



LAI SUN DEVELOPMENT

LAI SUN DEVELOPMENT COMPANY LIMITED

Interim Report 2003-2004

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Lim Por Yen (*Honorary Chairman*)
Lam Kin Ngok, Peter (*Chairman and President*)
Lau Shu Yan, Julius
Wu Shiu Kee, Keith
Lam Kin Ming
U Po Chu
Chiu Wai
Shiu Kai Wah
David Tang*
Lam Bing Kwan*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

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Stock code on Hong Kong Stock Exchange: 488

RESULTS

The Board of Directors of Lai Sun Development Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January, 2004

	Notes	Six months ended	
		31/1/2004 (Unaudited) HK\$'000	31/1/2003 (Unaudited) (As restated) HK\$'000
TURNOVER	3	1,709,416	548,793
Cost of sales		(1,748,241)	(258,063)
Gross profit/(loss)		(38,825)	290,730
Other revenue		8,109	43,580
Administrative expenses		(145,576)	(129,387)
Release of negative goodwill upon disposal of investment properties		149,983	—
Reversal of impairment in value of long term investments		42,542	—
Other operating income/(expenses), net		(2,502)	18,690
PROFIT FROM OPERATING ACTIVITIES	4	13,731	223,613
Finance costs	5	(157,116)	(260,470)
Share of profits and losses of associates		(17,673)	(9,920)
Reversal of/(provision for) impairment in value of associates		12,385	(26,854)
LOSS BEFORE TAX		(148,673)	(73,631)
Tax	6	(7,060)	(25,366)
LOSS BEFORE MINORITY INTERESTS		(155,733)	(98,997)
Minority interests		(11,387)	(16,527)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(167,120)	(115,524)
LOSS PER SHARE	7		
Basic		HK\$0.04	HK\$0.03
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

31st January, 2004

		31/1/2004 (Unaudited)	31/7/2003 (Audited) (As restated)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets		1,826,649	1,837,653
Investment properties		3,193,910	4,503,410
Properties under development		1,407	1,400
Goodwill		9,728	—
Interests in associates	9	939,937	966,080
Long term investments		383,533	357,791
Pledged time deposits	10	10,000	—
Pension scheme assets		3,701	18,298
		6,368,865	7,684,632
CURRENT ASSETS			
Short term investments		7,147	7,370
Completed properties for sale		972	5,246
Inventories		8,085	7,502
Debtors and deposits	11	137,801	135,185
Pledged bank balances and time deposits	10	111,696	120,390
Cash and cash equivalents		422,821	110,927
		688,522	386,620
CURRENT LIABILITIES			
Creditors, deposits received and accruals	11	335,230	308,671
Tax payable		95,351	107,392
Interest-bearing bank and other borrowings		2,998,433	3,956,832
Provision for premium on bonds redemption		612,390	612,390
Provision for premium on loan repayment		30,417	26,875
Bonds payable		621,671	621,671
Convertible bonds payable		906,750	906,750
Amount due to an associate		1,500,040	1,500,040
		7,100,282	8,040,621
NET CURRENT LIABILITIES		(6,411,760)	(7,654,001)
TOTAL ASSETS LESS CURRENT LIABILITIES		(42,895)	30,631
NON-CURRENT LIABILITIES			
Deferred tax		(44,593)	(53,177)
Long term rental deposits received		(32,830)	(40,294)
		(77,423)	(93,471)
		(120,318)	(62,840)
CAPITAL AND RESERVES			
Issued capital		1,873,001	1,873,001
Reserves		(2,352,826)	(2,291,318)
		(479,825)	(418,317)
MINORITY INTERESTS		359,507	355,477
		(120,318)	(62,840)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2004

	For the six months ended 31st January, 2004 (Unaudited)						
	Issued capital HK\$'000	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31st July, 2003 and 1st August, 2003 (Audited)							
As previously reported	1,873,001	5,858,164	1,246,358	1,200,000	47,568	(10,599,247)	(374,156)
Prior year adjustment (Note 2)	—	—	—	—	—	(44,161)	(44,161)
As restated	1,873,001	5,858,164*	1,246,358*	1,200,000*	47,568*	(10,643,408)*	(418,317)
Addition costs to investment properties charged against the investment property revaluation reserve	—	—	(6,635)	—	—	—	(6,635)
Release upon disposal of investment properties	—	—	261,312	—	—	—	261,312
Release of negative goodwill upon disposal of investment properties	—	—	—	—	—	(149,983)	(149,983)
Exchange realignments:							
Subsidiaries	—	—	—	—	897	—	897
Associates	—	—	—	—	21	—	21
Net loss for the period	—	—	—	—	—	(167,120)	(167,120)
At 31st January, 2004 (Unaudited)	1,873,001	5,858,164*	1,501,035*	1,200,000*	48,486*	(10,960,511)*	(479,825)

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* These reserve accounts comprise consolidated reserves in a net debit balance of HK\$2,352,826,000 (as at 31st July, 2003 (as restated): HK\$2,291,318,000) in the condensed consolidated balance sheet.

	For the six months ended 31st January, 2003 (Unaudited and as restated)						
	Issued capital HK\$'000	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31st July, 2002 and 1st August, 2002 (Audited)							
As previously reported	1,873,001	5,858,164	1,927,110	1,200,000	60,282	(10,152,139)	766,418
Prior year adjustment (Note 2)	—	—	—	—	—	(28,635)	(28,635)
As restated	1,873,001	5,858,164	1,927,110	1,200,000	60,282	(10,180,774)	737,783
Release upon disposal of subsidiaries	—	—	—	—	(2,114)	—	(2,114)
Addition costs to investment properties charged against the investment property revaluation reserve	—	—	(109)	—	—	—	(109)
Exchange realignments:							
Subsidiaries	—	—	—	—	118	—	118
Associates	—	—	—	—	(902)	—	(902)
Net loss for the period	—	—	—	—	—	(115,524)	(115,524)
At 31st January, 2003 (Unaudited)	1,873,001	5,858,164	1,927,001	1,200,000	57,384	(10,296,298)	619,252

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2004

	Six months ended	
	31/1/2004 (Unaudited) <i>HK\$'000</i>	31/1/2003 (Unaudited) <i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(7,695)	(98,560)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	1,302,570	(499,557)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	(982,947)	490,558
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	311,928	(107,559)
Cash and cash equivalents at beginning of period	110,927	238,384
Effect of foreign exchange rate changes, net	(34)	144
CASH AND CASH EQUIVALENTS AT END OF PERIOD	422,821	130,969

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

- (a) The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.
- (b) The Group sustained a net loss from ordinary activities attributable to shareholders of HK\$167 million for the six-month period ended 31st January, 2004.

The Group is currently having ongoing discussions with all of its financial creditors with the objective of refinancing the Group to put it in a better financial position. On 17th December, 2002, meetings with the holders (the "Exchangeable Bondholders") of US\$115 million exchangeable guaranteed bonds (the "Exchangeable Bonds") and the holders (the "Convertible Bondholders") of US\$150 million convertible guaranteed bonds (the "Convertible Bonds") were held at which, among other things, resolutions to approve the deferral of the Group's obligations to redeem the Exchangeable Bonds and the Convertible Bonds to 31st March, 2003 were duly passed.

The Group defaulted in the repayment of the Debt (note 9) due to Golden Pool Enterprise Limited ("GPEL"), a wholly-owned subsidiary of eSun Holdings Limited ("eSun"), on 31st December, 2002. In addition, the Convertible Bonds were due to be redeemed by the Group on 31st March, 2003 but were not so redeemed and, at the same time, the Group also failed to satisfy the redemption rights exercised by certain of the Exchangeable Bondholders, which in turn, has resulted in the Exchangeable Bonds becoming due for redemption in their entirety. Accordingly, the Group had defaulted in the repayment of the Debt and the redemption of both of the Convertible Bonds and the Exchangeable Bonds. Such defaults, in turn, constituted a technical event of default under all of the Group's other borrowing facilities.

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As at the date of approval of these condensed consolidated financial statements, the Group has yet to reach an agreement with the Exchangeable Bondholders, the Convertible Bondholders, eSun and its other financial creditors as to the terms of a comprehensive restructuring of the Group's indebtedness (the "Debt Restructuring Plan"). The Group is currently operating under a period of informal standstill and up to now, neither the Exchangeable Bondholders, the Convertible Bondholders, eSun nor its other financial creditors have taken any action to enforce their respective securities. The Group is, with the assistance of its financial and legal advisers, conducting ongoing negotiations with all of its financial creditors with a view to securing the terms of a Debt Restructuring Plan acceptable to all relevant parties. Negotiation with various financial creditors has reached a fairly advanced stage and the directors of the Company are hopeful that the Group will be able to secure the agreement of all its financial creditors to a consensual debt restructuring plan within the year 2004.

Throughout the period and up to the date of approval of these condensed consolidated financial statements, the Group continued to implement an orderly disposal of its assets, including properties and other investments, to generate positive cash flows for the partial repayment of bank and other borrowings and to help provide sufficient working capital for the Group's operations and for the future partial repayment of Exchangeable Bonds and Convertible Bonds.

The directors of the Company believe that the Group will be able to secure the agreement of all its financial creditors to the Debt Restructuring Plan and, at the same time, will be able to continue the orderly disposal of the assets of the Group and to obtain financing or refinancing arrangements to generate additional positive cash flows. On this basis, the directors of the Company consider that the Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2. ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements 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 accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the audited financial statements for the year ended 31st July, 2003, except that the revised SSAP 12 “Income tax” and the new interpretations relating to which have been retrospectively adopted for the first time in the preparation of the current period’s condensed consolidated interim financial statements.

SSAP 12 (Revised) prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

Due to the adoption of SSAP 12 (Revised) in the current period, prior year adjustments were made to recognise the deferred tax assets and liabilities in relation to the differences between capital allowance for tax purposes and depreciation for financial reporting purpose and other taxable and deductible temporary differences, which are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future. Certain comparative amounts of the audited consolidated balance sheet as at 31st July, 2003 have been restated to conform with the current period’s presentation.

The accumulated losses as at 1st August, 2002 and 2003 were restated and increased by HK\$28,635,000 and HK\$44,161,000, respectively, which represented the net effect of additional provision for the deferred tax liabilities. This change has resulted in an increase in deferred tax liabilities as at 31st July, 2002 and 2003 by HK\$31,162,000 and HK\$48,112,000, respectively. The loss for the six months ended 31st January, 2003 was increased by HK\$9,647,000.

3. SEGMENTAL INFORMATION

(a) Business segments

The following tables present revenue and profit/(loss) for the Group’s business segments:

	Six months ended 31st January, 2004 (Unaudited)					
	Property development and sales HK\$’000	Property investment HK\$’000	Hotel and restaurant operations HK\$’000	Others HK\$’000	Eliminations HK\$’000	Consolidated HK\$’000
Segment revenue:						
Sales to external customers	3,762	1,439,161	254,618	11,875	—	1,709,416
Intersegment sales	—	6,256	364	10,595	(17,215)	—
Other revenue	—	1,335	179	3,800	—	5,314
Total	3,762	1,446,752	255,161	26,270	(17,215)	1,714,730
Segment results	(8,784)	(29,700)	49,426	9,615	—	20,557
Interest income and unallocated gains						2,795
Reversal of impairment in value of long term investments						42,542
Unallocated expenses						(52,163)
Profit from operating activities						13,731

Six months ended 31st January, 2003 (Unaudited)						
	Property development and sales <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Hotel and restaurant operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	97,315	198,042	235,863	17,573	—	548,793
Intersegment sales	—	1,818	61	11,247	(13,126)	—
Other revenue	25	581	262	115	—	983
Total	97,340	200,441	236,186	28,935	(13,126)	549,776
Segment results	(1,497)	159,111	57,467	29,524	—	244,605
Interest income and unallocated gains						42,597
Unallocated expenses						(63,589)
Profit from operating activities						<u>223,613</u>

(b) Geographical segments

The following tables present revenue for the Group's geographical segments:

Six months ended 31st January, 2004 (Unaudited)			
	Hong Kong <i>HK\$'000</i>	Vietnam <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	1,638,221	71,195	1,709,416
Other revenue	5,314	—	5,314
Total	1,643,535	71,195	1,714,730

Six months ended 31st January, 2003 (Unaudited)				
	Hong Kong <i>HK\$'000</i>	Mainland of China <i>HK\$'000</i>	Vietnam <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	461,430	5,316	82,047	548,793
Other revenue	679	91	213	983
Total	462,109	5,407	82,260	549,776

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended	
	31/1/2004 (Unaudited) HK\$'000	31/1/2003 (Unaudited) HK\$'000
Depreciation	15,593	13,583
Loss on disposal of investment properties	281,312	—
Amortisation of goodwill on acquisition of a subsidiary	572	—
Unrealised loss on short term investments	263	—
Loss/(gain) on disposal of fixed assets	72	(730)
Gain on disposal of subsidiaries	—	(12,318)
Dividend income	(100)	—

5. FINANCE COSTS

	Six months ended	
	31/1/2004 (Unaudited) HK\$'000	31/1/2003 (Unaudited) HK\$'000
Interest on bank and other borrowings wholly repayable within five years	68,127	117,018
Interest on amount due to an associate	30,233	36,535
Interest on bonds payable	17,617	18,759
Interest on convertible bonds	25,199	20,607
Total interest expenses	141,176	192,919
Other finance costs:		
Provision for premium on bonds redemption	—	41,893
Provision for premium on loan repayment	3,542	17,500
Bank charges and debt refinancing charges	12,398	8,158
	157,116	260,470

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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 places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31/1/2004 (Unaudited) HK\$'000	31/1/2003 (Unaudited) (As restated) HK\$'000
Company and subsidiaries		
Current tax:		
Hong Kong	14,325	16,618
Deferred tax	(8,584)	10,349
	<hr/>	<hr/>
	5,741	26,967
	<hr/>	<hr/>
Share of tax attributable to associates:		
Hong Kong	1,319	(1,352)
Outside Hong Kong	—	(249)
	<hr/>	<hr/>
	1,319	(1,601)
	<hr/>	<hr/>
Tax charge for the period	7,060	25,366
	<hr/>	<hr/>

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7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$167,120,000 (2003 (as restated): HK\$115,524,000) and the weighted average number of 3,746,002,000 (2003: 3,746,002,000) ordinary shares in issue during the period.

Diluted loss per share amounts for the current and prior periods have not been disclosed, as the potential ordinary shares of the Group outstanding during these periods, if any, had an anti-dilutive effect on the basic loss per share for these periods.

8. RELATED PARTY TRANSACTIONS

	Notes	Six months ended	
		31/1/2004 (Unaudited) HK\$'000	31/1/2003 (Unaudited) HK\$'000
Interest income from associates	(i)	—	38,478
Interest expenses to an associate	(ii)	30,233	36,535
Rental income from a related company	(iii)	2,056	3,119
Acquisition of a subsidiary from an associate	(iv)	10,300	—
		<hr/>	<hr/>

Notes:

- (i) The interest income from associates for the six months ended 31st January, 2003 arose from advances made thereto. Interest was charged at the prevailing market rates.

- (ii) Pursuant to the relevant debt deed, interest was payable on the outstanding principal amount of the Debt (as defined below) at 5% per annum for the period up to 31st December, 2002. The Debt was due for repayment on 31st December, 2002 but remained outstanding as at the date of approval of these condensed consolidated financial statements. Interest was accrued at 4% per annum from 1st January, 2003 onwards.
- (iii) Rental income was received from a subsidiary of the Company's controlling shareholder, based on terms stated in the lease agreements.
- (iv) An agreement dated 26th September, 2003 in relation to the sale and purchase of the entire interest in Glynhill Hotels and Resorts (Vietnam) Pte Ltd ("GHR") was entered into between Delta Asia Limited ("DAL"), a wholly-owned subsidiary of eSun, as the seller and Furama Hotels and Resorts International Limited ("FHRI"), a wholly-owned subsidiary of the Group, as the purchaser for a consideration of HK\$10.3 million. GHR manages the Caravelle Hotel situated in Ho Chi Minh City, People's Republic of Vietnam pursuant to a management agreement dated 23rd April, 1998. The consideration was arrived at after arm's length negotiations on normal commercial terms between DAL and FHRI, and was determined by reference to the estimated management fee income to be generated by GHR, based on projections prepared by the eSun Group (as defined below) and calculated on the discounted cash flow basis.

9. INTERESTS IN ASSOCIATES

Included in the Group's interests in associates as at 31st January, 2004 is the Group's share of net assets of eSun and its subsidiaries (the "eSun Group") of HK\$786,372,000.

The eSun Group recorded a net loss attributable to shareholders of approximately HK\$93 million for the year ended 31st December, 2003 (2002: HK\$69 million). As at 31st December, 2003, the eSun Group had consolidated net current liabilities of HK\$172 million (2002: net current assets of HK\$5 million), consolidated accumulated losses of HK\$2,336 million (2002: HK\$2,243 million) and consolidated net assets of HK\$1,779 million (2002: HK\$1,822 million).

Included in the net current liabilities of HK\$172 million were bank loans of HK\$19 million, loans from a related company and directors aggregating HK\$101 million and other loans of HK\$45 million (the "Loan Providers"), all of which are scheduled to mature within the next 12 months from the balance sheet date.

In order to improve the eSun Group's financial position, immediate liquidity, cash flows, profitability and operations, the eSun Group has adopted and is in the process of implementing the following measures:

- (a) continue to seek the creditors' and the Loan Providers' ongoing support to the eSun Group;
- (b) endeavour to recover the amount due from Furama Hotel Enterprises Limited ("FHEL"), a wholly-owned subsidiary of the Company, of HK\$1,500,040,000 (the "Debt") together with the interest income thereon; and
- (c) take action to tighten cost controls over various general and administrative expenses and to explore profitable business opportunities.

In the opinion of the directors of eSun, in light of the measures taken to date and the expected outcome of other measures in progress as planned, including the attainment of profitable and positive cash flow operations, the eSun Group will have sufficient working capital and cash resources to meet its financial obligations in full as they fall due in the foreseeable future. On this basis, the directors of eSun consider that the eSun Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the directors of eSun are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the eSun Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the eSun Group's financial statements.

As at 31st December, 2003, the Debt due by FHEL remained outstanding and overdue. In respect of the recoverability of the Debt, the directors of eSun consider that pending the outcome of the Debt Restructuring Plan of the Group as detailed in note 1 to the condensed consolidated financial statements, the eSun Group is uncertain as to the extent of the recovery of the Debt. The directors of eSun consider that the recoverable amount of such Debt, together with the related interest thereon, is currently uncertain and, in the absence of any reliable information, they are unable to estimate the amount of any specific provision against the Debt at the current time.

As at 31st December, 2003, the film rights of the eSun Group represented all rights, titles and interests in 127 films (the "127 Film Rights") with aggregate carrying value of HK\$197,541,000 and the TV rights to another 2 films for a period of 10.5 years of aggregate carrying value of HK\$114,000. The directors of eSun engaged an independent third party (the "Valuer") to perform a valuation of the 127 Film Rights as at 31st December, 2003, and having regard to the current market conditions, the directors of eSun are of the opinion that there was no impairment in the eSun Group's film rights as at 31st December, 2003.

The auditors of eSun have issued a disclaimer opinion on the financial statements of the eSun Group for the year ended 31st December, 2003. In their report, the auditors state that:

- (i) they have been unable either to obtain sufficient reliable information, or to carry out alternative auditing procedures, to satisfy themselves as to the recoverability of the Debt;
- (ii) they have been unable to obtain sufficient reliable information to carry out the auditing procedures required by the Statement of Auditing Standards 520 "Using the Work of an Expert", issued by the Hong Kong Society of Accountants, to satisfy themselves as to (a) the competence and objectivity of the Valuer; and (b) the adequacy of the scope of the Valuer's work as to the 127 Film Rights. Accordingly, they have been unable to carry out adequate auditing procedures to assess the carrying amount of the eSun Group's film rights as at 31st December, 2003. Included in the eSun's consolidated profit and loss account for the year ended 31st December, 2003 is an amortisation charge of the eSun Group's film rights of HK\$2,591,000. They are also unable either to obtain sufficient reliable information, or to carry out alternative auditing procedures to satisfy themselves as to the appropriateness of the basis of computation of the amount of the amortisation charge; and
- (iii) they consider that appropriate disclosures concerning the adoption of the going concern basis have been made, but because of the significant uncertainty relating to the success of the measures currently undertaking by the eSun Group, they are not able to determine whether the going concern basis adopted in the eSun Group's financial statements is appropriate.

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10. PLEDGED BANK BALANCES AND TIME DEPOSITS

As at 31st January, 2004, a total of approximately HK\$121,696,000 (as at 31st July, 2003: approximately HK\$120,390,000) of the bank balances and time deposits of the Group were pledged to banks to secure certain loan facilities granted to the Group and to back up a corporate guarantee issued by the Company in respect of a loan facility granted by a bank to a subsidiary and an associate.

11. DEBTORS AND DEPOSITS/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

- (a) The Group maintains various credit policies for different business operations in accordance with the business practice and prevailing market conditions in which the Company and its respective subsidiary companies operate. Sale proceeds receivables from sale of properties are settled in accordance with the terms of respective sale and purchase agreements. Rental and related charges in respect of the leasing of properties are payable by tenants in accordance with the terms of the tenancy agreements and are normally payable in advance. Hotel and restaurant charges are mainly settled on cash basis except for those corporate clients who are maintaining credit accounts with the respective subsidiaries, settlement of which is in accordance with the terms of respective agreements.

An aged analysis of the trade debtors of the Group as at 31st January, 2004 and 31st July, 2003 are as follows:

	31/1/2004 (Unaudited) HK\$'000	31/7/2003 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	31,389	27,314
31 – 60 days	11,052	6,335
61 – 90 days	3,294	3,639
Over 90 days	6,294	9,515
	52,029	46,803
Other debtors and deposits	85,772	88,382
	137,801	135,185

(b) An aged analysis of the trade creditors of the Group as at 31st January, 2004 and 31st July, 2003 are as follows:

	31/1/2004 (Unaudited) HK\$'000	31/7/2003 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	12,179	15,209
31 – 60 days	5,360	3,695
61 – 90 days	138	28
Over 90 days	325	316
	18,002	19,248
Other creditors, deposits received and accruals	317,228	289,423
	335,230	308,671

12. CONTINGENT LIABILITIES

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

	Group		Company	
	31/1/2004	31/7/2003	31/1/2004	31/7/2003
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Guarantees given to banks and other financial creditors in connection with facilities granted to:				
Subsidiaries	—	—	1,135,850	1,988,793
Associates	194,183	194,772	194,183	194,772
	194,183	194,772	1,330,033	2,183,565
Guarantees given in connection with the issue of Convertible Bonds	—	—	906,750	906,750
Guarantees given in connection with the issue of Exchangeable Bonds	—	—	621,671	621,671
	194,183	194,772	2,858,454	3,711,986

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- (ii) Pursuant to certain indemnity deeds dated 12th November, 1997 entered into between the Company and Lai Fung Holdings Limited (“Lai Fung”), an associate of the Company’s controlling shareholder, the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax (“LAT”) payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31st October, 1997 (the “Property Interests”). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited, independent chartered surveyors, as at 31st October, 1997 (the “Valuation”); and (ii) the aggregate costs of such Property Interests incurred up to 31st October, 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The indemnity deeds assume that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (the “Listing”); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung’s prospectus dated 18th November, 1997.

13. COMMITMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

As at 31st January, 2004, the Group had no commitments for purchase of property, plant and equipment. As at 31st July, 2003, the Group had commitments authorised, but not contracted for of HK\$2,724,000 in respect of purchase of property, plant and equipment.

INTERIM ORDINARY DIVIDEND

The Directors do not recommend the payment of an interim ordinary dividend for the financial year ending 31st July, 2004. No interim ordinary dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a net attributable loss of HK\$167 million for the six months ended 31st January, 2004. The loss was largely attributed to the disposal of Causeway Bay Plaza 1 which incurred a one-time loss of around HK\$273 million which was partially offset by a release upon the disposal of the property the negative goodwill arising on the acquisition of the property concerned amounting to approximately HK\$150 million, as well as sharing a HK\$19.1 million loss attributable to its 42.54%-owned associate eSun Holdings Limited ("eSun"). Gratifyingly, the continued low interest rates and the gradual recovery of the domestic economy have helped stabilize both capital and rental values of office and retail properties which constitute the mainstay of the Group's assets and income.

The period under review witnessed a considerable turnaround both in terms of sentiment and economic activities, being largely driven by China's clear intention to boost domestic spending and investment amidst economic and political upheavals. Anecdotal evidences notably included the signing of the Closer Economic Partnership Arrangement (CEPA), and the relaxation of travel restrictions for PRC citizens coming into Hong Kong. Furthermore, the weakness of the US dollar, which depreciated by more than 10% against major currencies during the period under review, also indirectly benefited Hong Kong which has been suffering from asset deflation for a prolonged period of time. As a result, the re-emergence of investment enthusiasm had been evident as both real estate and stock prices recouped most of the lost grounds engendered by the SARS outbreak, with the luxury residential sector being the stellar performer. Office and retail rentals had also shown signs of recovery, although the extent of which was relatively mild.

In consequence of the disposals of Lai Sun Yuen Long Centre and Causeway Bay Plaza 1 which collectively accounted for 30% of total rental income, the Group suffered from a 24% decline in rental income as compared to the same period in the preceding year. However, the average occupancy rate remained at a decent 94% during the period under review. On the property development front, the pace of sales for the Waterfront (10% owned) accelerated in the final quarter of 2003 and continued to show good progress in the first quarter of this year, with sale prices also showing reasonable increase. Elsewhere, construction works for the Furama Court and Rolling Hills Phase II, both in which the Group maintains 50% interest, have been progressing well and are targeted for pre-sale within 2004. Finally, the development at 1 Connaught Road Central (the ex-Furama Hotel site) in which the Group has a 10% interest is also progressing smoothly, with an expected completion date of mid-2005.

In line with the overall economic recovery, both in Hong Kong and the rest of Asia, the Group's hotel operations also turned in far better performances as compared to the first half of 2003 when the outbreak of SARS had created unprecedented damage to the sector. It is particularly encouraging to see continued improvement in the performance of the Group's hotel interests in Vietnam - both the Caravelle Hotel (26%) and the Furama Resort Danang (63%) have firmly established as one of the top business hotels and hotel resorts in Asia respectively. Meanwhile, with an average occupancy of 78% and 91% respectively, both The Ritz-Carlton Hong Kong (65%) and the Majestic Hotel (100%) reversed their previous misfortunes and recorded positive contributions to the Group's bottomline.

eSun announced a net loss of HK\$93 million for the year ended 31st December, 2003 (2002: Loss of HK\$68.8 million). The loss was largely due to the absence of interest income contribution in respect of the HK\$1,500 million debt owed by Furama Hotel Enterprises Limited. It is, however, worth to note that the gross operating loss of eSun have been reduced as a result of implementation of adequate cost containment measures.

Prospects

While Hong Kong's economy has apparently embarked on a recovery trail, uncertainty remains. In particular, unemployment rate continues to stubbornly stay above 7% while personal income growth is expected to remain subdued. Furthermore, any uptick in US interest rates in the second half of 2004 would affect consumer and investment sentiment.

Given this economic environment and with prices having recorded an average of over 25% appreciation since late last year, the real estate market is likely to consolidate at prevailing levels. Indeed, in the absence of a substantial rental pick-up (particularly for the office-commercial market to which the Group is heavily exposed), rental yields have fallen to a very low level which in turn will restrain the upside in capital values.

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The clear resurgence of global travel traffic should bode well for the Group's hotel operations, although the return of epidemic disease(s) is always an unpredictable threat. Strategically, the Group will strive to complement the hotel ownership activities with the pursuit of hotel management opportunities in Hong Kong and the rest of Asia through Furama Hotels and Resorts International Limited ("FHRI"). FHRI has maintained a fine hotel management track record especially in the three-to four-star category, a segment which is expected to see fast expansion in the years ahead.

eSun's multimedia businesses have been gradually gathering momentum as the various operating units have respectively established a critical mass sufficient enough to make the next quantum leap. The investment in Media Asia Holdings Ltd. (49.77% owned by eSun) is a case in point whereby a firm independent financial footing has been established after two years of active business rationalization. Meanwhile, as it awaits for the approval for a satellite television downlink licence in the Mainland, East Asia Satellite Television Limited ("EAST") will continue to strengthen the content of the EAST "Life Channel" to enhance its appeal to a wider audience; its latest success in serving as a content provider for NOW Broadband TV is a clear illustration of this strategy.

Looking ahead, China's media and advertising markets are destined to show substantial growth in the years ahead. This in turn should present excellent opportunities for the well-equipped eSun to fully capitalize on this evolving trend and generate meaningful contributions in the medium-to long-term.

Group Restructuring

We would like to take this opportunity to update shareholders with the latest development in respect of the Group's overall debt restructuring program. We are pleased to report that negotiations with various creditors have reached a fairly advanced stage, and we are hopeful that this longstanding matter will be resolved and completed within 2004. As mentioned in the previous annual report, the consensual restructuring agreement will likely comprise the retirement of all or most of the outstanding indebtedness owed to the Convertible and Exchangeable Bondholders (collectively "the Bondholders") and eSun by a combination of cash repayment, new share issue and property transfers.

Notwithstanding such optimism, shareholders should be mindful of the fact that no legally binding agreement has been signed as at the time of writing, and that the Group remains in a period of informal standstill, with this position expected to subsist until the restructuring scheme is being approved by all creditors, although the Directors continue to believe that during this informal standstill period, the Bondholders, eSun and the secured creditors will not take action to ensure a stable platform for the daily operations of the Group.

Liquidity and Financial Resources

As at 31st January, 2004 the Group had outstanding borrowings of approximately HK\$6,670 million (as at 31st July, 2003: HK\$7,625 million) comprising (i) secured bank loans and other borrowings of approximately HK\$2,999 million, (ii) an accrued loan repayment premium of approximately HK\$30 million under a loan facility, (iii) an outstanding amount of approximately HK\$881 million payable under the Exchangeable Bonds (principal of HK\$622 million and accrued bond redemption premium of HK\$259 million) and (iv) an outstanding amount of approximately HK\$1,260 million payable under the Convertible Bonds (principal of HK\$907 million and accrued bond redemption premium of HK\$353 million) and (v) an amount due to the eSun Group of approximately HK\$1,500 million. Consolidated net deficiency in assets of the Group as at the same date was HK\$480 million (as at 31st July, 2003 (as restated): HK\$418 million). The deterioration in the Group's net asset position was mainly resulted from the operating loss incurred during the period. The Group has defaulted in the settlement of both the Convertible Bonds and the Exchangeable Bonds and the debt due to the eSun Group. Such defaults, in turn, have triggered cross defaults under all of the Group's other borrowing facilities. As such, all bank and other borrowings have been classified under current liabilities in the consolidated balance sheet.

As at 31st January, 2004, certain investment properties with carrying value of approximately HK\$3,184 million, certain fixed assets with carrying value of approximately HK\$1,441 million and certain bank balances and time deposits with banks of approximately HK\$112 million were pledged to banks to secure banking facilities granted to the Group. At the same date, certain investment properties with carrying value of approximately HK\$3 million, certain fixed assets with carrying value of approximately HK\$25 million and a time deposit with a bank of approximately HK\$10 million were pledged to a bank to back up certain corporate guarantees issued by the Company in respect of certain banking facilities granted by a bank to a subsidiary and an associate. In addition, 285,512,791 ordinary shares of eSun, the entire holding of the shares of Peakflow Profits Limited together with its 10% shareholding in and its advance to Bayshore Development Group Limited, the joint venture company for the AIG Tower project, and certain shares in other subsidiaries held by the Group were also pledged to banks and other lenders to secure loan facilities granted to the Group. In addition, pursuant to the terms and conditions of the Exchangeable Bonds and the Convertible Bonds, the Exchangeable Bondholders share on a pari passu and pro rata basis with the Convertible Bondholders

the security charge over a second charge over 285,512,791 shares of eSun beneficially owned by the Company. The Exchangeable Bondholders also share on a pari passu and pro rata basis with the Convertible Bondholders and eSun the security of a limited recourse second charge over 6,500 shares of Diamond String Limited (which owns The Ritz-Carlton, Hong Kong) beneficially owned by the Company. The secured bank and other borrowings were also secured by floating charges over certain assets held by the Group.

The Group is still in its ongoing discussions with all of its financial creditors on a consensual debt restructuring plan. The Group is currently under a period of informal standstill. Up to now, neither the Exchangeable Bondholders, the Convertible Bondholders, eSun nor its other financial creditors have taken any action to enforce their respective securities and other rights. Negotiation with various financial creditors has reached a fairly advanced stage and the Directors are hopeful that the Group will be able to secure the agreement of all its financial creditors to a consensual debt restructuring plan within the year 2004.

The Group's principal sources of funding comprise mainly funds generated from its business operations including property rental income, proceeds from sale of investment and development properties and revenue from its hotel and restaurant operations. The Group will continue to implement its orderly disposal of assets to help provide working capital for the Group's operation. The Directors believe that the currency peg to US dollar would be maintained in the foreseeable future. The majority of the Group's borrowings is denominated either in Hong Kong dollars or US dollars thereby avoiding exposure to undesirable exchange rate fluctuations. On the interest rate front, the majority of the bank borrowings is maintained as floating rate debts. The current low interest rate environment has benefited the Group in relieving to some extent the interest burden of the Group. The Directors are of the view that increase in interest rate in the ensuing year, if any, will be moderate. However, the market situation will be closely monitored such that hedging instruments may be employed as and when necessary.

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Employees and Remuneration Policies

The Group employed a total of approximately 1,900 (as at 31st July, 2003: 1,900) employees as at 31st January, 2004. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included both contributory and defined benefit provident fund schemes for all the eligible employees, a free hospitalization insurance plan, subsidized medical care and subsidies for external educational and training programmes.

Contingent Liabilities

Details of contingent liabilities are set out in note 12 to the condensed consolidated financial statements.

PRACTICE NOTE 19 TO THE LISTING RULES (“PN19”)

Advances to entities (Paragraph 3.2.1 of PN19)

In compliance with PN19, details of the advances to and guarantees given for facilities granted to the following affiliated companies of the Company as at 31st January, 2004 are set out below:

Name of affiliated company	Percentage of capital held	Principal amount of advance <i>HK\$'000</i> <i>(Note a)</i>	Guarantees given for banking facilities granted <i>HK\$'000</i> <i>(Note b)</i>	Total <i>HK\$'000</i>	Notes
Barnwood Limited	50	902	—	902	<i>(c)</i>
Bushell Limited	50	—	215,000	215,000	
Capital Property Company Limited	24.5	29,274	—	29,274	<i>(c)</i>
Easlin Corporation	20	27,181	—	27,181	<i>(c)</i>
Giant Riches Limited	50	890	—	890	<i>(d)</i>
Giant Riches Mortgage Limited	50	529	—	529	<i>(e)</i>
Hillfield Trading Limited	50	433,242	—	433,242	<i>(f)</i>
JDL International Limited	50	1,574	—	1,574	<i>(c)</i>
Kippford Enterprises Limited	50	51,332	52,000	103,332	<i>(g)</i>
Mandy Investment Company Limited	40	630	—	630	<i>(g)</i>
Modern Focus Limited	50	7,568	—	7,568	<i>(g)</i>
Naples Investments Limited	50	107,646	—	107,646	<i>(h)</i>
Orwell Investments Pte Ltd	50	47,867	—	47,867	<i>(i)</i>
Rich Vision Limited	50	12,374	—	12,374	<i>(c)</i>
		721,009	267,000	988,009	

Notes:

- (a) All balances due are unsecured, interest-free and have no fixed terms of repayment.
- (b) The guarantees were given to banks, in proportion to the Group's beneficial shareholdings in the affiliates, to secure the loan facilities granted to the affiliates to finance their property development projects situated in Hong Kong.
- (c) The advances were provided to these affiliated companies to finance their investments in the property development projects situated in Thailand.
- (d) Giant Riches Limited is the developer of The Panorama at Tsuen Wan, Hong Kong. The advances represented the outstanding fees on services provided by the Group.
- (e) Giant Riches Mortgage Limited is the company providing second mortgage loans to certain purchasers of the residential units of The Panorama. Advances were provided to this company to finance its funding requirement for such second mortgage loans.

- (f) The advance was provided to Hillfield Trading Limited for its on-lending to Bushell Limited, its wholly-owned subsidiary, to finance the Furama Court development project at Tsim Sha Tsui, Kowloon, Hong Kong.
- (g) The advances were provided to these affiliates to finance their property development projects situated in Hong Kong.
- (h) The advance was provided to Naples Investments Limited to finance its investment in the hotel and related operations in Philippines.
- (i) The advance was provided to Orwell Investments Pte Ltd for its on-lending to its subsidiary to finance the latter's golf club and related operations in the Mainland of China.

Increase in advances to entities (Paragraph 3.2.2 of PN19)

In compliance with PN19, details of the advances to and guarantees given for facilities granted to the following affiliated companies of the Company as at 30th March, 2004 are set out below:

Name of affiliated company	Percentage of capital held	Principal amount of advance <i>HK\$'000</i> <i>(Note a)</i>	Guarantees given for banking facilities granted	Total <i>HK\$'000</i>	Notes
			<i>HK\$'000</i> <i>(Note b)</i>		
Hillfield Trading Limited	50	438,912	—	438,912	(c)
Kippford Enterprises Limited	50	51,601	52,000	103,601	(d)
Naples Investments Limited	50	107,827	—	107,827	(e)
		598,340	52,000	650,340	

Notes:

- (a) All balances due are unsecured, interest-free and have no fixed terms of repayment.
- (b) The guarantee was given to banks, on secured basis and in proportion to the Group's beneficial shareholdings in Kippford Enterprises Limited ("Kippford"), to secure the loan facilities granted to Kippford for financing its property development project situated in Hong Kong.
- (c) The advance was provided to Hillfield Trading Limited for its on-lending to Bushell Limited, its wholly-owned subsidiary, to finance the Furama Court development project at Tsim Sha Tsui, Kowloon, Hong Kong.
- (d) The advance was provided to Kippford to finance its property development projects situated in Hong Kong.
- (e) The advance was provided to Naples Investments Limited to finance its investment in the hotel and related operations in Philippines.

Financial assistance provided to and guarantees given for affiliated companies (Paragraph 3.3 of PN19)

In compliance with PN19, the proforma combined balance sheet of the affiliated companies as at 31st January, 2004 is disclosed as follows:

	<i>HK\$'000</i>
Fixed assets	281,722
Interests in jointly controlled entities	1,463
Interests in associates	133,891
Due from a related company	1,500,040
Properties under development	953,096
Film rights	197,655
Net current liabilities	(318,659)
<hr/>	
Total assets less current liabilities	2,749,208
Long term borrowings	(335,042)
Deferred income	(39,655)
Amounts due to shareholders	(1,600,951)
<hr/>	
	773,560
<hr/>	
CAPITAL AND RESERVE	
Issued capital	344,374
Share premium account	2,888,269
Contributed surplus	891,289
Exchange fluctuation reserve	17,756
Accumulated losses	(3,368,324)
<hr/>	
	773,364
Minority interests	196
<hr/>	
	773,560
<hr/>	

DIRECTORS' INTERESTS

As at 31st January, 2004, 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 (the "Code") to be notified to the Company and the Stock Exchange:

(1) The Company

Name of Director	Long positions in the shares				Total	Percentage
	Personal Interests	Family Interests	Corporate Interests	Capacity		
Lim Por Yen	197,859,550	633,400 <i>(Note 1)</i>	1,582,869,192 <i>(Note 2)</i>	Beneficial owner	1,781,362,142	47.55%
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Beneficial owner	10,099,585	0.27%
Lau Shu Yan, Julius	1,200,000	Nil	Nil	Beneficial owner	1,200,000	0.03%
Wu Shiu Kee, Keith	200,000	Nil	Nil	Beneficial owner	200,000	0.01%
U Po Chu	633,400	1,780,728,742 <i>(Note 3)</i>	Nil	Beneficial owner	1,781,362,142	47.55%
Chiu Wai	195,500	Nil	Nil	Beneficial owner	195,500	0.01%

Notes:

1. Mr. Lim Por Yen was deemed to be interested in 633,400 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu.
2. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lim Por Yen was deemed to be interested in such shares 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 an interest of approximately 42% in aggregate in the issued share capital of LSG.
3. Madam U Po Chu was deemed to be interested in 1,780,728,742 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

(2) **Associated Corporation**

eSun Holdings Limited (“eSun”)

Name of Director	Personal Interests	Long positions in shares of eSun			Total	Percentage
		Family Interests	Corporate Interests	Capacity		
Lim Por Yen	Nil	Nil	285,512,791 <i>(Note 1)</i>	Beneficial owner	285,512,791	42.54%
U Po Chu	Nil	285,512,791 <i>(Note 2)</i>	Nil	Beneficial owner	285,512,791	42.54%

Notes:

1. eSun is an associated corporation of the Company as the Company and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. 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 the Company. Mr. Lim Por Yen was deemed to be interested in such shares in eSun 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 an interest of approximately 42% in aggregate in the issued share capital of LSG.
2. Madam U Po Chu was deemed to be interested in 285,512,791 shares in eSun by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Save as disclosed above, as at 31st January, 2004, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st January, 2004, 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:

(a) Long positions in the shares

Name	Capacity	Nature (Note 1)	Number of Shares	Percentage
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	1,582,869,192	42.25%
Lim Por Yen	Beneficial owner	Personal, Family and Corporate	1,781,362,142	47.55% (Note 2)
U Po Chu	Beneficial owner	Personal and Family	1,781,362,142	47.55% (Note 3)
Lai Yuen Fong	Beneficial owner	Family	1,781,362,142	47.55% (Note 4)
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	20.86%
Xing Feng Investments Limited ("Xing Feng")	Beneficial owner	Corporate	781,346,935	20.86% (Note 5)
Chen Din Hwa	Beneficial owner	Corporate	781,346,935	20.86% (Notes 5 and 6)
Chen Yang Foo Oi	Beneficial owner	Family	781,346,935	20.86% (Note 7)
Asia Television Limited	Beneficial owner	Corporate	200,000,000	5.34% (Note 8)
Today's Asia Limited	Beneficial owner	Corporate	200,000,000	5.34% (Notes 8 and 9)
Liu Changle	Beneficial owner	Corporate	200,000,000	5.34% (Notes 8, 9 and 10)

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(b) Long positions in underlying shares of equity derivatives

Name	Capacity	Nature (Note 1)	Number of Shares (as enlarged)	Percentage
Chen Din Hwa	Beneficial owner	Corporate	861,784,435	22.52% (Note 11)
Chen Yang Foo Oi	Beneficial owner	Family	861,784,435	22.52% (Note 12)

Notes:

1. Personal, family and corporate denote personal interest, family interest and corporate interest, respectively.
2. Mr. Lim Por Yen was deemed to be interested in 1,582,869,192 shares 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 was also deemed to be interested in the 633,400 shares owned by his spouse, Madam U Po Chu.
3. Madam U Po Chu was deemed to be interested in 1,780,728,742 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
4. Madam Lai Yuen Fong was deemed to be interested in 1,781,362,142 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
5. Xing Feng was taken to be interested in 781,346,935 shares beneficially owned by Nice Cheer due to its corporate interests therein.
6. Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer.
7. Madam Chen Yang Foo Oi was deemed to be interested in 781,346,935 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.
8. Persons falling into the category of "Other Persons" in Practice Note 5 to the Rules Governing the Listing of Securities on the Stock Exchange.
9. Today's Asia Limited through two wholly-owned subsidiaries indirectly controlled 46% of Asia Television Limited. Today's Asia Limited was taken to be interested in 200,000,000 shares beneficially owned by Asia Television Limited due to its corporate interests therein.
10. Mr. Liu Changle controlled 93.29% of Today's Asia Limited which indirectly controlled 46% of Asia Television Limited. Mr. Liu Changle was taken to be interested in 200,000,000 shares by virtue of his corporate interests in Asia Television Limited.
11. Please refer to note 5 above.

Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer. The remaining balance represents 80,437,500 shares to be issued by the Company to Absolute Gain Trading Ltd. upon its exercise of rights attaching to the convertible bonds issued by Lai Sun International Finance (1997) Limited and guaranteed by the Company. Mr. Chen Din Hwa was taken to be interested in such shares by virtue of his corporate interests in Absolute Gain Trading Ltd. Mr. Chen Din Hwa's aggregate interest in 861,784,435 shares represents 22.52% of the issued share capital of the Company as enlarged by the potential issue by the Company of 80,437,500 shares in the event of Absolute Gain Trading Ltd. exercising its rights attaching to the said convertible bonds.

12. Madam Chen Yang Foo Oi was deemed to be interested in 861,784,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.

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 in the long or short positions in the shares and underlying shares of equity derivatives of the Company as at 31st January, 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st January, 2004, 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 of the Company 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 31st January, 2004, 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. 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 Articles of Association of the Company.

In accordance with the requirements of the Code of Best Practice, the Company established an audit committee in March 2000 which comprises the two independent non-executive Directors of the Company. The Interim Report has been reviewed by the audit committee of the Company.

By Order of the Board
Lam Kin Ngok, Peter
Chairman and President

Hong Kong, 16th April, 2004