



LAI SUN DEVELOPMENT

LAI SUN DEVELOPMENT COMPANY LIMITED

Interim Report 2004-2005

## **PLACE OF INCORPORATION**

Hong Kong

## **BOARD OF DIRECTORS**

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\*

Leung Shu Ying, William\*

Lim Por Yen (*Honorary Chairman*) (passed away on 18th February, 2005)

\* *Independent Non-executive Directors*

## **COMPANY SECRETARY**

Yeung Kam Hoi

### **Lai Sun Development Company Limited**

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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 that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st January, 2005 were as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January, 2005

		Six months ended	
		31/1/2005	31/1/2004
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	3	396,134	1,709,416
Cost of sales		(151,610)	(1,748,241)
Gross profit/(loss)		244,524	(38,825)
Other revenue		2,891	8,109
Administrative expenses		(128,900)	(145,576)
Release of negative goodwill upon disposal of investment properties		—	149,983
Reversal of impairment of long term investments		105,979	42,542
Other operating expenses		(1,693)	(2,502)
PROFIT FROM OPERATING ACTIVITIES	4	222,801	13,731
Finance costs	5	(52,582)	(157,116)
Loss arising from the Bonds Settlement and eSun Debt Settlement	1(b)	(1,483,527)	—
Provision for contingent liabilities to bondholders	12	(74,418)	—
Gain on cancellation of bond payables	12	28,135	—
Share of profits and losses of associates		139,111	(17,673)
Reversal of/(provision for) impairment of associates		(1,031)	12,385
LOSS BEFORE TAX		(1,221,511)	(148,673)
Tax	6	(12,512)	(7,060)
LOSS BEFORE MINORITY INTERESTS		(1,234,023)	(155,733)
Minority interests		(21,946)	(11,387)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(1,255,969)	(167,120)
LOSS PER SHARE	7		
Basic		HK\$0.19	HK\$0.04
Diluted		N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

31st January, 2005

	Notes	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		1,342,545	1,351,063
Investment properties		3,425,400	3,207,980
Properties under development		1,443	1,424
Goodwill		7,439	8,583
Interests in associates	9	1,007,417	1,153,326
Long term investments		359,542	280,963
Pledged bank balances	10	41,202	—
		<b>6,184,988</b>	6,003,339
<b>CURRENT ASSETS</b>			
Short term investments		6,472	6,506
Completed properties for sale		—	1,430
Inventories		7,208	6,995
Debtors and deposits	11	132,545	123,717
Pledged bank balances	10	8,002	97,657
Cash and cash equivalents		502,713	530,446
		<b>656,940</b>	766,751
<b>CURRENT LIABILITIES</b>			
Creditors, deposits received and accruals	11	235,051	453,749
Tax payable		3,541	11,668
Interest-bearing bank and other borrowings		92,161	2,291,733
Provision for premium on loan repayment		12,031	32,396
Bonds payable	12	281,376	621,671
Provision for premium on bonds redemption		—	612,390
Convertible bonds payable		—	906,750
Amount due to an associate		—	1,500,040
		<b>624,160</b>	6,430,397
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>32,780</b>	(5,663,646)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,217,768</b>	339,693
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		(2,365,072)	—
Provision for premium on loan repayment		(22,344)	—
Deferred tax		(40,850)	(34,149)
Long term rental deposits received		(34,248)	(29,122)
		<b>(2,462,514)</b>	(63,271)
		<b>3,755,254</b>	276,422
<b>CAPITAL AND RESERVES</b>			
Issued capital		6,373,021	1,873,001
Reserves		(3,027,620)	(1,989,112)
		<b>3,345,401</b>	(116,111)
<b>MINORITY INTERESTS</b>		<b>409,853</b>	392,533
		<b>3,755,254</b>	276,422

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2005

For the six months ended 31st January, 2005 (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, 2004 and 1st August, 2004 (audited)	1,873,001	5,858,164*	1,737,809*	1,200,000*	47,619*	(10,832,704)*	(116,111)
Surplus on revaluation of investment properties	—	—	217,269	—	—	—	217,269
Exchange realignments:							
Subsidiaries	—	—	—	—	182	—	182
Associates	—	—	—	—	10	—	10
Net gains not recognised in the profit and loss account	—	—	217,269	—	192	—	217,461
Issue of shares upon completion of the Bonds Settlement and eSun Debt Settlement (note 1(b))	4,500,020	—	—	—	—	—	4,500,020
Net loss for the period	—	—	—	—	—	(1,255,969)	(1,255,969)
At 31st January, 2005 (Unaudited)	6,373,021	5,858,164*	1,955,078*	1,200,000*	47,811*	(12,088,673)*	3,345,401

\* These reserve accounts comprise consolidated reserves in a net debit balance of HK\$3,027,620,000 (as at 31st July, 2004: HK\$1,989,112,000) in the condensed consolidated balance sheet.

4

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)	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)
Exchange realignments:							
Subsidiaries	—	—	—	—	897	—	897
Associates	—	—	—	—	21	—	21
Net gains/(losses) not recognised in the profit and loss account	—	—	(6,635)	—	918	—	(5,717)
Release upon disposal of investment properties	—	—	261,312	—	—	—	261,312
Release of negative goodwill upon disposal of investment properties	—	—	—	—	—	(149,983)	(149,983)
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)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2005

	Six months ended	
	31/1/2005 (Unaudited) HK\$'000	31/1/2004 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	70,513	(7,695)
NET CASH INFLOW FROM INVESTING ACTIVITIES	127,275	1,302,570
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(225,498)	(982,947)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(27,710)	311,928
Cash and cash equivalents at beginning of period	530,446	110,927
Effect of foreign exchange rate changes, net	(23)	(34)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	502,713	422,821

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. BASIS OF PREPARATION AND CORPORATE UPDATE

- (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) Last year, the Company reached an agreement, in principle, with the informal committee (the "Informal Committee") of 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") (collectively, the "Bondholders") concerning the settlement of the Exchangeable Bonds and the Convertible Bonds owed by the Group to Bondholders (the "Bonds Settlement"). On 28th June, 2004, the Company also entered into a settlement agreement with eSun Holdings Limited ("eSun"), an associate of the Group, in connection with the proposed settlement of an amount payable to Golden Pool Enterprise Limited ("GPEL"), a wholly-owned subsidiary of eSun, of HK\$1,500 million (the "Debt") (the "eSun Debt Settlement").

On 6th October, 2005, the Bondholders passed the necessary resolutions to duly approve the terms agreed between the Informal Committee and the Company. Pursuant to a resolution passed at a special general meeting held by eSun on 13th October, 2004, the independent shareholders of eSun approved the eSun Debt Settlement. On the same date, pursuant to a resolution passed at an extraordinary general meeting held by the Company, the Bonds Settlement and the eSun Debt Settlement (collectively, the "Settlements") were duly approved by the independent shareholders of the Company.

On 7th December, 2004, all of the conditions precedent had been fulfilled and the Settlements were completed on that date. The major terms of the Settlements have been disclosed in the Company's last annual report.

Upon completion of the Bonds Settlement, the Group settled its indebtedness owed to the Bondholders including the outstanding principal amount, accrued outstanding interest, redemption premium in aggregate of HK\$2,279 million and an agreed settlement premium of HK\$257 million. The total amount due to the Bondholders was settled by:

- (i) cash repayments of approximately US\$38 million (equivalent to approximately HK\$300 million) which were made to the Bondholders on about 18th October, 2004;

- (ii) HK\$266,058,100 zero coupon guaranteed secured A Bonds due 2005 (the “A Bonds”) issued by Lai Sun International Finance (2004A) Limited, a wholly-owned subsidiary of the Company;
- (iii) HK\$70,059,100 zero coupon guaranteed secured B Bonds due 2005 (the “B Bonds”) issued by Lai Sun International Finance (2004B), a wholly-owned subsidiary of the Company; and
- (iv) 3,800,040,000 ordinary shares of the Company at a price of HK\$0.50 per share.

Upon completion of the eSun Debt Settlement, the Group settled the principal amount of the Debt of HK\$1,500 million and an agreed settlement premium of approximately HK\$1,345 million. The total amount due to eSun was settled by:

- (i) a cash repayment of HK\$20,000,000 which was made to the eSun Group on 18th October, 2004;
- (ii) a 5-year secured interest-bearing term loan in the principal amount of HK\$225,000,000 owed by Furama Hotel Enterprises Limited, a wholly-owned subsidiary of the Company, to GPEL; and
- (iii) 5,200,000,000 ordinary shares of the Company at a price of HK\$0.50 per share.

The Group incurred a loss arising from the Settlements of HK\$1,484 million which comprised (i) an agreed premium of HK\$257 million pursuant to the Bonds Settlement and (ii) an agreed premium of HK\$1,345 million pursuant to the eSun Debt Settlement of which was partially offset by the write back of accrued overdue interest on the Debt of HK\$119 million as such overdue interest was waived by eSun upon completion of the Settlements.

Upon completion of the Settlements, the Group turned around from a deficiency in asset position to a net asset position. As at 31st January, 2005 the Group had consolidated net assets of HK\$3,345 million (as at 31st July, 2004: consolidated deficiency in assets of HK\$116 million). The Group has also turned around from a net current liability position of HK\$5,664 million as at 31st July, 2004 to a net current asset position of HK\$33 million as at 31st January, 2005.

Following completion of the Settlements, the Group also managed to refinance all major bank and other borrowings to medium and long term loans as necessary.

6

## 2. ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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, 2004.

### 3. SEGMENTAL INFORMATION

#### (a) Business segments

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

Six months ended 31st January, 2005 (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	3,626	122,090	259,257	11,161	—	396,134
Intersegment sales	—	3,963	—	11,126	(15,089)	—
Other revenue	—	476	590	6	—	1,072
<b>Total</b>	<b>3,626</b>	<b>126,529</b>	<b>259,847</b>	<b>22,293</b>	<b>(15,089)</b>	<b>397,206</b>
Segment results	1,759	92,574	65,472	7,405	—	167,210
Interest income and unallocated gains						1,819
Reversal of impairment of long term investments						105,979
Unallocated expenses						(52,207)
<b>Profit from operating activities</b>						<b>222,801</b>

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
Inter segment sales	—	6,256	364	10,595	(17,215)	—
Other revenue	—	1,335	179	3,800	—	5,314
<b>Total</b>	<b>3,762</b>	<b>1,446,752</b>	<b>255,161</b>	<b>26,270</b>	<b>(17,215)</b>	<b>1,714,730</b>
Segment results	(8,784)	(29,700)	49,426	9,615	—	20,557
Interest income and unallocated gains						2,795
Reversal of impairment of long term investments						42,542
Unallocated expenses						(52,163)
<b>Profit from operating activities</b>						<b>13,731</b>



(b) *Geographical segments*

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

	<b>Six months ended 31st January, 2005 (Unaudited)</b>		
	<b>Hong Kong</b>	<b>Vietnam</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Segment revenue:			
Sales to external customers	<b>289,389</b>	<b>106,745</b>	<b>396,134</b>
Other revenue	<b>645</b>	<b>427</b>	<b>1,072</b>
<b>Total</b>	<b>290,034</b>	<b>107,172</b>	<b>397,206</b>
	<b>Six months ended 31st January, 2004 (Unaudited)</b>		
	<b>Hong Kong</b>	<b>Vietnam</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Segment revenue:			
Sales to external customers	1,638,221	71,195	1,709,416
Other revenue	5,314	—	5,314
<b>Total</b>	<b>1,643,535</b>	<b>71,195</b>	<b>1,714,730</b>

**4. PROFIT FROM OPERATING ACTIVITIES**

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

	<b>Six months ended</b>	
	<b>31/1/2005</b>	<b>31/1/2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>13,510</b>	15,593
Loss on disposal of investment properties	—	281,312
Amortisation of goodwill on acquisition of a subsidiary	<b>1,144</b>	572
Unrealised loss on short term investments	<b>34</b>	263
Loss on disposal of fixed assets	<b>272</b>	72
Dividend income	<b>(671)</b>	(100)

**5. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>31/1/2005</b>	<b>31/1/2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank and other borrowings wholly repayable within five years	<b>38,664</b>	68,127
Interest on amount due to GPEL	<b>1,526</b>	30,233
Interest on bonds payable	—	17,617
Interest on convertible bonds	—	25,199
<b>Total interest expenses</b>	<b>40,190</b>	<b>141,176</b>
Other finance costs:		
Provision for premium on loan repayment	<b>1,979</b>	3,542
Bank charges and refinancing charges	<b>10,413</b>	12,398
	<b>52,582</b>	<b>157,116</b>

## 6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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	
	31/1/2005 (Unaudited) HK\$'000	31/1/2004 (Unaudited) HK\$'000
Company and subsidiaries		
Current tax:		
Hong Kong	3,398	14,325
Deferred tax	6,701	(8,584)
	<b>10,099</b>	5,741
Share of tax attributable to associates:		
Hong Kong	2,413	1,319
Tax charge for the period	<b>12,512</b>	7,060

## 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\$1,255,969,000 (2004: HK\$167,120,000) and the weighted average number of 6,485,145,000 (2004: 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 no diluting event existed during both periods.

9

## 8. RELATED PARTY TRANSACTIONS

	Notes	Six months ended	
		31/1/2005 (Unaudited) HK\$'000	31/1/2004 (Unaudited) HK\$'000
Interest expenses to GPEL	(i)	1,526	30,233
Rental income from related companies	(ii)	2,012	2,056
Acquisition of a subsidiary from an associate	(iii)	—	10,300

Notes:

- (i) The interest expenses to GPEL for the current period represented interest on the HK\$225 million term loan owed to GPEL at 4.5% per annum.

The interest expenses to GPEL for the previous period represented overdue interest on the Debt accrued at 4% per annum.

- (ii) Rental income was received from one of the Company's then major shareholder and its subsidiaries based on terms stated in the lease agreements.

- (iii) The consideration for the acquisition was determined with reference to a discounted cash flow projection based on the estimated future management fee income generated from the unexpired term of the hotel management contracts held by that subsidiary.

## 9. INTERESTS IN ASSOCIATES

Included in the Group's interests in associates as at 31st January, 2005 is the Group's share of net assets of eSun and its subsidiaries (the "eSun Group") of HK\$779,048,000.

As at 31st December, 2004, the eSun Group recorded consolidated net current liabilities of HK\$207 million (2003: HK\$172 million), consolidated accumulated losses of HK\$2,284 million (2003: HK\$2,336 million) and consolidated net assets of HK\$1,831 million (2003: HK\$1,779 million).

Included in the net current liabilities of HK\$207 million were bank loans of HK\$21 million, loans from directors of HK\$10 million and other loans of HK\$150 million (collectively, the "Financial Creditors"), all of which are due for repayment within the next 12 months from the balance sheet date.

In order to improve the eSun Group's working capital position, profitability and operations, the eSun Group has adopted and continue to implement the following measures:

- (a) the eSun Group continues to seek ongoing support from its Financial Creditors, and to explore opportunities for different sources of financing to strengthen the Group's working capital position; and
- (b) the eSun Group continues to implement measures to tighten cost controls over various general and administrative expenses and to attain profitable and positive cash flow operations.

The directors of eSun believe that the eSun Group will be successful in obtaining ongoing support from its Financial Creditors and in exploring opportunities for different sources of financing and that it will be successful in improving cash flow through tightening of cost controls and attaining profitable and positive cash flow operations. 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.

10

If the going concern basis was 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. The effects of these potential adjustments have not been reflected in the eSun Group's financial statements. The auditors of eSun consider that appropriate disclosures relating to the going concern basis have been made in eSun Group's financial statements and their opinion is not qualified in this respect.

At 31st December, 2004, the film rights of the eSun Group represented all rights, titles and interests in 127 films (the "127 Film Rights") with an aggregate carrying value of HK\$190,570,000 (2003: HK\$197,541,000) and the television rights to another two films for a period of 10.5 years (the "2 TV Rights") of with an aggregate carrying value of HK\$114,000 (2003: HK\$114,000). The directors of eSun engaged Astoria Films Distribution Limited (the "Valuer"), an independent film distributor, to perform a valuation (the "Valuation") on the 127 Film Rights as at 31st December, 2004. Having regard to the Valuation, which indicated that the fair value of the 127 Film Rights as at 31st December, 2004 was above their carrying value stated in the eSun Group's financial statements and having regard to the current market conditions, the directors of eSun are of the opinion that there was no impairment in the Group's film rights as at 31st December, 2004.

The auditors of eSun have issued a qualified opinion on the financial statements of the eSun Group for the year ended 31st December, 2004 in respect of the scope limitation of the carrying value of film rights. In their report, the auditors state that they have been unable to obtain sufficient reliable information to carry out the audit procedures required by the Statement of Auditing Standards 520 "Using the Work of an Expert" ("SAS 520") issued by the HKICPA, to satisfy themselves as to (i) the competence and objectivity of the Valuer; and (ii) the adequacy of the scope of the Valuer's work on the 127 Film Rights. Accordingly, they have been unable to carry out adequate audit procedures to assess the carrying amount of the film rights as at 31st December, 2004. Included in the consolidated profit and loss account for the year ended 31st December, 2004 is an amortisation charge of the eSun Group's film rights of HK\$6,971,000. They are also unable either to obtain sufficient reliable information, or to carry out alternative audit procedures to satisfy themselves as to the appropriateness of the basis of computation of the amortisation charge.

## 10. PLEDGED BANK BALANCES

As at 31st January, 2005, the Group's bank balances of HK\$49,204,000 (as at 31st July, 2004: HK\$97,657,000) were pledged to banks to secure certain loan facilities granted to the Group and to back up corporate guarantees issued by the Company in respect of a loan facility granted by a bank to a subsidiary and an associate of the Company.

## 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, 2005 and 31st July, 2004 are as follows:

	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	30,093	24,037
31-60 days	4,101	3,468
61-90 days	1,731	1,156
Over 90 days	6,849	6,154
	<b>42,774</b>	34,815
Other debtors and deposits	<b>89,771</b>	88,902
	<b>132,545</b>	123,717

- (b) An aged analysis of the trade creditors of the Group as at 31st January, 2005 and 31st July, 2004 are as follows:

	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	12,510	12,768
31-60 days	3,522	2,179
61-90 days	263	301
Over 90 days	504	714
	<b>16,799</b>	15,962
Other creditors, deposits received and accruals	<b>218,252</b>	437,787
	<b>235,051</b>	453,749

## 12. BONDS PAYABLE

		31/1/2005 (Unaudited) <i>HK\$'000</i>	31/7/2004 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
A Bonds	<i>(i)</i>	239,452	—
B Bonds	<i>(ii)</i>	41,924	—
Exchangeable Bonds		—	621,671
		<b>281,376</b>	<b>621,671</b>

### *Notes:*

- (i) As disclosed in note 1 to condensed consolidated financial statements, HK\$266,058,100 A Bonds were issued to the Bondholders pursuant to the Bonds Settlement. The A Bonds are non-interest bearing and repayable on or before 31st December, 2005. The A Bonds are secured by, inter-alias, (i) charges over the Group's entire 26.01% interest in Caravelle Hotel, Ho Chi Minh City, Vietnam, (ii) charges over the Group's entire 62.625% interest in Furama Resort, Danang, Vietnam, and (iii) charges over the Group's entire 10% interest in The Waterfront, Hong Kong (collectively the "Three Planned Sale Interests").

The Company endeavours to sell the Three Planned Sale Interests in an orderly and expeditious manner before 31st December, 2005 for the purposes of raising funds to repay the A Bonds. Provided that the aggregate proceeds from the disposal of the Three Planned Sale Interests are in excess of the principal amount of the A Bonds, such excess amount will be shared as between the holders of A Bonds and the Group in the ratio of 70:30. A provision for the contingent amount distributable to the holders of A Bonds in respect of such estimated excess amount of HK\$74,418,000 based on the estimated realisable values of the Three Planned Sale Interests was made in the condensed consolidated financial statements of the Company for the six months ended 31st January, 2005.

On 14th January, 2005, a partial principal repayment of the A Bonds in the amount of HK\$26,605,810 was made by the Group to the holders of A Bonds out of the funds sourced from the Three Planned Sale Interests.

- (ii) As disclosed in note 1 to condensed consolidated financial statements, HK\$70,059,100 B Bonds were issued to the Bondholders pursuant to the Bonds Settlement. The Group is liable to repay the B Bonds if Mr. Peter Lam, a director and a substantial shareholder of the Company, fails to purchase all or any of the 2,799,440,000 shares (the "Put Shares") at a price of HK\$0.03 per share pursuant to exercises of the put rights afforded to the Bondholders. The Group's liability to repay the B Bonds is calculated on a pro rata basis by deducting from the total number of the Put Shares the number of the Put Shares which (i) Bondholders have transferred before 31st December, 2005; or (ii) have been purchased by Mr. Peter Lam pursuant to puts to him; or (iii) have not been put to Mr. Peter Lam during the put option exercise window commencing on 1st November, 2005 and ending on 30th November, 2005. After all such deduction, the Group will be obliged to repay the residual amount of B Bonds calculated as the sum of the aggregate number of the Put Shares put to Mr. Peter Lam (but which he shall have failed to purchase) multiplied by HK\$0.03 multiplied by approximately 83%.

During the period from 7th December, 2004 to 31st January, 2005, 1,124,217,000 Put Shares were transferred by the Bondholders and accordingly the Group's liability in respect of the B Bonds was reduced by HK\$28,135,000. Such amount is credited to the Company's current period consolidated profit and loss account.

### 13. CONTINGENT LIABILITIES

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

	Group		Company	
	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000
Guarantees given to banks and other financial creditors in connection with facilities granted to:				
Subsidiaries	—	—	1,139,808	1,137,829
Associates	298,190	469,088	298,190	469,088
	<b>298,190</b>	469,088	<b>1,437,998</b>	1,606,917
Guarantees given in connection with the issue of A Bonds	—	—	239,452	—
Guarantees given in connection with the issue of B Bonds	—	—	41,924	—
Guarantees given in connection with the issue of Convertible Bonds	—	—	—	906,750
Guarantees given in connection with the issue of Exchangeable Bonds	—	—	—	621,671
	<b>298,190</b>	469,088	<b>1,719,374</b>	3,135,338

- (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 then 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.

### 14. COMMITMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

As at 31st January, 2005 and 31st July, 2004, the Group had no commitments for purchase of property, plant and equipment.

## 15. POST BALANCE SHEET EVENT

On 8th April, 2005, Furama Hotels Enterprises Limited and Transformation International Limited (collectively, the "Sellers"), both are wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser"). Pursuant to the sale and purchase agreement, the Sellers agreed to sell and the Purchaser agreed to purchase the Sellers' 100% interest in Furama International Hoteliers Limited at a cash consideration of US\$16,800,000 (approximately HK\$131 million). Furama International Hoteliers Limited in turn owns 83.5% interest in each of Best City Finance Limited and Indochina Beach Hotel Limited. Best City Finance Limited is a company providing financial services to Indochina Beach Hotel Joint Venture Limited. Indochina Beach Hotel Limited is the holder of 75% interest in the capital contribution of Indochina Beach Hotel Joint Venture Limited which owns and operates the Furama Resort, Danang, Vietnam. The entire consideration, after deducting the related expenses, will be used for the partial repayment of A Bonds. The completion of the transaction is scheduled to take place on 8th July, 2005. For details of this transaction, please refer to the announcement dated 15th April, 2005.

## INTERIM ORDINARY DIVIDEND

The Directors do not recommend the payment of an interim ordinary dividend for the financial year ending 31st July, 2005. No interim ordinary dividend was declared in respect of the previous corresponding period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

14

The Group recorded a net attributable loss of HK\$1,256 million for the six months ended 31st January, 2005. However, the loss was principally due to a one-off accounting loss of approximately HK\$1,484 million, mainly arising from the creation of a settlement premium to facilitate the issue of shares at par value of HK\$0.50 as part of the settlement agreement with the creditors. Stripping that out, the Group actually registered a net profit of approximately HK\$228 million on the operating level, largely attributed to development earnings contribution, write-back of impairment in value of properties under development and lower financial expenses. A corollary of the successful corporate restructuring, the results reflect that the Group has now returned to a clean bill of health.

The period under review saw the continued recovery of the domestic economy: a revival of the property market, sustained investment optimism on the Hong Kong-China theme have combined to buttress such vivacity. Furthermore, the weakness of the US dollar, whose continued depreciation (until lately) has also indirectly benefited Hong Kong which has been suffering from asset deflation for a prolonged period of time. Consequently, both the hotel and property markets to which the Group has substantial exposure have continued to perform well; as the luxury residential sector continued to shine brightly, office and retail rentals have also exhibited a formidable recovery.

While the Group's rental base has been depleted following the disposals of Lai Sun Yuen Long Centre, Causeway Bay Plaza 1 and 50% interest in Majestic Centre in the previous financial year, positive rental reversions have cushioned the impact nicely, with gross rentals only registering a fall of around 12% from the previous corresponding period, while the average occupancy rate remained at a strong 95%. On the property development front, the Group managed to sell the entire residential portion of the Kimberley 26 (50% owned) during the period under review and recognized a profit of approximately HK\$78 million, while the sales of Tower V (as well as the

remaining units of other towers) of the Waterfront (10% owned) have also been satisfactory. Rolling Hills Phase 2 in which the Group maintains a 50% interest, will shortly be launched for sale in the market and we are confident that this project will be met with a very warm reception. Finally, the AIG Tower development in which the Group has a 10% interest is also progressing smoothly, with an expected completion date of late 2005.

In line with continued buoyancy in tourism, the Group's hotel operations also turned in satisfactory performances. It is encouraging to witness sustainable contributions from the Group's hotel interests in Vietnam — both the Caravelle Hotel (26.01%) and Furama Resort Danang (62.625%) have firmly established as one of the top business hotels and hotel resorts in Asia respectively. Meanwhile, with an average occupancy of 86% and 93% respectively and with rates on a steadily rising trend, both the Ritz Carlton Hong Kong (65%) and the Majestic Hotel (50%) have recorded meaningful contributions to the Group's bottomline. We would, however, like to remind shareholders that as part of the settlement agreement, the Group has committed to disposing the twin Vietnam hotels on behalf of the bondholders on or before 31st December, 2005. As such, income from hotel activities is poised to dwindle in the foreseeable future.

eSun announced a net profit of HK\$52 million for the year ended 31st December, 2004 (2003: Loss of HK\$93 million). The profit was largely due to the recognition of a premium of approximately HK\$96 million arising on the settlement of the HK\$1,500 million debt owed to eSun.

### **Prospects**

Hong Kong's economy has clearly embarked on a recovery trail, with the launch of Hong Kong Disneyland theme park and resort complex likely to provide medium term excitement to employment, spending and tourism. Nonetheless, ascending interest rates is likely to be a key feature of the economy over the course of the year which would somehow have a mild adverse impact on investment enthusiasm. On balance, after substantial price appreciation over the past two years, the real estate market is likely to consolidate at prevailing levels. The Group, being benefited from strong rental reversions and fresh contributions from new projects, will remain prudent in mapping its property development strategy given such evolving trend.

The clear resurgence of global travel traffic should bode well for the Group's hotel operations. Strategically, the Group will continue to put substantial effort to pursue 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. A case in point is Media Asia Holdings (37% owned) which, after two years of active business rationalization, was successfully spun off and obtained a listing on SGX-SESDAQ of the Singapore Stock Exchange in November 2004. Elsewhere, with the objective of adopting a plan to capitalize on the evolving trends of the Macau economy, eSun is actively exploring development plan alternatives in respect of the EAST Television City. One of the potential development plans for the remainder of the EAST Television City site may involve the construction of two hotels and the Television City. If this proposal is adopted and approved by the Macau government, it is anticipated the component and weighting of investments of EAST will undergo significant changes.



## Group Restructuring

We are pleased to inform shareholders that the debt settlement plan with all creditors was completed on 7th December, 2004. Success in completing the restructuring marks a new chapter for the Group as the scheme virtually eliminated debt in the amount of approximately HK\$3,700 million, thus enabling the Group to re-establish a firm financial footing going forward.

There remains for the Group an obligation to repay HK\$266 million 'A' Bond indebtedness due 31st December, 2005 through the disposal of three properties, namely the 26.01% stake in Caravelle Hotel, the 62.625% stake in Furama Resort Danang and the 10% stake in Waterfront. The Group has already made a voluntary repayment equivalent to 10% of the 'A' Bond (i.e. HK\$26.6 million), and has signed a sales and purchase agreement with an independent third party to dispose the Furama Resort Danang for a total consideration of US\$16.8 million (approximately HK\$131 million). We are confident that the repayment will be timely and comfortably handled.

We would also like to report a subsequent event for shareholders' information: being part of the settlement agreement, the first put option (for approximately 1,000 million shares @HK\$0.07) granted by Mr. Lam Kin Ngok, Peter to the Bondholders lapsed in March 2005 and none of the option shares was exercised. As for the second put option (for approximately 2,800 million shares @HK\$0.03) whose window will open between 1st November and 30th November, 2005, approximately 45% of the shareholders have already surrendered their option right as of end of March 2005.

## Liquidity and Financial Resources

16

On 7th December, 2004, the Bonds Settlement and the eSun Settlement were completed. Upon the completion of the Settlements, the Group settled its indebtedness owed to the Bondholders including the outstanding principal amount, accrued outstanding interest, redemption premium in aggregate of HK\$2,279 million and an agreed settlement premium of HK\$257 million and its indebtedness owed to the eSun Group of HK\$1,500 million and an agreed settlement premium of HK\$1,345 million. In addition, during the period of the six months ended 31st January, 2005 and up to the date of this announcement, the Group managed to refinance all major bank and other borrowings to medium and long term as necessary. Consequently, the Group changed from a deficiency in asset position to a net asset position. As at 31st January, 2005 the Group had consolidated net assets of HK\$3,345 million (as at 31st July, 2004: consolidated deficiency in assets of HK\$116 million). The Group has also turned around from a net current liability position of HK\$5,664 million as at 31st July, 2004 to a net current asset position of HK\$33 million as at 31st January, 2005.

As at 31st January, 2005, the Group had outstanding borrowings of approximately HK\$2,998 million (as at 31st July, 2004: HK\$5,965 million) comprising (i) secured bank loans and other borrowings of approximately HK\$2,457 million, (ii) an accrued loan repayment premium of approximately HK\$34 million under a loan facility, (iii) an outstanding amount of approximately HK\$240 million payable under the Guaranteed Secured A Bonds due 2005 ("A Bonds"), (iv) an outstanding amount of approximately HK\$42 million payable under the Guaranteed Secured B Bonds ("B Bonds") and; (v) an amount due to the eSun Group of approximately HK\$225 million. The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to net assets was approximately 89.6%. The maturity profile of the bank and other borrowings of HK\$2,457 million was spread over a period more than 5 years with HK\$92 million repayable or

renewable within 1 year, HK\$77 million repayable or renewable between 1 to 2 years, HK\$1,432 million repayable or renewable between 2 to 5 years and HK\$856 million repayable or renewable beyond 5 years.

As at 31st January, 2005, certain investment properties with carrying amounts of approximately HK\$3,415 million, certain fixed assets with carrying amounts of approximately HK\$965 million and certain bank balances and time deposits with banks of approximately HK\$41 million were pledged to banks to secure banking facilities granted to the Group. At the same date, certain investment properties with carrying amounts of approximately HK\$3 million, certain fixed assets with carrying amounts of approximately HK\$25 million and a time deposit with a bank of approximately HK\$8 million were pledged to a bank to back up certain corporate guarantees issued by the Company in respect of certain banking facilities granted by the bank to a subsidiary and an associate of the Group. In addition, 285,512,791 ordinary shares of eSun Holdings Limited ("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 a subsidiary held by the Group were also pledged to banks and other lenders to secure loan facilities granted to the Group. Certain shares of associates held by the Group were pledged to banks for loan facilities granted to certain associates of the Group. In addition, pursuant to the terms and conditions of the A Bonds, the A Bonds are secured by (i) charges over the Group's entire 26.01% interest in Caravelle Hotel, Ho Chi Minh City, Vietnam, (ii) charges over the Group's entire 62.625% interest in Furama Resort, Danang, Vietnam (iii) charges over the Group's entire 10% interest in The Waterfront, Hong Kong; and (iv) a second charge over 285,512,791 ordinary shares of eSun beneficially owned by the Group. The holders of A Bonds also share with the holders of B Bonds and eSun charges over the Group's 65% interest in The Ritz-Carlton, Hong Kong. The secured bank and other borrowings were also secured by floating charges over certain assets held by the Group.

17

The Group's principal sources of funding comprise mainly funds generated from its business operations including property rental income, proceeds from sale of properties and revenue from its hotel and restaurant operations. All of the Group's borrowings are denominated in Hong Kong dollars thereby avoiding exposure to undesirable exchange rate fluctuations. On the interest rate front, the majority of the bank borrowings are being maintained as floating rate debts. The interest rate movements will be closely monitored such that hedging instruments may be employed as and when necessary.

#### **Employees and Remuneration Policies**

The Group employed a total of approximately 1,700 (as at 31st July, 2004: 1,600) employees as at 31st January, 2005. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a number of mandatory 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 13 to the condensed consolidated financial statements.

## DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES (“CHAPTER 13”)

### (A) Financial assistance and guarantees to affiliated companies (Paragraph 13.22 of Chapter 13)

As at 31st January, 2005 there were 12,746,042,320 shares of the Company (the “Shares”) in issue. Based on the average closing price of Shares of HK\$0.1304 as stated in daily quotation sheets of The Stock Exchange of Hong Kong Limited for the 5 trading days immediately preceding 31st January, 2005, the total market capitalisation (the “Total Market Capitalisation”) of the Company was HK\$1,662,083,919.

As at 31st January, 2005, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded 8% of the Total Market Capitalisation of the Company. In compliance with paragraph 13.22 of Chapter 13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the proforma combined balance sheet of the affiliated companies as at 31st January, 2005 is disclosed as follows:

	<i>HK\$'000</i>
Fixed assets	947,982
Investment properties	252,000
Film rights	190,684
Properties under development	473,497
Interests in associates	1,733,942
Interests in jointly controlled entities	1,125
Net current assets	64,447
<hr/>	
Total assets less current liabilities	3,663,677
Long term borrowings	(496,994)
Amount due to a related company	(13,339)
Land premium pay able	(485)
Deferred tax	(15,694)
Deferred income	(41,127)
Amounts due to shareholders	(1,549,750)
<hr/>	
	1,546,288
<hr/>	
CAPITAL AND RESERVES	
Issued capital	343,874
Share premium account	2,888,269
Contributed surplus	891,289
Fixed asset revaluation reserve	691,118
Exchange fluctuation reserve	17,433
Accumulated losses	(3,285,891)
<hr/>	
	1,546,092
Minority interests	196
<hr/>	
	1,546,288
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**(B) Advances to entities (Paragraph 13.20 of Chapter 13)**

In compliance with paragraph 13.20 of Chapter 13, details of the advances to the following entities by the Company as at 31st January, 2005 which individually has exceeded 8% of the Total Market Capitalisation are set out below:

<b>Name of entities</b>	<b>Percentage of capital held</b>	<b>Principal amount of advance HK\$'000</b>	<b>Guarantees given for banking facilities granted HK\$'000</b>	<b>Total HK\$'000</b>	<b>Notes</b>
Hillfield Trading Limited	50	399,574	—	399,574	(a)
Majestic Hotel Enterprises Limited and Majestic Centre Limited	50	—	250,000	250,000	(b)
Bayshore Development Group Limited	10	345,981	—	345,981	(a)

*Notes:*

- (a) All balances due are unsecured, interest-free and have no fixed terms of repayment.
- (b) A guarantee was given by the Company to a bank to secure 50% of a banking facility of up to HK\$500 million granted to Majestic Hotel Enterprises Limited and Majestic Centre Limited (being the owners of the Majestic Hotel and Majestic Centre both situated at Kowloon, Hong Kong, respectively) as joint borrowers and is in proportion to the Group's beneficial shareholdings in the borrowers.

## DIRECTORS' INTERESTS

As at 31st January, 2005, 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 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	Personal Interests	Family Interests	Long positions in the shares		Capacity	Total	Percentage
			Corporate Interests	Other Interests			
Lim Por Yen	197,859,550	1,583,502,592 <i>(Notes 1 and 2)</i>	0	0	Beneficial owner	1,781,362,142	13.98%
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 <i>(Note 3)</i>	2,675,823,050 <i>(Note 4)</i>	Beneficial owner	4,268,791,827	33.49%
Lau Shu Yan, Julius	1,200,000	Nil	Nil	0	Beneficial owner	1,200,000	0.0094%
Wu Shiu Kee, Keith	200,000	Nil	Nil	0	Beneficial owner	200,000	0.0016%
U Po Chu	633,400	197,859,550 <i>(Note 5)</i>	1,582,869,192	0	Beneficial owner	1,781,362,142	13.98%
Chiu Wai	195,500	Nil	Nil	0	Beneficial owner	195,500	0.0015%

Notes:

1. Mr. Lim Por Yen passed away on 18th February, 2005.
2. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares, and Madam U Po Chu was deemed to be interested in such shares by virtue of her deemed interest in approximately 33.73% of the issued share capital of LSG. Mr. Lim Por Yen was deemed to be interested in the 1,582,869,192 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu. Mr. Lim Por Yen was also deemed to be interested in the 633,400 shares owned by Madam U.
3. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his deemed interest in approximately 33.73% of the issued share capital of LSG.
4. Mr. Lam Kin Ngok, Peter granted the Bondholders (as defined in the Company's circular to its shareholders dated 15th September, 2004) of the Company a non-assignable right to put to him 3,800,040,000 shares in two tranches (first tranche: 1,000,600,000 shares exercisable during the period from 8th February to 7th March, 2005; second tranche: 2,799,440,000 shares exercisable during the period from 1st November to 30th November, 2005). As at 31st January, 2005, the number of shares with the aforesaid right attached under the first tranche was 1,000,600,000 and that under the second tranche was 1,675,223,050.
5. Madam U Po Chu was deemed to be interested in 197,859,550 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

(2) **Associated Corporation**

**eSun Holdings Limited (“eSun”)**

<b>Name of Director</b>	<b>Personal Interests</b>	<b>Family Interests</b>	<b>Long positions in shares of eSun</b>			
			<b>Corporate Interests</b>	<b>Capacity</b>	<b>Total</b>	<b>Percentage</b>
Lam Kin Ngok, Peter	Nil	Nil	285,512,791 <i>(Note)</i>	Beneficial owner	285,512,791	42.54%
Lau Shu Yan, Julius	500,000	Nil	Nil	Beneficial owner	500,000	0.074%

*Note:*

eSun is an associated corporation of the Company as the Company and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares in eSun by virtue of his interest of approximately 33.49% in the issued share capital of the Company.

Save as disclosed above, as at 31st January, 2005, 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, 2005, the following persons, some of whom are Directors or chief executive of the Company, had an interest in the following long positions and short positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Long positions in the shares		Percentage
		Nature	Number of Shares <i>(Note 1)</i>	
eSun Holdings Limited	Beneficial owner	Corporate	5,200,000,000	40.80%
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	1,582,869,192	12.42%
Lim Por Yen	Beneficial owner	Personal and Family	1,781,362,142	13.98% <i>(Note 2)</i>
Lam Kin Ngok, Peter	Beneficial owner	Personal, Corporate and Other	4,268,791,827	33.49% <i>(Note 3)</i>
U Po Chu	Beneficial owner	Personal, Family and Corporate	1,781,362,142	13.98% <i>(Note 4)</i>
Lai Yuen Fong	Beneficial owner	Family	1,781,362,142	13.98% <i>(Note 5)</i>
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	6.13%
Xing Feng Investments Limited ("Xing Feng")	Beneficial owner	Corporate	781,346,935	6.13% <i>(Note 6)</i>
Chen Din Hwa	Beneficial owner	Corporate	1,047,079,435	8.21% <i>(Notes 6 and 7)</i>
Chen Yang Foo Oi	Beneficial owner	Family	1,047,079,435	8.21% <i>(Note 8)</i>
Lehman Brothers Holdings Inc.	Beneficial owner	Corporate	760,421,512	5.97%

**Short positions in the shares**

Name	Capacity	Nature	Number of Shares	Percentage
Chen Din Hwa	Beneficial owner	Corporate	265,732,500	2.08% (Note 7)
Chen Yang Foo Oi	Beneficial owner	Family	265,732,500	2.08% (Note 9)
Lehman Brothers Holdings Inc.	Beneficial owner	Corporate	760,421,512	5.97%

*Notes:*

1. Personal, family and corporate denote personal interest, family interest and corporate interest, respectively.
2. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares, and Madam U Po Chu was deemed to be interested in such shares by virtue of her deemed interest in approximately 33.73% of the issued share capital of LSG. Mr. Lim Por Yen was deemed to be interested in the 1,582,869,192 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu. Mr. Lim Por Yen was also deemed to be interested in the 633,400 shares owned by Madam U.
3. Mr. Lam Kin Ngok, Peter granted the Bondholders (as defined in the Company's circular to its shareholders dated 15th September, 2004) of the Company a non-assignable right to put to him 3,800,040,000 shares in two tranches (first tranche: 1,000,600,000 shares exercisable during the period from 8th February to 7th March, 2005; second tranche: 2,799,440,000 shares exercisable during the period from 1st November to 30th November, 2005). As at 31st January, 2005, the number of shares with the aforesaid right attached under the first tranche was 1,000,600,000 and that under the second tranche was 1,675,223,050.
4. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares, and Madam U Po Chu was deemed to be interested in such shares by virtue of her deemed interest in approximately 33.73% of the issued share capital of LSG. In addition, Madam U Po Chu was deemed to be interested in 197,859,550 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
5. 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.
6. Xing Feng was taken to be interested in 781,346,935 shares beneficially owned by Nice Cheer due to its corporate interests therein.
7. Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer. In addition, 265,732,500 shares were allotted by the Company to Absolute Gain Trading Limited on 7th December, 2004 as part of the Bonds Settlement (as defined in the Company's circular to its shareholders dated 15th September, 2004). Mr. Chen was taken to be interested in the 265,732,500 shares owned by Absolute Gain Trading Limited by virtue of his controlling interest therein. Also, Mr. Chen was taken to be interested in a short position of 265,732,500 shares by virtue of his controlling interest in Absolute Gain Trading Limited.
8. Madam Chen Yang Foo Oi was deemed to be interested in 1,047,079,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.
9. Madam Chen Yang Foo Oi was deemed to be interested in a short position of 265,732,500 shares by virtue of the interest in such short position of 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 or short position in the shares and underlying shares of equity derivatives of the Company as at 31st January, 2005.

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

During the six months ended 31st January, 2005, 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 accounting period covered by the Interim Report of the Company for the six months ended 31st January, 2005, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was in force during the period under review. 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 Listing Rules, the Company established in March 2000 an audit committee which now comprises the three independent non-executive directors of the Company. The Interim Report has been reviewed by the Audit Committee of the Company.

#### **CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

24

The Company has adopted a code for securities transactions by Directors (the "Code") on terms no less exacting than the Standard set out in the Model Code in Appendix 10 of the Listing Rules during the period under review. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Code during the six months ended 31st January, 2005.

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

Hong Kong, 15th April, 2005