

# 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, 2003.

## 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, satellite television operations, the provision of advertising agency services, hotel management operations and sale of cosmetic products, the business of which commenced in the current year. Other than the commencement of sale of cosmetic products and the disposal and discontinuance of the Group’s hotel management operations, further details of which are included in note 7 to the financial statements, 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, 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 76.

No interim dividend was paid or declared in respect of the year ended 31st December, 2003 (2002: Nil).

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st December, 2003 (2002: Nil).

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## 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

Lam Kin Ming

Tam Wai Chu, Maria

U Po Chu

Shiu Kai Wah

Chiu Wai

Alfred Donald Yap\*

Low Chee Keong\*

Shi Nan Sun

(*resigned on 1st June, 2003*)

\* Independent non-executive Directors

# Report of the Directors

## DIRECTORS (continued)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Lim Por Yen, Mr. Lam Kin Ming and Mr. Shiu Kai Wah will retire by rotation at the forthcoming Annual General Meeting. Mr. Lam Kin Ming and Mr. Shiu Kai Wah, being eligible, offer themselves for re-election. Mr. Lim Por Yen has informed the Board of his intention of not seeking re-election at the aforesaid Meeting.

## 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

- (a) 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 (the "Transaction"). On 14th May, 2003, the Company and LSD entered into a supplemental agreement pursuant to which the consideration of the Transaction was reduced to HK\$33,580,000. The Transaction was completed on 25th July, 2003.
- (b) On 26th September, 2003, Delta Asia Limited ("DAL"), a wholly-owned subsidiary of the Company, and Furama Hotels and Resorts International Limited ("FHRI"), a wholly-owned subsidiary of LSD, entered into an agreement pursuant to which DAL agreed to sell and FHRI agreed to purchase, the entire issued share capital of Glynhill Hotels and Resorts (Vietnam) Pte Ltd ("GHRV"), a wholly-owned subsidiary of DAL holding the hotel management rights of the Caravelle Hotel, for a consideration of HK\$10,300,000.

Since LSD is a substantial shareholder of the Company, the above transactions constituted connected transactions 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 above transactions are included in note 17 to the financial statements.

## DIRECTORS' INTERESTS IN CONTRACTS

A management agreement was entered into on 23rd April, 1998 between a subsidiary of the Group, GHRV 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. As mentioned in the Section "Connected transactions" above, during the year, GHRV was disposed of to FHRI and no management service had been provided by the Group to CCJV since then.

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 above contract by virtue of their interests described under the section "Directors' interests" on pages 16 and 17.

# Report of the Directors

## DIRECTORS' INTERESTS IN CONTRACTS (continued)

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

Except as disclosed above, under the heading "Practice Note 19 to the Listing Rules" on pages 12 and 13, and in the notes to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to which the Company or any of its 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 businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Mr. Lim Por Yen is a shareholder of Media Asia Holdings Ltd. ("MAH"), a private company incorporated in the British Virgin Islands in 1994. MAH is based in Hong Kong and its principal activities are the production and distribution of films.

Mr. Lam Kin Ngok, Peter and Mr. Lee Po On are directors of MAH.

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 management of artistes.

Prior to Miss Shi Nan Sun's resignation from the Board on 1st June, 2003, Miss Shi was a director and substantial shareholder of Film Workshop Co. Ltd., the principal activity of which was film production. The entire issued share capital of the above company was 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 20 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 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.

# Report of the Directors

## PRACTICE NOTE 19 TO THE LISTING RULES (continued)

As of 31st December, 2003, the indebtedness due from FHEL was approximately HK\$1,500,040,000. GPEL is entitled to share the security in item (B) below with LSD's Exchangeable Bondholders and Convertible Bondholders (collectively referred to as the "Bondholders") in respect of the indebtedness due from FHEL on a pro rata basis:

- (A) LSD has guaranteed the repayment of the outstanding principal and accrued interest payable to GPEL.
- (B) The indebtedness 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.

In respect of a negative pledge granted by LSD to the Bondholders and the Company on the properties: Causeway Bay Plaza 1, Causeway Bay Plaza 2 and Cheung Sha Wan Plaza (the "three LSD properties") in August 2000, the negative pledge lapsed in early 2003 according to the terms of the covenants and undertakings given by LSD.

In accordance with the Supplemental Trust Deed entered into between the Bondholders and LSD on 19th January, 2001, LSD has undertaken that, upon the disposal of the three LSD properties prior to 31st December, 2002, 70% of the surplus (net consideration in excess of amounts secured by any first or prior charge of right over the three LSD properties sold and costs and expenses related to such disposal) would be paid on a pro rata basis to the Bondholders and the Company. Such undertakings provided by LSD expired subsequent to 31st December, 2002.

The Directors had been discussing with the management of FHEL and LSD on the repayment of the outstanding balances since early January 2003. As at the date of approval of these financial statements, the balance of HK\$1,500,040,000 due from FHEL remained outstanding and FHEL did not pay interest on the debt due from FHEL as from 1st January, 2003. LSD, which defaulted on the Exchangeable Bonds and Convertible Bonds after 31st March, 2003, has entered into a period of informal standstill since 1st April, 2003 with the Bondholders. LSD is currently working closely with its legal and financial advisers to formulate a plan for the settlement and/or repayment of the outstanding balances and the interest terms on the indebtedness due to the Group and the Bondholders, and its other borrowings.

## BIOGRAPHICAL DETAILS OF DIRECTORS

### Executive Directors

Mr. Lien Jown Jing, Vincent, Chairman, aged 43, 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 13 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.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

### Executive Directors (continued)

Mr. Lee Po On, Chief Executive Officer, aged 48, 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.

Mr. Lam Kin Ngok, Peter, aged 46, 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 89, 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 has over 60 years’ experience in the garment business and became involved in the property development and investment business since the mid-1950’s. He was admitted to the honorary university fellowship of the University of Hong Kong in December 2003. 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. Lim is the husband of Madam U Po Chu and the father of Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming.

Mr. Liu Ngai Wing, aged 53, 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’s 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 a Fellow of the Association of Chartered Certified Accountants.

### Non-Executive Directors

Mr. Lam Kin Ming, aged 66, 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 58, 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 79, is a non-executive Director of the Company and was first appointed to the Board in October 1996. She is also a non-executive director of Lai Sun Garment (International) Limited ("LSG"), Lai Sun Development Company Limited ("LSD") and Crocodile Garments Limited, and an executive director of Lai Fung Holdings Limited. LSD is the controlling shareholder of the Company and LSG is the controlling shareholder of LSD. Madam U has 59 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 71, 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 73, 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 close to 50 years' experience in production management.

Mr. Alfred Donald Yap, J.P., aged 65, 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, Solicitors and Notaries. 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. He has been appointed a member of the Town Planning Board on 1st April, 2004.

Mr. Low Chee Keong, aged 43, 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..

# Report of the Directors

## SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 32 to the financial statements.

In compliance with the provisions of Chapter 17 of the Listing Rules, appropriate amendments will be made to items (b) and (d) in note 32 to the financial statements and other terms and conditions of the share option scheme should the Company continue to grant options under the existing scheme.

## DIRECTORS' INTERESTS

As at 31st December, 2003, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

### The Company

Name of Director	Personal Interests	Family Interests	Long positions in the shares			Total	Percentage
			Corporate Interests		Capacity		
Lien Jown Jing, Vincent	931,800	Nil	Nil	Beneficial owner	931,800	0.14%	
Lee Po On	5,195,934	Nil	Nil	Beneficial owner	5,195,934	0.77%	
Lim Por Yen	Nil	Nil	285,512,791 (Note 1)	Beneficial owner	285,512,791	42.54%	
Liu Ngai Wing	3,321,215	Nil	Nil	Beneficial owner	3,321,215	0.49%	
U Po Chu	Nil	285,512,791 (Note 2)	Nil	Beneficial owner	285,512,791	42.54%	

#### Notes :

- 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 was deemed to be interested in such shares in the Company by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of LSG.

Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of LSG and held in aggregate an interest of approximately 42% in the issued share capital of LSG.

- Madam U Po Chu was deemed to be interested in 285,512,791 shares in the Company by virtue of the interest in such shares of her spouse, Mr Lim Por Yen.

## Report of the Directors

### DIRECTORS' INTERESTS (continued)

Save as disclosed above, as at 31st December, 2003, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

### ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except for the share option scheme disclosed above and in note 32 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st December, 2003, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Long positions in the shares		Percentage
		Nature (Note 1)	Number of Shares	
Lai Sun Development Company Limited ("LSD")	Beneficial owner	Corporate	285,512,791 (Note 2)	42.54%
Lai Sun Garment (International) Limited (LSG")	Beneficial owner	Corporate	285,512,791 (Note 3)	42.54%
Lim Por Yen	Beneficial owner	Corporate	285,512,791 (Note 4)	42.54%
U Po Chu	Beneficial owner	Family	285,512,791 (Note 5)	42.54%
Lai Yuen Fong	Beneficial owner	Family	285,512,791 (Note 6)	42.54%
Silver Ace Limited	Beneficial owner	Corporate	50,439,600 (Note 7)	7.52%

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)

Name	Capacity	Long positions in the shares		Percentage
		Nature (Note 1)	Number of Shares	
Lagonda Resources Limited	Beneficial owner	Corporate	50,439,600 (Notes 7 and 8)	7.52%
Li Chi Keung	Beneficial owner	Corporate & Family	50,439,600 (Notes 7 and 9)	7.52%
Wong Hoi Ping	Beneficial owner	Corporate & Family	50,439,600 (Notes 7 and 10)	7.52%
Lovendale International Inc.	Person having a security interest in shares	Corporate	285,512,791 (Note 7)	42.54%
Onshine Finance Limited	Person having a security interest in shares	Corporate	100,000,002 (Note 7)	14.90%

### Notes:

- Family and corporate denote family interest and corporate interest respectively.
- This interest has been pledged to a non-qualified lender by way of security.
- 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 was deemed to be interested in such shares in the Company by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of LSG.  
  
Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of LSG and held in aggregate an interest of approximately 42% in the issued share capital of LSG.
- Madam U Po Chu was deemed to be interested in 285,512,791 shares in the Company by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
- Madam Lai Yuen Fong was deemed to be interested in 285,512,791 shares in the Company by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
- Persons falling under the category of "Other Persons" in Practice Note 5 of the Listing Rules.
- Lagonda Resources Limited was taken to be interested in 50,439,600 shares in the Company beneficially owned by Silver Ace Limited due to its corporate interests therein.
- Mr. Li Chi Keung was taken to be interested in 50,439,600 shares in the Company by virtue of his corporate and family interests in Silver Ace Limited.
- Ms. Wong Hoi Ping was taken to be interested in 50,439,600 shares in the Company by virtue of her corporate and family interests in Silver Ace Limited.

# Report of the Directors

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)**

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of equity derivatives and debentures of the Company as at 31st December, 2003.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31st December, 2003, 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 15 to the financial statements.

## **SHARE CAPITAL**

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 31 to the financial statements.

## **RESERVES**

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

## **DISTRIBUTABLE RESERVES**

As at 31st December, 2003, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with Companies Act 1981 of Bermuda (as amended). However, the Company's share premium account, in the amount of HK\$2,888,269,000, may be distributed in the form of fully paid bonus shares.

## **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for 59% of the total sales for the year and sales to the largest customer included therein amounted to 27%. Purchases from the Group's five largest suppliers accounted for 75% of the total purchases for the year and purchases from the largest supplier included therein amounted to 44%.

Other than Mr. Lim Por Yen who owns an approximate 6% equity interest in a company which is one of the major customers and suppliers of the Group, 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.

# Report of the Directors

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

### Results

	Year ended 31st December,				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	<u>97,804</u>	<u>176,278</u>	<u>84,376</u>	<u>206,948</u>	<u>374,694</u>
LOSS BEFORE TAX	(89,575)	(69,460)	(179,423)	(1,114,292)	(1,322,202)
Tax	<u>(3,129)</u>	<u>985</u>	<u>(2,130)</u>	<u>(14,875)</u>	<u>(4,649)</u>
LOSS BEFORE MINORITY INTERESTS	(92,704)	(68,475)	(181,553)	(1,129,167)	(1,326,851)
Minority interests	<u>(3)</u>	<u>(324)</u>	<u>(135)</u>	<u>462</u>	<u>442,100</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	<u>(92,707)</u>	<u>(68,799)</u>	<u>(181,688)</u>	<u>(1,128,705)</u>	<u>(884,751)</u>

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## SUMMARY OF FINANCIAL INFORMATION (continued) Assets, Liabilities and Minority Interests

	As at 31st December,				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Fixed assets	144,251	154,000	141,975	95,089	1,107,843
Long term investments	—	—	9,682	34,553	85,001
Interests in jointly-controlled entities	1,463	779	6,006	—	—
Interests in associates	113,053	48,903	85,983	52,537	81,062
Due from Furama Hotel Enterprises Limited	1,500,040	1,500,040	1,500,040	1,500,040	—
Deposits paid to Furama Hotel Enterprises Limited	—	—	—	—	1,900,000
Deferred tax assets	—	—	661	1,360	1,397
Long term receivables	—	—	—	—	92,832
Film rights	197,655	113,109	—	—	—
Current assets	<u>64,193</u>	<u>87,128</u>	<u>219,791</u>	<u>284,912</u>	<u>496,539</u>
<b>TOTAL ASSETS</b>	<b><u>2,020,655</u></b>	<b><u>1,903,959</u></b>	<b><u>1,964,138</u></b>	<b><u>1,968,491</u></b>	<b><u>3,764,674</u></b>
Current liabilities	(236,571)	(81,670)	(72,385)	(57,016)	(195,487)
Long term bank loans and other borrowings	<u>(5,042)</u>	<u>(77)</u>	<u>(107)</u>	<u>(103)</u>	<u>(232,829)</u>
<b>TOTAL LIABILITIES</b>	<b><u>(241,613)</u></b>	<b><u>(81,747)</u></b>	<b><u>(72,492)</u></b>	<b><u>(57,119)</u></b>	<b><u>(428,316)</u></b>
<b>MINORITY INTERESTS</b>	<b><u>(196)</u></b>	<b><u>(206)</u></b>	<b><u>(319)</u></b>	<b><u>(221)</u></b>	<b><u>(338,754)</u></b>
	<b><u>1,778,846</u></b>	<b><u>1,822,006</u></b>	<b><u>1,891,327</u></b>	<b><u>1,911,151</u></b>	<b><u>2,997,604</u></b>

### 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. All non-executive Directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Bye-laws.

## Report of the Directors

### AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Code for the purpose of reviewing the Group's financial reporting process and internal controls. The audit committee comprises the 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 said meeting.

On behalf of the Board

**Lien Jown Jing, Vincent**  
*Chairman*

Hong Kong  
16th April, 2004