, 2001, to remain eliminated against reserves or credited to the contributed surplus, respectively. Further details of the amount of the goodwill in reserves, arising from the acquisition of subsidiaries and associates prior to 1st January, 2001 are included in note 33 to the financial statements.

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19. INTERESTS IN ASSOCIATES (continued)

Details of the principal associates are as follows:

Name of company	Business structure	Place of incorporation/ registration	Class of shares held	% of equity attributable to the Group	Principal activities
China Economic Information Net (HK) Limited*	Corporate	Hong Kong	Ordinary and redeemable preference	28.47%	Development and operation of websites
Coolala International Limited	Corporate	Hong Kong	Ordinary	50%	Development and operation of a website
Eastweek.com.hk Limited*	Corporate	British Virgin Islands	Ordinary	50%	Development and operation of a website
HKATV.com Limited*	Corporate	Hong Kong	Ordinary	50%	Development and operation of a website
Media Asia Holdings Ltd.	Corporate	British Virgin Islands	Ordinary	35.13%	Film production and distribution and investment holding
Splendid Cyber Group Limited*	Corporate	Hong Kong	Ordinary	50%	Development and operation of websites

* *Audited by public accountants other than Ernst & Young.*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

20. DUE FROM FURAMA HOTEL ENTERPRISES LIMITED

On 11th February, 1999, the Company and its wholly-owned subsidiary, Golden Pool Enterprise Limited ("GPEL"), entered into an agreement (the "Development Agreement") with LSD and its wholly-owned subsidiary, Furama Hotel Enterprises Limited ("FHEL"), with respect to the purchase by GPEL of the retail and hotel portion of the Furama Hotel Hong Kong ("the Furama Hotel"), which is a property situated in Hong Kong, upon the completion of its redevelopment into a composite retail, hotel and office building (the "New Building"), which was expected to be completed in or around May 2004.

The consideration of HK$1,900,000,000 for the purchase of the retail and hotel portion of the Furama Hotel was fully paid by GPEL to FHEL in 1999. According to the Development Agreement, the prepaid consideration was interest-bearing at the higher of 8% or LIBOR plus 2% per annum for an amount of HK$964,923,000, and at the three-month deposit rate offered by the Group's principal banks plus 1% per annum for the remaining HK$935,077,000. The interest income received and receivable from the prepaid consideration during the year ended 31st December, 2000 was HK$69,787,000.

On 1st June, 2000, the Company and LSD entered into a reorganisation agreement (the "Reorganisation Agreement"). Pursuant to the Reorganisation Agreement, the Development Agreement was cancelled on 29th June, 2000 upon approval by the shareholders of the Company and LSD. Accordingly, the prepaid consideration of HK$1,900,000,000 became immediately due from FHEL.

In connection with the Reorganisation Agreement, the Company transferred certain hotel and ancillary assets, through the disposal of certain subsidiaries, associates and a long term investment, with an aggregate value of HK$685,410,000 to LSD and, at the same time, LSD transferred certain technology-oriented assets with an aggregate value of HK$1,085,370,000 to the Company. The excess consideration of HK$399,960,000 payable by the Company to LSD in respect of such asset transfers was deducted from the outstanding principal amount of indebtedness of HK$1,900,000,000, which FHEL owned to GPEL, as a result of the cancellation of the Development Agreement as mentioned above. The amount due from FHEL was then reduced to HK$1,500,040,000.

An intercompany debt deed was entered into by the Company, LSD, FHEL and GPEL on 30th June, 2000 (the "Debt Deed"), pursuant to which the Company agreed to defer the settlement of the remaining HK$1,500,040,000 of the outstanding indebtedness due from FHEL to the earlier of 31st December, 2002 or the day on which the Exchangeable Bonds and Convertible Bonds 2002 of the LSD group are repaid in full. LSD has guaranteed the repayment of the outstanding principal and accrued interest payable to GPEL. The Company is also entitled to share, on a pari passu and pro rata basis with the Exchangeable Bondholders and the Convertible Bondholders of the LSD group (the "Parties"), the following security:

(a) a limited recourse second charge over 6,500 shares of HK$1.00 each in the issued share capital of Diamond String Limited (which owns the Ritz-Carlton Hong Kong Hotel) beneficially owned by LSD; and

(b) a negative pledge granted by LSD, pursuant to which LSD has agreed not to create additional security over certain major properties of the LSD group without the prior consent of the Parties.

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20. DUE FROM FURAMA HOTEL ENTERPRISES LIMITED (continued)

The outstanding balance of HK$1,500,040,000 is interest-bearing at 5% per annum. The interest income received and receivable during the year in this respect was HK$75,002,000 (2000: HK$37,489,000). As mentioned above, the outstanding balance of HK$1,500,040,000 due from FHEL is repayable on or before 31st December, 2002. The directors have discussed with the management of FHEL and LSD and obtained an understanding that LSD is currently working closely with its legal and financial advisors to fomulate a plan for the repayment and/or refinancing of the outstanding balance due to the Group, the Exchangeable Bondholders and the Convertible Bondholders, and the other borrowings. In view of this, the directors consider that it is appropriate to continue to classify the amount of HK$1,500,040,000 due from FHEL, the repayment of which is guaranteed by LSD, as a non-current asset as at 31st December, 2001, pending LSD's formulation of its repayment plan.

21. DEFERRED TAX ASSETS

The principal components of the net deferred tax assets recognised at the balance sheet date mainly comprised capital allowances on fixed assets.

	Group	
	2001	2000
	HK$'000	HK$'000
At beginning of year	**1,360**	1,397
Charge for the year *(note 12)*	**(699)**	—
Exchange realignment	**—**	(37)
At end of year	**661**	1,360

The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised are as follows:

	Group		**Company**	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated capital allowances on fixed assets	**(48)**	42	**—**	—
Tax losses available for carryforward	**4,539**	6,050	**—**	1,726
	4,491	6,092	**—**	1,726

22. SHORT TERM INVESTMENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity investments at market value:				
Hong Kong	**933**	162,732	**443**	283
Elsewhere	**237**	238	**—**	—
	1,170	162,970	**443**	283

23. DUE FROM A FELLOW SUBSIDIARY/A RELATED COMPANY

The balance represents interest receivable from FHEL which is secured (note 20), interest-free and is repayable within one year.

24. STOCKS

	Group	
	2001	2000
	HK$'000	HK$'000
Raw materials	**—**	392

25. LOAN RECEIVABLE

The loan representing an advance to an independent third party is secured by certain equity interests held by the borrower, bears interest at 15% per annum and is repayable within one year.

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26. DEBTORS AND DEPOSITS

Trading terms with customers are largely on credit. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. An aged analysis of the trade debtors as at 31st December, 2001 is as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors:				
Less than 30 days	**4,134**	2,958	**—**	—
31 – 60 days	**1,724**	6,550	**—**	—
61 – 90 days	**250**	1,056	**—**	—
Over 90 days	**3,890**	1,592	**—**	—
	9,998	12,156	**—**	—
Other debtors and deposits	**66,548**	37,384	**31,504**	5,237
	76,546	49,540	**31,504**	5,237

The above aged analysis, stated net of provisions for doubtful debts, was prepared based on the dates when revenue is recognised from the trade transactions.

27. CASH HELD IN TRUST

With respect to the dissolution of the Whistler Mountain Inn, Limited Partnership (the "Partnership") in the prior year, an amount of HK$2,276,000 (2000: HK$2,276,000) was held in trust as at 31st December, 2001 pending the settlement of all damages, including interest, relating to litigation in respect of the Partnership (see note 35(b)).

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**22,116**	14,004	**118**	63
Time deposits	**31,749**	36,825	**1,000**	23,744
	53,865	50,829	**1,118**	23,807

29. CREDITORS AND ACCRUALS

An aged analysis of the trade creditors as at 31st December, 2001 is as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors:				
Less than 30 days	**3,224**	2,362	—	—
31 – 60 days	**2,853**	1,734	—	—
61 – 90 days	**2,827**	145	—	—
Over 90 days	**5,861**	6,732	—	—
	14,765	10,973	—	—
Other creditors and accruals	**15,196**	27,836	**1,787**	4,138
	29,961	38,809	**1,787**	4,138

The above aged analysis was prepared based on the dates of receipt of the goods and services purchased.

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30. FINANCE LEASE PAYABLES

The Group leases certain of its furniture, fixtures and equipment. These leases are classified as finance leases and have remaining lease terms of four years.

At 31st December, 2001, the total future minimum lease payments under finance leases and their present values, were as follows:

Group

	Minimum lease payments 2001 HK$'000	Minimum lease payments 2000 HK$'000	Present value of minimum lease payments 2001 HK$'000	Present value of minimum lease payments 2000 HK$'000
Amounts payable:				
Within one year	**44**	35	**27**	19
In the second year	**44**	35	**32**	22
In the third to fifth years, inclusive	**86**	98	**75**	81
Total minimum finance lease payments	**174**	168	**134**	122
Future finance charges	**(40)**	(46)		
Total net finance lease payables	**134**	122		
Portion classified as current liabilities	**(27)**	(19)		
Long term portion	**107**	103		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

31. INTEREST-BEARING BANK LOANS

Group and Company

The bank loans were secured by fixed charges on the Group's land and buildings with an aggregate net book value at the balance sheet date of approximately HK$74,032,000 (2000: Nil).

32. SHARE CAPITAL

	2001		2000	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,000,000**	**1,000,000**	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**571,185**	**285,592**	377,057	188,528

During the year, the following movements in share capital were recorded:

(a) On 16th November, 2000, the Company proposed to raise not less than HK$160,000,000, before expenses, by issuing approximately 188,528,309 new shares of the Company of HK$0.50 each, by way of a rights issue at a price of HK$0.85 per rights share on the basis of one rights share for every two existing shares held on 29th December, 2000. On 16th January, 2001, the Directors announced that the rights issue of 188,528,309 new shares had become unconditional and payable in full on acceptance. Accordingly, on 16th January, 2001, 188,528,309 new ordinary shares of HK$0.50 each were issued at a price of HK$0.85 per share, to provide funds for the acquisition and establishment of a television programme production centre and facilities to be set up at both the Hong Kong Office and a site in the Macau Special Administrative Region, and for working capital for the Group.

(b) On 9th February, 2001, a conditional sale and purchase agreement (the "Agreement") was entered into between Autumn Gold Limited ("Autumn Gold"), a wholly-owned subsidiary of the Company, and Mr. Chan Chee Kheong ("Mr. Chan"). Pursuant to the Agreement, Autumn Gold acquired from Mr. Chan five existing shares of HK$1.00 each, being a 50% equity interest, of The Artiste Campus International Limited, a company incorporated in Hong Kong with limited liability, for a total consideration of HK$7,600,005, comprising (i) HK$2,000,005 in cash, and (ii) the balance of HK$5,600,000 by the allotment and issue of a total of 5,600,000 new shares of HK$0.50 each in the share capital of the Company, at an issue price of HK$1.00 per share. The allotment of the 5,600,000 new ordinary shares of HK$0.50 each at a price of HK$1.00 per share to Mr. Chan was completed on 4th April, 2001, on which the market price of the share of the Company was HK$0.87 per share.

Notes to Financial Statements

31st December, 2001

32. SHARE CAPITAL (continued)

A summary of the movements in the issued share capital of the Company during the year is as follows:

	Number of ordinary shares '000	Amount HK$'000
At beginning of year	377,057	188,528
Issue of rights shares (a)	188,528	94,264
Shares issued as partial consideration for the acquisition of a jointly-controlled entity (b)	5,600	2,800
At 31st December, 2001	571,185	285,592

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share Option Scheme" in the Report of the Directors on pages 16 to 17.

(i) *Share options expiring on 22nd August, 2001*

At the beginning of the year, there were 1,200,000 outstanding share options granted to a director of the Company. The options were exercisable during the period from 23rd August, 1999 to 22nd August, 2001 at a subscription price of HK$2.50 per share.

Pursuant to the rights issue of the Company's shares on 16th January, 2001, the number of these outstanding share options was adjusted from 1,200,000 to 1,800,000 and the exercise price was adjusted from HK$2.50 per share to HK$2.176 per share. All of these share options lapsed during the year.

(ii) *Share options expiring on 12th August, 2002*

At the beginning of the year, there were 9,400,000 and 2,000,000 outstanding share options granted to the directors of the Company and employees of the Group, respectively. The options are exercisable during the period from 13th August, 2000 to 12th August, 2002 at a subscription price of HK$3.05 per share. 7,400,000 of these options are exercisable in four six-month tranches.

Pursuant to the rights issue of the Company's shares on 16th January, 2001, the number of these outstanding share options was adjusted from 11,400,000 to 17,100,000 and the exercise price was adjusted from HK$3.05 per share to HK$2.655 per share.

5,550,000 share options lapsed during the year.

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31st December, 2001

32. SHARE CAPITAL (continued)

Share options (continued)

(ii) *Share options expiring on 12th August, 2002 (continued)*

As at the balance sheet date, the Company had outstanding 11,550,000 of these share options and the exercise in full of these share options would result in the issue of 11,550,000 additional shares of HK$0.50 each.

(iii) *Share options expiring on 4th September, 2002*

At the beginning of the year, there were 9,000,000 outstanding share options granted to the directors of the Company. The options are exercisable during the period from 5th September, 2000 to 4th September, 2002 at a subscription price of HK$7.00 per share.

Pursuant to the rights issue of the Company's shares on 16th January, 2001, the number of these outstanding share options was adjusted from 9,000,000 to 13,500,000 and the exercise price was adjusted from HK$7.00 per share to HK$6.094 per share.

None of these share options were exercised during the year.

As at the balance sheet date, the Company had outstanding 13,500,000 of these share options and the exercise in full of these share options would result in the issue of 13,500,000 additional shares of HK$0.50 each.

(iv) *Share options expiring on 28th October, 2002*

At the beginning of the year, there were 600,000 outstanding share options granted to an employee of the Group. The options are exercisable during the period from 29th October, 2000 to 28th October, 2002 (in four six-month tranches) at a subscription price of HK$1.415 per share.

Pursuant to the rights issue of the Company's shares on 16th January, 2001, the number of these outstanding share options was adjusted from 600,000 to 900,000 and the exercise price was adjusted from HK$1.415 per share to HK$1.232 per share.

450,000 share options lapsed during the year.

As at the balance sheet date, the Company had outstanding 450,000 of these share options and the exercise in full of these share options would result in the issue of 450,000 additional shares of HK$0.50 each.

Notes to Financial Statements

31st December, 2001

33. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2000	2,789,957	891,289	(866,056)	2,815,190
Issue of shares	34,286	—	—	34,286
Exercise of share options	1,600	—	—	1,600
Share issue expenses	(3,366)	—	—	(3,366)
Elimination of goodwill arising on acquisition of:				
Subsidiaries	—	(227,445)	—	(227,445)
Associates	—	(595,610)	—	(595,610)
Exchange reserve released upon disposal of:				
Subsidiaries	—	—	256	256
Associates	—	—	2,526	2,526
Prior year adjustment:				
SSAP 30 — impairment of goodwill *(note 4)*	—	823,055	—	823,055
Exchange realignments	—	—	836	836
Loss for the year (as restated — note 4)	—	—	(1,128,705)	(1,128,705)
At 31st December, 2000	2,822,477	891,289	(1,991,143)	1,722,623
At 1st January, 2001				
As previously reported	2,822,477	68,234	(1,168,088)	1,722,623
Prior year adjustment:				
SSAP 30 — impairment of goodwill *(note 4)*	—	823,055	(823,055)	—
As restated	2,822,477	891,289	(1,991,143)	1,722,623
Issue of rights shares	65,985	—	—	65,985
Shares issued as partial consideration for acquisition of a jointly-controlled entity	2,800	—	—	2,800
Share issue expenses	(2,629)	—	—	(2,629)
Exchange realignments	—	—	(1,356)	(1,356)
Loss for the year	—	—	(181,688)	(181,688)
At 31st December, 2001	2,888,633	891,289	(2,174,187)	1,605,735

33. RESERVES (continued)

Group (continued)

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Retained by:				
Company and subsidiaries	2,888,633	891,289	(2,158,424)	1,621,498
A jointly-controlled entity	—	—	(2,658)	(2,658)
Associates	—	—	(13,105)	(13,105)
31st December, 2001	2,888,633	891,289	(2,174,187)	1,605,735
Company and subsidiaries	2,822,477	891,289	(1,987,039)	1,726,727
Associates	—	—	(4,104)	(4,104)
31st December, 2000	2,822,477	891,289	(1,991,143)	1,722,623

Included in the debit balance of accumulated losses as at 31st December, 2001 are accumulated credit balances in respect of exchange realignments amounting to HK$20,528,000 (2000: HK$21,884,000).

The Group's contributed surplus represents the excess value of the shares acquired over the nominal value of the Company's shares issued in exchange during the Group reorganisation in November 1996.

As detailed in note 3 to the financial statements, the Group has adopted the transitional provisions of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1st January, 2001, to remain eliminated against reserves.

Notes to Financial Statements

31st December, 2001

33. RESERVES (continued)

The amounts of the goodwill remaining in reserves, arising from the acquisition of subsidiaries and associates prior to 1st January, 2001, are as follows:

Group

	Goodwill eliminated against contributed surplus HK$'000
Cost:	
At beginning of year and 31st December, 2001	(823,055)
Accumulated impairment:	
At beginning of year	
As previously reported	—
Prior year adjustment *(note 4)*	823,055
As restated:	
At 31st December, 2000 and as at 31st December, 2001	823,055
Net amount:	
At 31st December, 2001	—
At 31st December, 2000	
As previously reported	(823,055)
Prior year adjustment	823,055
As restated	—

Notes to Financial Statements

33. RESERVES (continued)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2000	2,789,957	845,455	(859,568)	2,775,844
Issue of shares	34,286	—	—	34,286
Exercise of share options	1,600	—	—	1,600
Share issue expenses	(3,366)	—	—	(3,366)
Loss for the year	—	—	(358,221)	(358,221)
At 31st December, 2000 and 1st January, 2001	2,822,477	845,455	(1,217,789)	2,450,143
Issue of rights shares	65,985	—	—	65,985
Shares issued as partial consideration for acquisition of a jointly-controlled entity	2,800	—	—	2,800
Share issue expenses	(2,629)	—	—	(2,629)
Loss for the year	—	—	(934,910)	(934,910)
At 31st December, 2001	2,888,633	845,455	(2,152,699)	1,581,389

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996, over the nominal value of the Company's shares issued in exchange. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

Notes to Financial Statements

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34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK$'000	HK$'000
		(Restated)
Loss from operating activities	**(165,408)**	(1,091,320)
Interest income	**(82,784)**	(126,119)
Dividend income	**—**	(1,000)
Depreciation	**8,224**	12,295
Amortisation of goodwill	**1,763**	—
Write off of deposits paid	**3,412**	—
Loss/(gain) on disposal of fixed assets	**792**	(1,015)
Loss on disposal of a long term investment	**—**	20,000
Gain on disposal of subsidiaries	**—**	(23,596)
Gain on disposal of interests in associates	**(3,855)**	(11,612)
Loss/(gain) on disposal of short term investments	**65,853**	(15,389)
Unrealised holding loss on short term investments	**—**	351,206
Provisions for bad and doubtful debts	**1,119**	16,624
Write-back of provisions for bad and doubtful debts	**(1,531)**	(31,558)
Impairment of a long term investment	**29,871**	—
Impairment of an investment in an associate	**3,168**	—
Impairment of goodwill	**32,990**	823,055
Legal and professional fees in respect of the group reorganisation	**—**	6,646
Decrease in amounts due from fellow subsidiaries	**—**	9,299
Decrease in stocks	**392**	3,644
Increase in self-produced and purchased programmes	**(53,129)**	—
Decrease in amount due from Whistler Mountain Inn, Limited Partnership	**—**	3,147
Increase in loan receivable	**(39,134)**	—
Increase in debtors and deposits	**(28,687)**	(28,058)
Decrease in creditors and accruals	**(12,340)**	(33,084)
Net cash outflow from operating activities	**(239,284)**	(116,835)

Notes to Financial Statements

31st December, 2001

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) HK$'000	Bank loans and cash held in trust HK$'000	Finance lease obligations HK$'000	Minority interests HK$'000
Balance at 1st January, 2000	2,972,371	322,874	—	338,754
Net cash inflow/(outflow) from financing	2,000	(26,363)	(16)	16,477
Share issue expenses	(3,366)	—	—	—
Share issue on acquisition of associates	40,000	—	—	—
Share of net loss for the year	—	—	—	(462)
Inception of finance lease	—	—	138	—
Arising on acquisition of subsidiaries	—	—	—	62
Arising on disposal of subsidiaries	—	(299,249)	—	(354,701)
Exchange realignments	—	462	—	91
Balance at 31st December, 2000 and 1st January, 2001	3,011,005	(2,276)	122	221
Net cash inflow/(outflow) from financing	157,620	25,000	(29)	—
Share issued as partial consideration for the acquisition of a jointly-controlled entity	5,600	—	—	—
Share of net profit for the year	—	—	—	135
Inception of finance lease	—	—	41	—
Exchange realignments	—	—	—	(37)
Balance at 31st December, 2001	3,174,225	22,724	134	319

Notes to Financial Statements

31st December, 2001

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of subsidiaries

	2001	2000
	HK$'000	HK$'000
Net assets acquired:		
Fixed assets	—	285
Long term investments	—	20,199
Interests in associates	—	6,961
Debtors and deposits	—	15,588
Cash and cash equivalents	—	15,164
Creditors and accruals	—	(22,735)
Minority interests	—	(62)
	—	35,400
Goodwill on acquisition	—	227,445
	—	262,845
Satisfied by:		
Cash	—	10,525
Amount payable to Furama Hotel Enterprises Limited	—	252,320
	—	262,845

Analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2001	2000
	HK$'000	HK$'000
Cash consideration	—	(10,525)
Cash and cash equivalents acquired	—	15,164
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	—	4,639

In respect of the cash flows for the year ended 31st December 2000, the subsidiaries acquired in that year utilised HK$5,389,000 of the Group's net operating cash flows, contributed HK$77,000 in respect of the net returns on investments and servicing of finance, and paid HK$2,589,000 in respect of the investing activities, but had no significant impact in respect of tax and the financing activities of the Group.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of subsidiaries (continued)

The subsidiaries acquired in the prior year contributed HK$45,852,000 (restated - note 8) to turnover and a profit of HK$2,492,000 to the loss before minority interests of the Group for the year ended 31st December, 2000.

(d) Disposal of subsidiaries

	2001 **HK$'000**	2000 HK$'000
Net assets disposed of:		
Fixed assets	—	1,095,677
Stocks	—	9,538
Debtors and deposits	—	40,060
Cash and cash equivalents	—	67,584
Creditors and accruals	—	(45,219)
Bank loans and other borrowings	—	(300,118)
Minority interests	—	(354,701)
Release of exchange reserve	—	256
	—	513,077
Gain on disposal	—	23,596
	—	536,673
Satisfied by:		
Amount due from Furama Hotel Enterprises Limited	—	536,673

Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001 **HK$'000**	2000 HK$'000
Cash and bank balances disposed of	—	(67,584)
Bank loans disposed of with maturity within three months from the date of advance	—	869
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	(66,715)

Notes to Financial Statements

31st December, 2001

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of subsidiaries (continued)

In respect of the cash flows for the year ended 31st December 2000, the subsidiaries disposed of in that year contributed HK$13,875,000 to the Group's net operating cash flows, paid HK$12,277,000 in respect of the net returns on investments and servicing of finance, made no contribution/payment in respect of tax, paid HK$1,452,000 for investing activities, and contributed HK$781,000 in respect of financing.

The subsidiaries disposed of in the prior year contributed HK$145,760,000 to turnover and profit of HK$5,428,000 to the loss before minority interests of the Group for the year ended 31st December, 2000.

(e) Major non-cash transactions

(i) On 4th April, 2001, the Company issued a total of 5,600,000 new ordinary shares of HK$0.50 each at an ascribed issue price of HK$1.00 per share as partial consideration for the acquisition of interest in a jointly-controlled entity, as detailed in note 32(b).

(ii) During the year, the Group recorded a gain of HK$2,600,000 on the deemed disposal, and a goodwill of HK$14,660,000 on the deemed acquisition, of interest in an associate.

(iii) Assets transferred under the Group reorganisation in 2000

In 2000, the Company and LSD entered into a reorganisation agreement for the transfer by the Company of certain hotel and ancillary assets with an aggregate value of HK$685,410,000 to LSD, in the form of the disposal of the equity interests in subsidiaries and associates and a long term investment, and, at the same time, the transfer by LSD of certain technology-oriented assets with an aggregate value of HK$1,085,370,000 to the Company. The excess consideration of HK$399,960,000 payable by the Company to LSD in respect of such asset transfers was deducted from the outstanding principal amount of the indebtedness of HK$1,900,000,000, which FHEL owed to GPEL. As a result, the amount due from FHEL was reduced to HK$1,500,040,000 as at 31st December, 2000. Further details of the subsidiaries acquired and disposed of in this asset transfers are detailed in notes 34(c) and (d) above. Other major non-cash transactions in respect of such asset transfers are summarised below:

	HK$'000
Land and buildings acquired	75,000
Marketable securities acquired	513,300
Equity interests in associates acquired	244,750
Equity interests in associates disposed of	88,737
Long term investment disposed of	60,000

(iv) In 2000, the Company issued a total of 57,140,000 new ordinary shares of HK$0.10 each at an ascribed issue price of approximately HK$0.70 per share as partial consideration for the acquisition of interests in two associates.

35. LITIGATION

(a) In 1998, the Group disposed of its 50% interest in Delta Hotels Limited ("DHL") to Canadian Pacific Hotels Corporation (the "Purchaser"). Under the terms of the sale and purchase agreement, C$10 million (approximately HK$52 million) of the sale proceeds was held in escrow (the "Escrow Funds") pending the expiration of a warranty period.

The Purchaser made claims against the Escrow Funds in 2000. Subsequently, C$8 million (approximately HK$42 million) of the Escrow Funds was released to the Group and the other owner during 2000. The Group and the other owner have commenced action against the Purchaser for the remaining C$2 million (approximately HK$10 million), and the Purchaser has issued a counterclaim for the C$2 million (approximately HK$10 million).

The litigation is still in a discovery stage, and the directors are uncertain as to the amount of the Escrow Funds that will be recovered by the Group. However, the Group has been advised by the other owner that they have substantive grounds to rebut the defence and counterclaims made by the Purchaser, and the directors are satisfied that the Group will receive a significant portion of the Escrow Funds in due course.

(b) In the 1999 annual report, it was reported the Group had lost its appeal in the litigation in respect of the Whistler Mountain Inn, Limited Partnership ("WMILP") against the limited partners. Subsequent to the appeal, the Group settled with the plaintiffs the quantum of damages, interest, and costs of the action, and the court appointed receiver of the limited partnership commenced the liquidation of the limited partnership. However, the action with the limited partners and the subsequent settlement did not deal with a separate C$600,000 claim from one of the limited partners against the Group and the other limited partners. The claimant claimed that he acquired his units in the WMILP in 1982 on the basis that they would not be subject to the limited partnership agreement, and wanted the return of all the rent earned on his partnership units since 1982. Although this separate action has been outstanding since 1989, it has been inactive. A tentative settlement was reached with the claimant during the year and the parties involved are now negotiating the distribution of the proceeds. It is believed that the matter will be resolved in the spring of 2002.

The exposure of the Group to this litigation has been covered by an indemnity from LSD and from Mr. Lam Kin Ngok, Peter, a director of the Company.

(c) In the 1999 annual report, it was reported that Sun Microsystems Inc. ("SMI") had commenced legal proceedings against the Group in March 2000, alleging the Group's use of the "eSun" trademark was a passing off of SMI's own trademarks. The interlocutory injunction application by SMI was dismissed by the High Court of Hong Kong, with a strong indication from the Court that SMI's case lacked merit. The parties are actively negotiating a settlement of the action, and the Group is confident that it will receive some compensation from SMI for legal expenses incurred by the Group in this action.

Notes to Financial Statements

31st December, 2001

36. COMMITMENTS

(a) Commitments not provided for in the financial statements at the balance sheet date were as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments contracted for	**32,859**	14,253	**—**	—

In addition, during the year, the Group has committed to invest in the development of a television city with a programme production centre in Macau the completion of which is scheduled in 2003. At 31st December, 2001, the authorised but not contracted for commitment in respect of this project amounted to HK$258,249,000. At 31st December, 2000, the Group has authorised but not contracted for commitments amounted to HK$46,660,000.

(b) The Group leases certain of its office properties and a parcel of land in Macau under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years, and the lease term of the Macau production centre is twenty five years.

At 31st December, 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Within one year	**2,775**	2,830	**504**	504
In the second to fifth years, inclusive	**4,145**	2,014	**504**	—
After five years	**16,209**	—	**—**	—
	23,129	4,844	**1,008**	504

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts have been restated to accord with the current year's presentation.

Notes to Financial Statements

31st December, 2001

36. COMMITMENTS (continued)

(c) In addition, during current year, the Group has entered into an agreement to lease a satellite channel at an annual licence fee of US$800,000 for a term of twelve years. At 31st December, 2001, the total future minimum lease payments are as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**3,390**	—	—	—
In the second to fifth years, inclusive	**24,932**	—	—	—
After five years	**37,398**	—	—	—
	65,720	—	—	—

37. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements at the balance sheet date were as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to third parties in connection with restaurant operations	—	446	—	—
Guarantee given to LSD in connection with the disposal of an associate to LSD *(note)*	**25,000**	25,000	**25,000**	25,000
Guarantee given to a supplier in connection with credit facilities given to a subsidiary	—	—	**2,000**	—
	25,000	25,446	**27,000**	25,000

Note:

In connection with the Reorganisation Agreement described further in note 20, the Group disposed of its 45% interest in Guangzhou International Golf Club Ltd. ("GIGC") to LSD. GIGC owns and operates a golf club in Xiancun, Zhencheng, Guangdong Province, the People's Republic of China.

GIGC has not obtained valid land use rights for a total area of 1,430 mu (approximately 953,340 square metres) of the land ("the Land") on which the golf club is situated, which would show unencumbered ownership over such Land upon completion of the transaction. As a result, the Group entered into a Deed of Undertaking and Indemnity with LSD on 30th June, 2000.

The Group has undertaken to indemnify LSD or any of its subsidiaries against all losses and charges suffered or sustained, directly or indirectly, in connection with GIGC not having obtained the land use right certificates, and all other relevant documents of the Land on which the golf club is situated or not showing unencumbered ownership over the Land. The aggregate liability of the Group under the indemnity created is limited to a maximum of HK$25,000,000.

Notes to Financial Statements

31st December, 2001

38. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made (note 4) and certain comparative amounts have been reclassified to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19th April, 2002.