

Report of the Directors

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2002.

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, the management of hotel operations and satellite television operations. There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND DIVIDENDS

Details of the results of the Group for the year ended 31st December, 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 74.

No interim dividend was paid or declared in respect of the year ended 31st December, 2002 (2001: Nil).

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st December, 2002 (2001: 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

Lam Kin Ming

Tam Wai Chu, Maria

U Po Chu

Shiu Kai Wah

Chiu Wai

Alfred Donald Yap*

Low Chee Keong*

Stephen Hung (*Vice Chairman*)

(resigned on 1st April, 2002)

Victor Yang

(resigned on 9th December, 2002)

* *Independent non-executive Directors*

In accordance with Bye-law 87 of the Company’s Bye-laws, Mr. Lee Po On, Madam Tam Wai Chu, Maria, Mr. Alfred Donald Yap and Mr. Low Chee Keong will retire by rotation at the forthcoming Annual General Meeting and, being eligible, they offer themselves for re-election.

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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.

CONNECTED TRANSACTIONS

On 8th November, 2002, the Company and Lai Sun Development Company Limited ("LSD") entered into an agreement pursuant to which the Company agreed to sell and LSD agreed to purchase, the entire issued share capital of Houseman International Limited, a wholly-owned subsidiary of the Company which holds a 50% equity interest in HKATV.com Limited, for a consideration of HK\$46,080,000. Since LSD is a substantial shareholder of the Company, the transaction constituted a connected transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Further details of the transaction are included in note 15 to the financial statements.

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 set out the management services provided to a hotel owned by PSD in Bangkok. Along with the disposal of interest in PSD by LSD, the hotel management contract was terminated during the year.
- (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 set out the marketing and promotional services provided to a hotel owned by PSD in Bangkok. The services agreement was terminated during the year.
- (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 a 10% interest. Since 1st November, 1999, GIH acted as consultant and advisor in respect of the management and operation of a hotel owned by PHR in Malaysia. Along with the disposal of the interest in PHR by LSD, the consultancy services agreement was terminated during the year.

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DIRECTORS' INTERESTS IN CONTRACTS (continued)

(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 received 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 could be extended for three additional terms of five years at DHR's option. The management agreement has expired. Owing to the sale of the Hotel, the management services were terminated during the year.

- (2) An offshore agreement was entered into with DAL for marketing and advisory services provided to the Hotel. DAL was 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 had an initial term of ten years and could be extended at DAL's option for an additional term of ten years. The agreement was terminated during the year.

(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" on page 17.

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" on pages 13 and 14, 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 subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed below, during the year and up to 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 Listing Rules.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Prior to 30th April, 2002, Mr. Lim Por Yen was a substantial shareholder of Asia Television Limited ("ATV"), a company incorporated in Hong Kong, whose principal activities are television broadcasting, programme production and the distribution of programme rights. Mr. Lim Por Yen entered into an agreement with LSD on 7th December, 2001 to sell his entire shareholding interest in ATV. This transaction was completed on 30th April, 2002.

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. Lim Por Yen, Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming are directors of ATV.

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

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 the aforesaid 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 (as defined in note 18 to the financial statements) 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 of its technology-oriented assets to the Group and the Group agreed to transfer certain of its 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, 2002, the indebtedness due from FHEL was approximately HK\$1,500,040,000. GPEL is entitled to share the securities in 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.

Report of the Directors

PRACTICE NOTE 19 TO THE LISTING RULES (continued)

- (B) The indebtedness is 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 the 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 the ("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 was subject to interest at a rate of 5% per annum on the outstanding balance and the repayment date was due on 31st December, 2002. As at the date of approval of the financial statements, the balance of HK\$1,500,040,000 due from FHEL remained outstanding. The Directors have discussed the repayment of the outstanding balances with the management of FHEL and LSD and obtained an understanding that LSD is currently working closely with its legal and financial advisors to formulate a plan for the settlement and/or repayment of the outstanding balances due to the Group, the Exchangeable Bondholders and the Convertible Bondholders, and the other borrowings. Further details are set out in note 18 to the financial statements.

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BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Lien Jown Jing, Vincent, Chairman, aged 42, 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 12 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 47, 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. He is a director of Lai Sun Garment (International) Limited and Lai Fung Holdings Limited. Mr. Lee is a Fellow of the Association of Chartered Certified Accountants.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Executive Directors (continued)

Mr. Lam Kin Ngok, Peter, aged 45, was appointed an executive Director of the Company in October 1996. 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 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.

Mr. Lim Por Yen, aged 88, 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 Lai Fung Holdings Limited and 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 52, 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 51, 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 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.

Non-Executive Directors

Mr. Lam Kin Ming, aged 65, 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 Lai Fung Holdings Limited and a director of Lai Sun Development Company Limited (“LSD”). 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Non-Executive Directors (continued)

Miss Tam Wai Chu, Maria, G.B.S., C.B.E., J.P., aged 57, 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 78, 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"), Crocodile Garments Limited and Lai Fung Holdings Limited. LSD is the controlling shareholder of the Company and LSG is the controlling shareholder of LSD. Madam U has 58 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 70, 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 72, 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 48 years' experience in production management. He has been working for the Lai Sun Group's garment business since 1955.

Mr. Alfred Donald Yap, J.P., aged 64, 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 42, 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..

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SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 “Employee benefits” during the year, most of the detailed disclosures relating to the Company’s share option scheme have been moved to note 32 to the financial statements.

DIRECTORS’ INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December, 2002, 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 of Hong Kong Limited (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	Nil	931,800
Lee Po On	5,195,934	Nil	Nil	Nil	5,195,934
Lim Por Yen	Nil	Nil	285,512,791 (Note)	Nil	285,512,791
Liu Ngai Wing	3,321,215	Nil	Nil	Nil	3,321,215

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 34.01% 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.

Save as disclosed above, as at 31st December, 2002, 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.

ARRANGEMENTS TO PURCHASE SECURITIES AND DEBENTURES

Except for the share option scheme as detailed in note 32 to the financial statements, at no time during the year was the 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, the following persons were interested in 10% or more of the nominal value of the total issued share capital of the Company as recorded in the register of interests required to be kept under Section 16(1) of the SDI Ordinance:

	Number of Shares Held
Lai Sun Development Company Limited ("LSD")	285,512,791
Lai Sun Garment (International) Limited ("LSG")	285,512,791 (Note 1)
Lim Por Yen	285,512,791 (Note 2)

Notes :

- 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.
- Mr. Lim Por Yen (and his associates) held an interest of approximately 34.01% 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.

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, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2002, 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.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 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 notes 31 and 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.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31st December, 2002, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the 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 43% of the total sales for the year and sales to the largest customer included therein amounted to 20%. Purchases from the Group's five largest suppliers accounted for 56% of the total purchases for the year and purchases from the largest supplier included therein amounted to 26%.

As at 31st December, 2002, LSD owned an approximate 32% equity interest in one of the major customers and Mr. Lim Por Yen owned an approximate 6% equity interest in another company which is one of the major customers and suppliers of the Group. Other than the above, none of the Directors of the Company or any of their associates or any shareholders (which, 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.

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 published audited financial statements and adjusted as appropriate, is set out below.

Results

	Year ended 31st December,				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TURNOVER	<u>176,278</u>	<u>84,376</u>	<u>206,948</u>	<u>374,694</u>	<u>369,221</u>
LOSS BEFORE TAX	(69,460)	(179,423)	(1,114,292)	(1,322,202)	(61,131)
Tax	<u>985</u>	<u>(2,130)</u>	<u>(14,875)</u>	<u>(4,649)</u>	<u>(13,703)</u>
LOSS BEFORE					
MINORITY INTERESTS	(68,475)	(181,553)	(1,129,167)	(1,326,851)	(74,834)
Minority interests	<u>(324)</u>	<u>(135)</u>	<u>462</u>	<u>442,100</u>	<u>25,032</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	<u>(68,799)</u>	<u>(181,688)</u>	<u>(1,128,705)</u>	<u>(884,751)</u>	<u>(49,802)</u>

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued)

Assets, Liabilities and Minority Interests

	As at 31st December,				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Fixed assets	154,000	141,975	95,089	1,107,843	2,580,724
Investment properties	—	—	—	—	483,000
Long term investments	—	9,682	34,553	85,001	—
Goodwill	—	—	—	—	61,272
Interests in jointly-controlled entities	779	6,006	—	—	—
Interests in associates	48,903	85,983	52,537	81,062	1,191,398
Long term deposits	—	—	—	—	10,000
Due from Furama Hotel					
Enterprises Limited	1,500,040	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
Deferred tax assets	—	661	1,360	1,397	7,873
Long term receivables	—	—	—	92,832	31,091
Film rights	113,109	—	—	—	—
Current assets	<u>87,128</u>	<u>219,791</u>	<u>284,912</u>	<u>496,539</u>	<u>863,840</u>
TOTAL ASSETS	<u>1,903,959</u>	<u>1,964,138</u>	<u>1,968,491</u>	<u>3,764,674</u>	<u>5,611,575</u>
Current liabilities	(81,670)	(72,385)	(57,016)	(195,487)	(723,713)
Long term bank loans and other borrowings	<u>(77)</u>	<u>(107)</u>	<u>(103)</u>	<u>(232,829)</u>	<u>(305,027)</u>
TOTAL LIABILITIES	<u>(81,747)</u>	<u>(72,492)</u>	<u>(57,119)</u>	<u>(428,316)</u>	<u>(1,028,740)</u>
MINORITY INTERESTS	<u>(206)</u>	<u>(319)</u>	<u>(221)</u>	<u>(338,754)</u>	<u>(743,341)</u>
	<u>1,822,006</u>	<u>1,891,327</u>	<u>1,911,151</u>	<u>2,997,604</u>	<u>3,839,494</u>

Report of the Directors

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 38 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report. 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 By-laws.

The Company has established an audit committee in accordance with the requirements of the Code. 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
17th April, 2003