



eSun Holdings Limited

Interim Report 2003

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

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*

COMPANY SECRETARY

Yeung Kam Hoi

1

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Stock code on Hong Kong Stock Exchange: 571

RESULTS

The Directors of eSun Holdings Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2003

	Notes	Six months ended	
		30th June, 2003 (Unaudited) HK\$'000	30th June, 2002 (Unaudited) HK\$'000
TURNOVER	3	49,755	56,573
Cost of sales		(58,299)	(67,354)
Gross loss		(8,544)	(10,781)
Other revenue	4	1,094	40,256
Marketing expenses		(2,980)	(4,659)
Administrative expenses		(41,527)	(48,536)
Other operating gains, net		12,339	7,930
LOSS FROM OPERATING ACTIVITIES	3, 5	(39,618)	(15,790)
Finance costs	6	(1,254)	(508)
Provision for an amount due from a jointly-controlled entity		(163)	(5,904)
Share of profits and losses of:			
— Associates		(4,713)	(7,593)
— Jointly-controlled entities		(965)	(1,288)
LOSS BEFORE TAX		(46,713)	(31,083)
Tax	7	(8)	(2,216)
LOSS BEFORE MINORITY INTERESTS		(46,721)	(33,299)
Minority interests		—	15
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(46,721)	(33,284)
LOSS PER SHARE — BASIC	8	8.12 cents	5.83 cents
INTERIM DIVIDEND PER SHARE		—	—

CONDENSED CONSOLIDATED BALANCE SHEET

30th June, 2003

		30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		161,394	154,000
Interests in jointly-controlled entities		1,048	779
Interests in associates		92,278	48,903
Due from Furama Hotel Enterprises Limited	10	1,500,040	1,500,040
Film rights		112,952	113,109
		1,867,712	1,816,831
CURRENT ASSETS			
Short term investments		146	135
Self-produced and purchased programmes		3,724	5,373
Loan receivable		—	2,548
Debtors and deposits	11	56,354	60,346
Cash and cash equivalents		6,710	18,726
		66,934	87,128
CURRENT LIABILITIES			
Creditors and accruals	12	52,684	34,095
Tax payable		4,394	14,495
Finance lease payables		33	31
Interest-bearing bank loan		25,000	25,000
Loan from a director		27,450	8,049
		109,561	81,670
NET CURRENT ASSETS/(LIABILITIES)		(42,627)	5,458
TOTAL ASSETS LESS CURRENT LIABILITIES		1,825,085	1,822,289
NON-CURRENT LIABILITIES			
Finance lease payables		(60)	(77)
MINORITY INTERESTS		(206)	(206)
		1,824,819	1,822,006
CAPITAL AND RESERVES			
Issued capital	13	335,592	285,592
Reserves	14	1,489,227	1,536,414
		1,824,819	1,822,006

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

	Notes	Six months ended	
		30th June, 2003 (Unaudited) HK\$'000	30th June, 2002 (Unaudited) HK\$'000
TOTAL EQUITY AT 1ST JANUARY		1,822,006	1,891,327
Exchange realignments on translation of the financial statements of foreign subsidiaries and associates, net	14	(138)	1,283
Net profit/(loss) not recognised in the profit and loss account		(138)	1,283
Issue of shares	13	50,000	—
Share issue expenses	13	(328)	—
Net loss for the period attributable to shareholders	14	(46,721)	(33,284)
TOTAL EQUITY AT 30TH JUNE		1,824,819	1,859,326

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th June, 2003*

	Six months ended	
	30th June, 2003 (Unaudited) HK\$'000	30th June, 2002 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(17,241)	(44,958)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(12,578)	16,004
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	17,803	(4,849)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,016)	(33,803)
Cash and cash equivalents at beginning of period	18,726	53,865
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,710	20,062
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,431	9,984
Time deposits	1,279	10,078
	6,710	20,062

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30th June, 2003

1. BASIS OF PRESENTATION

The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2003 have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants (the "HKSA").

2. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31st December, 2002, except for the adoption of the following revised SSAP issued by the HKSA which is effective for the accounting periods commencing on or after 1st January, 2003:

SSAP 12 (Revised) "Income Taxes" prescribes the accounting treatment and disclosures for deferred tax. In previous years, deferred tax is provided using the income statement liability method, on all significant timing differences to the extent that 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. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of the SSAP 12 (Revised) has had no material effect on the Group's net assets and results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

3. SEGMENT INFORMATION

(a) Business segments:

The following table presents the revenue and profit/loss for the Group's business segments.

	Hotel management		Media and entertainment		Satellite television		Advertising agency		Corporate and other		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30th June, 2003	30th June, 2002										
	(Unaudited) HK\$'000											
Segment revenue:												
Sales to external customers	1,968	2,973	14,803	20,909	785	—	32,199	32,691	—	—	49,755	56,573
Other revenue	—	1,560	695	—	—	—	309	—	18	37,193	1,022	38,753
Total	1,968	4,533	15,498	20,909	785	—	32,508	32,691	18	37,193	50,777	95,326
Segment results	2,021	3,628	5,855	(12,609)	(25,228)	(31,984)	(395)	120	(21,954)	23,552	(39,701)	(17,293)
Dividend income and unallocated interest and other gains											72	1,503
Unrealised holding gain on short term investments									11	—	11	—
Loss from operating activities											(39,618)	(15,790)
Finance costs											(1,254)	(508)
Provision for an amount due from a jointly-controlled entity			(163)	(5,904)							(163)	(5,904)
Share of profits and losses of:												
Associates			(4,713)	(7,593)							(4,713)	(7,593)
Jointly-controlled entities			(965)	(1,288)							(965)	(1,288)
Loss before tax											(46,713)	(31,083)
Tax											(8)	(2,216)
Loss before minority interests											(46,721)	(33,299)
Minority interests											—	15
Net loss attributable to shareholders											(46,721)	(33,284)

(b) *Geographical segments:*

The following table presents the revenue for the Group's geographical segments.

	Hong Kong		PRC-Mainland (including Macau)		Other areas		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30th June, 2003	30th June, 2002	30th June, 2003	30th June, 2002	30th June, 2003	30th June, 2002	30th June, 2003	30th June, 2002
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	19,810	28,683	27,977	24,937	1,968	2,953	49,755	56,573

4. OTHER REVENUE

	Six months ended	
	30th June, 2003 (Unaudited) HK\$'000	30th June, 2002 (Unaudited) HK\$'000
Interest income	72	38,696
Others	1,022	1,560
	1,094	40,256

8

5. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Six months ended	
	30th June, 2003 (Unaudited) HK\$'000	30th June, 2002 (Unaudited) HK\$'000
Cost of inventories sold	15,923	17,269
Cost of services provided	42,376	50,085
Depreciation	6,606	6,825
Amortisation of self-produced and purchased programmes*	503	—
Amortisation of film rights*	157	—
Unrealised holding gain on short term investments	11	—
Foreign exchange gains, net	(18)	(418)
Loss on disposal of fixed assets	—	25

* These items are included in the cost of inventories sold.

6. FINANCE COSTS

	Six months ended	
	30th June, 2003 (Unaudited) HK\$'000	30th June, 2002 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	447	500
Interest on loan from a director	801	—
Interest on finance leases	6	8
	1,254	508

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30th June, 2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. 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.

	Six months ended	
	30th June, 2003 (Unaudited) HK\$'000	30th June, 2002 (Unaudited) HK\$'000
Provision for tax for the period:		
Hong Kong	—	2,200
Elsewhere	48	—
	48	2,200
Associates:		
Hong Kong	(40)	16
Elsewhere	—	—
	(40)	16
Tax charge for the period	8	2,216

8. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$46,721,000 (six months ended 30th June, 2002: HK\$33,284,000), and the weighted average of 575,604,817 (six months ended 30th June, 2002: 571,184,927) ordinary shares in issue throughout the period.

Diluted loss per share amount for the six months ended 30th June, 2003 has not been disclosed as no diluting events existed during the period. Diluted loss per share amount for the six months ended 30th June, 2002 has not been shown because the options outstanding during that period had no dilutive effect on the basic loss per share for that period.

9. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period.

	Notes	Six months ended	
		30th June, 2003 (Unaudited) HK\$'000	30th June, 2002 (Unaudited) HK\$'000
Rental expense paid to related companies (a)	(i)	—	1,384
Hotel management, royalty and marketing fees received from hotels held by related companies (a)	(ii)	1,968	2,953
Hotel management fees paid to a related company (a)	(iii)	232	826
Interest income on an amount due from Furama Hotel Enterprises Limited (note 10)		—	37,193
Interest income from an associate	(iv)	32	1,104
Interest income from a jointly-controlled entity	(v)	—	256
Distribution and license fee income from an associate	(vi)	8,400	—
Advertising income from related companies (a)	(vii)	510	—
Consultancy fee for concert production/operation paid to a jointly-controlled entity	(viii)	400	—

- (a) The related companies are subsidiaries of Lai Sun Development Company Limited (“LSD”), which is a substantial shareholder holding 42.54% equity interest in the Company at 30th June, 2003.

10

Notes:

- (i) The 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 3% to 5% (six months ended 30th June, 2002: 1% to 10%) on the gross revenue or operating profits of the hotels.
- (iii) The hotel management fees paid are charged at 1.8% (six months ended 30th June, 2002: 1.5% to 1.8%) on the gross revenue of the hotels.
- (iv) The interest income from an associate was charged at 1% above the prime rate quoted by The Hongkong and Shanghai Banking Corporation Limited (the “HSBC prime rate”) per annum or at HSBC prime rate per annum (six months ended 30th June, 2002: 1% above the HSBC prime rate per annum).
- (v) The interest income from a jointly-controlled entity was charged at 1% above the HSBC prime rate per annum.
- (vi) The distribution and license fee income was charged to an associate based on contract terms.
- (vii) The advertising income was charged to the related companies with reference to the market rates.
- (viii) The consultancy fee for concert production/operation paid to a jointly-controlled entity was based on contract terms.

10. DUE FROM FURAMA HOTEL ENTERPRISES LIMITED (“FHEL”)

On 11th February, 1999, the Company and its wholly-owned subsidiary, Golden Pool Enterprise Limited (“GPEL”), entered into an agreement (the “Development Agreement”) with Lai Sun Development Company Limited (“LSD”) and its wholly-owned subsidiary, FHEL, with respect to the purchase by GPEL of the retail and hotel portions to be developed of the Furama Hotel Hong Kong (the “Furama Hotel”), which is a property under construction situated in Hong Kong which is being redeveloped into a composite retail, hotel and office building (the “New Building”), which development is 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 the indebtedness of HK\$1,900,000,000, which FHEL owed to GPEL, as a result of the cancellation of the Development Agreement as mentioned above. The amount due from FHEL was consequently reduced to HK\$1,500,040,000 (the “Debt”).

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 Debt 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 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 (collectively the “Bondholders”) of the LSD group, a limited recourse second charge created over the 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.

The Debt was interest-bearing at 5% per annum up to 31st December, 2002 and LSD has failed to pay interest on the indebtedness due to GPEL as from 1st January, 2003. The Directors have discussed the repayment of the Debt and the interest terms 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 Debt due to the Group, the amounts due to the Bondholders, and the other borrowings. Pending the outcome of the LSD debt restructuring programme, the Group is uncertain as to the extent of the recovery of the Debt. However, although the Directors of the Company consider that the recoverable amount of the Debt is currently uncertain, in the absence of reliable information, they are unable to estimate the amount of any specific provision against such balance at the current time.

11. 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 30th June, 2003 is as follows:

	30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	3,333	18,153
31— 60 days	7,740	2,918
61— 90 days	292	52
Over 90 days	16,491	9,355
	<hr/>	<hr/>
	27,856	30,478
Other debtors and deposits	28,498	29,868
	<hr/>	<hr/>
	56,354	60,346
	<hr/> <hr/>	<hr/> <hr/>

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.

At 31st December, 2002, an amount of HK\$1,800,000 due from a subsidiary of LSD arising from the ordinary course of business of the Group was included in trade debtors.

12

12. CREDITORS AND ACCRUALS

An aged analysis of the trade creditors as at 30th June, 2003 is as follows:

	30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	6,467	4,808
31— 60 days	980	2,992
61— 90 days	6,622	398
Over 90 days	10,162	6,277
	<hr/>	<hr/>
	24,231	14,475
Other creditors and accruals	28,453	19,620
	<hr/>	<hr/>
	52,684	34,095
	<hr/> <hr/>	<hr/> <hr/>

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

13. SHARE CAPITAL

	30th June, 2003		31st December, 2002	
	Number of shares (Unaudited) '000	Nominal value (Unaudited) HK\$'000	Number of shares (Audited) '000	Nominal value (Audited) 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	671,185	335,592	571,185	285,592

A summary of the movement in the Company's issued ordinary share capital during the period is as follows:

	Number of ordinary shares '000	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1st January, 2002 and 1st January, 2003 (Audited)	571,185	285,592	2,888,633	3,174,225
Shares issued as consideration for acquisition of a subsidiary and additional interest in an associate (a)	100,000	50,000	—	50,000
	100,000	50,000	—	50,000
Share issue expenses	—	—	(328)	(328)
At 30th June, 2003 (Unaudited)	671,185	335,592	2,888,305	3,223,897

- (a) On 15th May, 2003, the Company entered into a sale and purchase agreement (the "SAL Agreement") with Liu Wing Leung, Jerry, Chong Koon Nam and Double Classic Ltd. (the "Vendors"). Pursuant to the SAL Agreement, the Company acquired one share of US\$1.00 each in the registered share capital of Splendid Agents Limited ("SAL") from each of the Vendors, which in aggregate 3 shares in and representing 100% of the entire issued share capital of SAL, at a total consideration of HK\$50,000,001 to be satisfied by the allotment and issue of a total of 100,000,002 new shares in the Company at par value of HK\$0.50 each. SAL is a limited company incorporated in the British Virgin Islands and is the registered and beneficial owner of 1,000 ordinary shares in Media Asia Holdings Limited ("MAH"), representing 14.64% of the entire issued share capital of MAH. The allotment of the 100,000,002 new ordinary shares of the Company to the Vendors was completed on 23rd June, 2003, on which date the market price of the shares of the Company was HK\$0.175 per share. Following the acquisition of SAL, the Group has increased its equity interest in MAH from 35.13% to 49.77%.

14. RESERVES

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002 (Audited)	2,888,633	891,289	(2,174,187)	1,605,735
Exchange realignments	—	—	(522)	(522)
Loss for the year	—	—	(68,799)	(68,799)
At 31st December, 2002 and 1st January, 2003 (Audited)	2,888,633	891,289	(2,243,508)	1,536,414
Share issue expenses	(328)	—	—	(328)
Exchange realignments	—	—	(138)	(138)
Loss for the period	—	—	(46,721)	(46,721)
At 30th June, 2003 (Unaudited)	2,888,305	891,289	(2,290,367)	1,489,227

15. LITIGATION

- (a) In 2002, the Group settled its long standing action with the Canadian Pacific Hotels Corporation. In the 2002 Annual Report, it was reported that the Group expected to receive funds held in escrow as part of the settlement. During the period, the Group has received approximately C\$1 million from the escrow funds. The remaining balance of approximately C\$1.5 million is held in a further escrow account for one year pending the expiry or resolution of other adverse claims.
- (b) In 2002, East Asia Entertainment Limited ("EAE") and Active Union Limited ("AUL"), both are subsidiaries of the Company, commenced action against Australasian Entertainment Corporation Limited ("AEC"), the minority shareholder of AUL and other related parties. EAE and AUL claimed loss and damages suffered in relation to an entertainment show known as "Spectaculum". AEC counterclaimed for a sum of HK\$1,486,779, representing unsettled expenditure that it had incurred on behalf of the show. The action is ongoing, and the Directors consider that the counterclaim should have no material adverse effect on the Group. No provision has been made for the counterclaim at this time.
- (c) In 2002, the Group commenced action against Belford Pacific Limited and Tse Wan Chung Philip ("Mr. Tse"), for a sum of US\$156,900 (approximately HK\$1,223,820) plus interest, being a loan owed by the two defendants. The Group had obtained judgement in default of a defence against Mr. Tse, and Mr. Tse has agreed to make periodic payments in settlement of the debt.

16. COMMITMENTS

- (a) Commitments not provided for in the unaudited condensed consolidated interim financial statements at the balance sheet date were as follows:

	30th June, 2003 (Unaudited) <i>HK\$'000</i>	31st December, 2002 (Audited) <i>HK\$'000</i>
Capital commitments contracted for	29,442	42,441

In addition, 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 2004. At 30th June, 2003, the authorised but not contracted for commitment in respect of this project amounted to HK\$225,891,000 (31st December, 2002: HK\$225,891,000).

- (b) The Group leases certain of its office properties and a Macau production centre 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 30th June, 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
Within one year	2,724	2,648
In the second to fifth years, inclusive	4,520	4,149
After five years	15,002	15,412
	22,246	22,209

- (c) 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 30th June, 2003, the total future minimum lease payments were as follows:

	30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
Within one year	6,233	6,234
In the second to fifth years, inclusive	24,934	24,936
After five years	27,803	30,897
	58,970	62,067

17. CONTINGENT LIABILITIES

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

	30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
Guarantee given to LSD in connection with the disposal of an associate to LSD	25,000	25,000

18. POST BALANCE SHEET EVENT

- (a) In the Annual Report 2002, it was reported that on 8th November, 2002, the Company and LSD entered into an agreement (the "eSun Agreement") pursuant to which the Company agreed to sell and LSD agreed to purchase, the entire issued share capital of Houseman International Limited ("HIL"), 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. Also on 8th November, 2002, LSD entered into a conditional agreement (the "DGI Agreement") with Dragon Goodwill International Limited ("DGI") to sell to DGI the entire issued share capital of HIL together with LSD's 32.75% interest in Asia Television Limited ("ATV"). According to the terms of the eSun Agreement, the transaction (the "eSun Transaction") stipulated therein should be completed on or before 15th May, 2003 and should take place simultaneously with the completion of the DGI Agreement.

As further reported in the announcement of the Company on 16th May, 2003, LSD and the Company entered into a supplemental agreement (the "Supplemental eSun Agreement") on 14th May, 2003, in order to facilitate the completion of the DGI Agreement, as amended by the Supplemental DGI Agreement entered into by LSD and DGI on 14th May, 2003. The Supplemental eSun Agreement provided for, amongst other things:—

- (1) a reduction of the consideration from HK\$46,080,000 to HK\$33,580,000, being a 27.13% reduction that was negotiated by reference to the reduction of the consideration in respect of the DGI Agreement; and
- (2) an extension of the long stop date for fulfilment of conditions precedent from 31st December, 2002 to 31st July, 2003 (with no express provision for further extension).

Completion of the eSun Transaction took place on 25th July, 2003 in accordance with the eSun Agreement, as amended by the Supplemental eSun Agreement, which took place simultaneously with the completion of the DGI Agreement, as amended by the Supplemental DGI Agreement.

16

- (b) On 30th August, 2003, the Group entered into various agreements with Media Asia Holdings Limited and its subsidiaries (the "MAH group"), an associate of the Group, to acquire from the MAH group of all rights, titles and interests in perpetuity in 31 films at a total cash consideration of HK\$124,000,000 to be settled by instalments.

19. COMPARATIVE AMOUNTS

During the year ended 31st December, 2002, the Directors considered it a fairer presentation to include in the cost of sales, certain costs incurred directly for television programme production and the operation of a satellite television channel, which in the previous years were classified as administrative expenses. Consequently, approximately HK\$7,926,000, representing the aforesaid direct costs of operations, were reclassified from the administrative expenses to the cost of sales for the period ended 30th June, 2002.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (six months ended 30th June, 2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The Group recorded an unaudited consolidated net loss attributable to shareholders of HK\$46,721,000 for the half-year ended 30th June, 2003, which was about 40% higher than the net loss of HK\$33,284,000 reported for the corresponding period in the previous year. The loss from operating activities amounting to HK\$39,618,000 and the share of losses of associates were the two main contributing factors to the net loss reported for the period.

On the performance of the different business segments of the Group, media and entertainment recorded a profit of HK\$5,855,000 which included mainly a cost recovery relating to technical support and maintenance services of certain websites recorded during the period, compared with the loss of HK\$12,609,000 in the previous corresponding period. The loss arising from satellite television had been reduced to HK\$25,228,000 from HK\$31,984,000 last year. However, the results recorded for corporate division had been significantly affected by the default in payment of interest by Furama Hotel Enterprises Limited ("FHEL"), a wholly-owned subsidiary of Lai Sun Development Company Limited ("LSD"), on the approximately HK\$1,500 million debt due from FHEL with effect from 1st January, 2003. As a result, a loss of HK\$21,954,000 was recorded for this division compared with the profit of HK\$23,552,000 reported for the previous year.

Turnover for the period under review, at HK\$49,755,000, was lower than the HK\$56,573,000 recorded for the previous corresponding period. The bulk of the shortfall is attributable to the decrease recorded for the media and entertainment segment, which had been adversely affected by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong during the period. A significant decrease in other revenue for the period amounting to HK\$39,162,000 arose due to default in interest payment by FHEL on the debt of approximately HK\$1,500 million due from FHEL.

The Group entered into an agreement with LSD, the controlling shareholder of the Company, on 8th November, 2002 to dispose of the Group's entire 50% interest in HKATV.com Limited ("HKATV") for a cash consideration of HK\$46,080,000, as part of the disposal by LSD of its entire interest in Asia Television Limited ("ATV") to an independent third party. On 14th May, 2003, LSD agreed with the aforesaid purchaser to amend the terms of the sale of ATV and the Company also agreed with LSD to effect corresponding changes to the terms of the sale of the Group's interest in HKATV. The consideration for the sale of the Group's entire interest in HKATV, which was negotiated by reference to the reduction of the consideration in respect of the ATV interest of LSD, was reduced to HK\$33,580,000. Completion of the disposal of the aforesaid interests in ATV and HKATV took place on 25th July, 2003.

17

On 29th January, 2003, LSD requested the Directors of the Company to put forward a proposal to the shareholders of the Company other than members of the LSD group regarding a proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act 1981 of Bermuda at a price of HK\$0.28 per share of the Company (the "Scheme"). At a meeting of the Scheme Shareholders convened at the direction of the Supreme Court of Bermuda and held on 30th April, 2003, the resolution for approving the Scheme was not approved in accordance with the relevant requirements under the Companies Act of Bermuda and The Hong Kong Code on Takeovers and Mergers. The Scheme could not be put into effect and hence had lapsed.

Satellite Television Operation

Following implementation of stringent cost control, this operation had reported a loss of HK\$25,228,000 for the half-year under review, compared with the loss of HK\$31,984,000 in the previous year. Despite operating under tight financial discipline, the quality of programmes produced at the television programme production centre of East Asia Satellite Television Limited ("EAST") has not been compromised, as a result of improved efficiency and optimal allocation of resources. Programmes produced by EAST are now being offered to subscribers of NOW Broadband TV of PCCW Limited in Hong Kong for a monthly fee.

In line with the goal of maximizing revenue, EAST has also successfully marketed its services of providing broadcasting facilities and know-how to outside clients.

Construction work of the EAST Television City in Macau Special Administrative Region had been continuing during the period under review but progress was slower than scheduled.

Film Production and Distribution

The Group increased its shareholding interest in Media Asia Holdings Limited ("MAH") from 35.13% to 49.77% in June 2003. MAH had reported an operating loss for the half-year under review due to the unfavourable impact of the outbreak of SARS on the local economy and consumer spending.

To capitalise on the success of its highly popular film production, "Infernal Affairs", MAH commenced filming of the first of two sequels to the above film, "Infernal Affairs II", during the period under review. The new film is scheduled for screening during the last quarter of 2003. Filming of the second of the two sequels, "Infernal Affairs III", has also commenced.

Apart from the MAH operation, the Group has also actively pursued the distribution of rights to films in the library of the Group to generate revenue. Subsequent to the end of the period under review, the Group agreed to acquire the perpetual rights, titles and interests to 31 films from MAH at a consideration of HK\$124 million, payable in cash by instalments.

Entertainment

Business activities of East Asia Entertainment Limited ("EAE"), the entertainment arm of the Group, had been adversely affected by the incidence of SARS in Hong Kong during the period under review. A number of pop concerts and entertainment shows scheduled for the half-year had to be postponed and EAE had produced only one pop concert during this period. As a result, revenue generated by EAE during this period decreased by over 77%.

18

Good progress had been made by EAE in the sale of distribution rights for DVD/VCD recordings of EAE's entertainment shows and films, as evidenced by the distribution fee income of HK\$9,160,000 achieved during the period.

Prospects

Revenue generation by EAST will be constrained to a certain extent whilst it awaits approval for a satellite television downlink licence from the relevant authorities in the Mainland. With its participation in the NOW Broadband TV network, however, EAST will be able to reach a much wider audience and potential client base. This should help prepare EAST for its eventual launch of its service in the Mainland.

MAH will continue to focus on the production of high-quality films catering to audiences in Greater China and selected overseas markets. With the unfavourable effects of SARS on consumer spending and the local economy subsiding since the latter part of the half-year under review, the Group is confident MAH will be able to achieve more favourable results in the second half of this financial year.

The operating results of EAE for the second half of 2003 should also benefit from recent improvements in local economic activities. To date, it has firm commitment to produce, either on its own or in joint venture, eight pop concerts and entertainment shows in the second-half of this financial year. It is anticipated that revenue for the second-half of the year should show a significant increase over the figure recorded for the period under review.

The debt of approximately HK\$1,500 million owed to the Group by FHEL (the "Debt"), originally due to be repaid on 31st December, 2002, remains outstanding. LSD, which defaulted on both its convertible bonds and exchangeable bonds after 31st March, 2003, has entered into a period of informal standstill since 1st April, 2003. During this period, the aforesaid bondholders and LSD's other creditors, including the Company, whilst reserving all of their rights, will resist taking action to enforce their respective security pending the outcome of the debt restructuring exercise involving LSD and all of its creditors. LSD has yet to reach an agreement with all of its creditors on the terms of such a debt restructuring. The Directors of the Company have discussed the repayment of the Debt with the directors of FHEL and LSD and will continue to pursue the recovery of the Debt.

Liquidity and Financial Resources

As at 30th June, 2003, the Group had cash and cash equivalents of HK\$6,710,000, of which over 50% were denominated in Hong Kong dollar currency and over 40% were denominated in Renminbi.

As at 30th June, 2003, the bank borrowings of HK\$25,000,000 due within one year is secured by the Group's land and buildings with an aggregate net book value of HK\$71,129,000 and is interest-bearing at 2% above HIBOR per annum. In addition, the Group has finance lease payables of HK\$33,000 and HK\$60,000 which fall due within one year and for a period of over one year to five years, respectively, as at 30th June, 2003.

The Group's gearing is considered low, as the debt to equity ratio was only 1%, expressed as a percentage of total bank borrowings to total net assets. As at 30th June, 2003, the Group did not have any financial instruments for hedging purpose, or foreign currency net investment hedged by currency borrowings or other hedging instruments.

Future capital expenditures will mainly consist of the land and construction cost for the EAST-TV City in COTAI City in Macau of approximately HK\$225,891,000. As at 30th June, 2003, the capital commitments contracted for in respect of this project amounted to HK\$29,442,000.

The Group believes that its cash holding, liquid asset value, future revenue and available banking facilities will be sufficient to fund its capital expenditure and working capital requirements.

Contingent Liabilities

Details of contingent liabilities of the Group at the balance sheet date are set out in note 17 to the unaudited condensed consolidated interim financial statements.

Employees And Remuneration Policies

The Group employed a total of approximately 163 employees as at 30th June, 2003. The total staff costs including net pension contributions for the six months ended 30th June, 2003 were approximately HK\$24,345,000 (excluding directors' remuneration). Pay rates for employees are maintained at competitive level, salary and bonuses are rewarded on a performance related basis. Other staff benefits include free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes. The Company adopted a share option scheme for its directors and employees on 25th November, 1996.

PRACTICE NOTE 19 TO THE LISTING RULES

Advance to Furama Hotel Enterprises Limited (“FHEL”), a subsidiary of Lai Sun Development Company Limited (“LSD”)

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

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

As of 30th June, 2003, the indebtedness due from FHEL was approximately HK\$1,500,040,000. GPEL is entitled to share the securities in item (B) below with LSD’s Exchangeable Bondholders and Convertible Bondholders (collectively 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, the revenue-sharing formula provided by LSD, being a 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 (“Surplus”), at 70% of any Surplus would be paid on a pro rata basis to the Bondholders and the Company, on the proceeds of disposal of the three LSD properties also 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 this Interim Report, the balance of HK\$1,500,040,000 due from FHEL remained outstanding and LSD failed to 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. 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.

SHARE OPTION SCHEME

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

No share option was outstanding as at 1st January, 2003 and as at 30th June, 2003. No share options were granted, exercised or cancelled or had lapsed during the period. Consequent upon the amendments made to Chapter 17 of the Listing Rules which came into effect on 1st September, 2001, the Company must comply with the requirements of Chapter 17 of the Listing Rules when granting options under the existing Share Option Scheme. The principal terms of the Share Option Scheme adopted by the Company on 25th November, 1996 are:

- (a) The maximum number of shares of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the Share Option Scheme will not, when aggregated with any Shares subject to any other schemes, exceed such number of Shares as shall represent 10% of the issued share capital of the Company from time to time, excluding any Shares issued pursuant to the Share Option Scheme.
- (b) No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of Shares as when aggregated with the total number of Shares already issued under all the options previously granted to him which have been exercised, and, issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25% of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme.
- (c) An offer of the grant of an option shall remain open for acceptance by the employee concerned for a period of 28 days from the date upon which it is made. An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising the acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$10 by way of consideration for the grant thereof, is received by the Company. An option granted under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme and the conditions of the grant during the two-year period commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of the two-year period.
- (d) The subscription price shall be a price notified by the board of the Company to an employee being (i) not less than 80% of the average of the closing prices of the Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as stated in the Stock Exchange's quotation sheets for the five trading days immediately preceding the offer date; or (ii) the nominal value of the Shares, whichever is the higher.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

DIRECTORS' INTERESTS IN LONG AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 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 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; 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

(i) Long positions in the shares of the Company (the "Shares")

Name of Director	Number of Shares			Capacity	Total	Percentage
	Personal interests	Family interests	Corporate interests			
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)	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)	Nil	Beneficial owner	285,512,791	42.54

22

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 spouses Madam U Po Chu and Madam Lai Yuen Fong) 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.

(ii) Long positions in underlying Shares of equity derivatives

None of the Directors nor the chief executive of the Company were interested or deemed to be interested in long positions in underlying Shares of equity derivatives.

(iii) Short positions in underlying Shares of equity derivatives

None of the Directors nor the chief executive of the Company were interested or deemed to be interested in short positions in underlying Shares of equity derivatives.

Save as disclosed above, as at 30th June, 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 and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and 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; 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:—

<u>Name</u>	<u>Capacity</u>	<u>Nature</u>	<u>Number of Shares</u>	<u>Percentage</u>
Lai Sun Development Company Limited (“LSD”)	Beneficial owner	Corporate	285,512,791 (Note 1)	42.54
Lai Sun Garment (International) Limited (“LSG”)	Beneficial owner	Corporate	285,512,791 (Note 2)	42.54
Lim Por Yen	Beneficial owner	Corporate	285,512,791 (Note 3)	42.54
U Po Chu	Beneficial owner	Family	285,512,791 (Note 3)	42.54
Lai Yuen Fong	Beneficial owner	Family	285,512,791 (Note 3)	42.54
Silver Ace Limited	Beneficial owner	Corporate	50,439,600	7.52
Lagonda Resources Limited	Beneficial owner	Corporate	50,439,600	7.52
Wong Hoi Ping	Beneficial owner	Corporate & Family	50,439,600	7.52
Li Chi Keung	Beneficial owner	Corporate & Family	50,439,600	7.52
Liu Chong Hing Bank Limited	Custodian corporation	Corporate	285,608,791	42.55
Liu Wing Leung, Jerry	Beneficial owner	Personal & Family	100,803,897	15.02
Kan Ying Che, Ruth	Beneficial owner	Personal & Family	100,803,897	15.02
Chong Koon Nam	Beneficial owner	Personal	100,803,897	15.02
Sin Chi Ling	Beneficial owner	Family	100,803,897	15.02
Double Classic Ltd.	Beneficial owner	Corporate	100,803,897	15.02
Fung Wing, Wellington	Beneficial owner	Corporate	100,803,897	15.02
Chan Suk Chun	Beneficial owner	Family	100,803,897	15.02
Lovendale International Inc.	Person having a security interest in shares	Corporate	285,512,791	42.54

Note :

1. This interest has been pledged to a non-qualified lender by way of security.
2. 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.
3. Mr. Lim Por Yen and his spouses, Madam U Po Chu and Madam Lai Yuen Fong, 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, the Directors are not aware of any person as at 30th June, 2003 who had an interest or short position in the Shares or equity derivatives which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

24

During the six months ended 30th June, 2003, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by the interim report of the Company for the six months ended 30th June, 2003 (the "Interim Report"), in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive Directors, Mr. Alfred Donald Yap and Mr. Low Chee Keong, during the period covered by the Interim Report. The Interim Report has been reviewed by the audit committee.

The non-executive Directors are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Bye-laws of the Company.

By Order of the Board
Lien Jown Jing, Vincent
Chairman

Hong Kong, 19th September, 2003