



eSun Holdings Limited

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Lien Jown Jing, Vincent (*Chairman*)

Lee Po On (*Chief Executive Officer*)

Lam Kin Ngok, Peter

Lim Por Yen

Liu Ngai Wing

Shi Nan Sun

Lam Kin Ming

Tam Wai Chu, Maria

U Po Chu

Shiu Kai Wah

Chiu Wai

Victor Yang

Alfred Donald Yap*

Low Chee Keong*

Stephen Hung (*Vice Chairman*) (*resigned on 1st April, 2002*)

* *Independent non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

RESULTS

The Directors of eSun Holdings Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2002

		Six months ended	
		30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited) (Restated)
	Notes	HK\$'000	HK\$'000
TURNOVER	3	56,573	44,726
Cost of sales		<u>(59,428)</u>	<u>(41,839)</u>
Gross profit/(loss)		(2,855)	2,887
Other revenue	4	40,256	44,396
Marketing expenses		(4,659)	(727)
Administrative expenses		(56,462)	(68,833)
Other operating income/(expenses), net		2,026	(7,210)
Unrealised holding loss on short term investments		<u>—</u>	<u>(21,850)</u>
LOSS FROM OPERATING ACTIVITIES	3, 5	(21,694)	(51,337)
Finance costs	6	(508)	(2,382)
Share of profits and losses of:			
- Associates		(7,593)	(7,513)
- A jointly-controlled entity		<u>(1,288)</u>	<u>(754)</u>
LOSS BEFORE TAX		(31,083)	(61,986)
Tax	7	<u>(2,216)</u>	<u>3,039</u>
LOSS BEFORE MINORITY INTERESTS		(33,299)	(58,947)
Minority interests		<u>15</u>	<u>498</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u><u>(33,284)</u></u>	<u><u>(58,449)</u></u>
LOSS PER SHARE			
- BASIC	8	<u><u>(5.83 cents)</u></u>	<u><u>(10.60 cents)</u></u>
- DILUTED		<u><u>N/A</u></u>	<u><u>N/A</u></u>
INTERIM DIVIDEND PER SHARE		<u><u>—</u></u>	<u><u>—</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2002

		Six months ended	
		30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited) (Restated)
	Notes	HK\$'000	HK\$'000
Total equity at 1st January		1,891,327	1,911,151
Exchange realignments	13	1,283	(302)
Loss for the period	13	(33,284)	(58,449)
Issue of shares, including share premium		—	165,849
Share issue expenses		—	(2,840)
Total equity at 30th June		<u>1,859,326</u>	<u>2,015,409</u>

CONDENSED CONSOLIDATED BALANCE SHEET

30th June, 2002

		30th June, 2002 (Unaudited) HK\$'000	31st December, 2001 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		140,661	141,975
Long term investments		9,182	9,682
Interest in a jointly-controlled entity		—	6,006
Interest in associates		81,625	85,983
Due from Furama Hotel Enterprises Limited		1,500,040	1,500,040
Deferred tax assets		661	661
		<u>1,732,169</u>	<u>1,744,347</u>
CURRENT ASSETS			
Short term investments		587	1,170
Due from a related company		14,699	6,905
Self-produced and purchased programmes		36,387	39,895
Loan receivable		26,262	39,134
Debtors and deposits	10	105,109	76,546
Cash held in trust		—	2,276
Cash and cash equivalents		20,062	53,865
		<u>203,106</u>	<u>219,791</u>
CURRENT LIABILITIES			
Creditors and accruals	11	35,292	29,961
Tax payable		19,537	17,397
Finance lease payables		26	27
Interest-bearing bank loans due within one year		20,000	25,000
		<u>74,855</u>	<u>72,385</u>
NET CURRENT ASSETS		<u>128,251</u>	<u>147,406</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,860,420</u>	<u>1,891,753</u>
NON-CURRENT LIABILITIES			
Finance lease payables		(96)	(107)
MINORITY INTERESTS		<u>(998)</u>	<u>(319)</u>
		<u>1,859,326</u>	<u>1,891,327</u>
CAPITAL AND RESERVES			
Issued capital	12	285,592	285,592
Reserves	13	1,573,734	1,605,735
		<u>1,859,326</u>	<u>1,891,327</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2002

	Six months ended	
	30th June, 2002 (Unaudited) <i>HK\$'000</i>	30th June, 2001 (Unaudited) (Restated) <i>HK\$'000</i>
NET CASH OUTFLOW FROM		
OPERATING ACTIVITIES	(44,885)	(48,794)
Tax Paid	(73)	(658)
Net cash outflow from operating activities	(44,958)	(49,452)
NET CASH INFLOW/(OUTFLOW) FROM		
INVESTING ACTIVITIES	16,004	(39,718)
NET CASH INFLOW/(OUTFLOW) FROM		
FINANCING ACTIVITIES	(4,849)	180,981
INCREASE/(DECREASE) IN CASH AND		
CASH EQUIVALENTS	(33,803)	91,811
Cash and cash equivalents at beginning of period	53,865	49,089
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	20,062	140,900
ANALYSIS OF BALANCES OF CASH AND		
CASH EQUIVALENTS		
At end of period:		
Cash and cash equivalents	20,062	140,900
At beginning of period:		
Cash and cash equivalents	53,865	50,829
Time deposits with original maturity of not less than three months when acquired	—	(1,740)
	53,865	49,089

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30th June, 2002

1. BASIS OF PRESENTATION

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

2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2002 (the "Period") 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 preparation adopted in these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31st December, 2001 except for the adoption of the following revised and new SSAPs which are effective for the first time for the Period:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 15 (Revised)	:	Cash flow statements
SSAP 25 (Revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the Period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of cash flow statement which classifies cash flows during the Period into operating, investing and financing activities. The condensed consolidated cash flow statement for the Period and the comparative figures have been presented in accordance with these revised SSAPs.

SSAP 25 (Revised) prescribes the presentation and disclosures following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The condensed consolidated financial statements for the Period and comparative figures have been presented in accordance with these revised SSAPs.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on the condensed consolidated financial statements.

3. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations for the six months ended 30th June, 2002 is as follows:

(a) By activity:

	Hotel management		Media and entertainment		Satellite television		Advertising agency		Corporate and other		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	2,973	2,618	20,909	—	—	—	32,691	42,108*	—	—	56,573	44,726*
Other revenue	1,560	—	—	—	—	—	—	—	37,193	37,193	38,753	37,193
Total	<u>4,533</u>	<u>2,618</u>	<u>20,909</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32,691</u>	<u>42,108*</u>	<u>37,193</u>	<u>37,193</u>	<u>95,326</u>	<u>81,919*</u>
Segment results	<u>3,628</u>	<u>935</u>	<u>(18,513)</u>	<u>(4,706)</u>	<u>(31,984)</u>	<u>(8,071)</u>	<u>120</u>	<u>1,335</u>	<u>23,552</u>	<u>(26,183)</u>	<u>(23,197)</u>	<u>(36,690)</u>
Dividend income and unallocated interest and other gains											1,503	7,203
Unrealised holding loss on short term investments											—	(21,850)
Loss from operating activities											<u>(21,694)</u>	<u>(51,337)</u>

(b) By geographical area:

	Hong Kong		Elsewhere in the PRC		Other areas		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	28,683	14,332	24,937	27,776	2,953	2,618	56,573	44,726*
Other revenue	37,193	37,193	—	—	1,560	—	38,753	37,193
Total	<u>65,876</u>	<u>51,525</u>	<u>24,937</u>	<u>27,776</u>	<u>4,513</u>	<u>2,618</u>	<u>95,326</u>	<u>81,919*</u>
Segment results	<u>(26,516)</u>	<u>(37,557)</u>	<u>(309)</u>	<u>(68)</u>	<u>3,628</u>	<u>935</u>	<u>(23,197)</u>	<u>(36,690)</u>
Dividend income and unallocated interest and other gains							1,503	7,203
Unrealised holding loss on short term investments							—	(21,850)
Loss from operating activities							<u>(21,694)</u>	<u>(51,337)</u>

* The Directors have reviewed the operation of the Group's advertising services and consider that it is more appropriate to record the income earned from such services on a gross basis. Accordingly, the amount of the Group's advertising income for the six months ended 30th June, 2001 has been reclassified to conform with the current period's presentation.

In addition, the Directors consider it is appropriate to exclude from the turnover for the six months ended 30th June, 2001 of HK\$2,440,000 relating to hotel and restaurant business, the operation of which was discontinued since 31st December, 2000.

The above treatments have no effect on the net result of the Group for the six months ended 30th June, 2001 and on its net assets as at that date.

4. OTHER REVENUE

	Six months ended	
	30th June, 2002 (Unaudited) HK\$'000	30th June, 2001 (Unaudited) HK\$'000
Interest income	38,696	40,698
Others	1,560	3,698
	<u>40,256</u>	<u>44,396</u>

5. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Six months ended	
	30th June, 2002 (Unaudited) HK\$'000	30th June, 2001 (Unaudited) HK\$'000
Cost of inventories sold	9,343	—
Cost of services provided	50,085	41,839
Depreciation of fixed assets	6,825	3,284
Loss on disposal of fixed assets	25	479
Amortisation of goodwill on acquisition of associates and a jointly-controlled entity	—	268
Foreign exchange gain, net	(418)	(160)
	<u>(418)</u>	<u>(160)</u>

6. FINANCE COSTS

	Six months ended	
	30th June, 2002 (Unaudited) HK\$'000	30th June, 2001 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	500	1,125
Interest on finance leases	8	7
Bank charges	—	1,250
	<u>508</u>	<u>2,382</u>

7. TAX

Hong Kong profits tax has been provided at the rate of 16% (six months ended 30th June, 2001: 16%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	Six months ended	
	30th June, 2002	30th June, 2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Provision for tax for the period:		
Hong Kong	2,200	172
Elsewhere	—	104
	<hr/>	<hr/>
	2,200	276
	<hr/>	<hr/>
Prior period's over-provisions:		
Hong Kong	—	(3,000)
Elsewhere	—	(535)
	<hr/>	<hr/>
	—	(3,535)
	<hr/>	<hr/>
Associates:		
Hong Kong	16	220
Elsewhere	—	—
	<hr/>	<hr/>
	16	220
	<hr/>	<hr/>
Tax charge/(credit) for the period	2,216	(3,039)
	<hr/> <hr/>	<hr/> <hr/>

8. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the Period of HK\$33,284,000 (six months ended 30th June, 2001-restated: HK\$58,449,000), and the weighted average of 571,184,927 (six months ended 30th June, 2001: 551,642,093) ordinary shares in issue during the Period.

The diluted loss per share for the periods ended 30th June, 2002 and 2001 has not been shown because the options outstanding during these periods had no dilutive effect on the basic loss per share for these periods.

9. RELATED PARTY TRANSACTIONS

During the Period, the Group entered into the following material transactions with related parties.

	Notes	Six months ended	
		30th June, 2002 (Unaudited) HK\$'000	30th June, 2001 (Unaudited) HK\$'000
Rental expense paid to related companies (a)	(i)	1,384	1,445
Hotel management, royalty and marketing fees received from hotels held by related companies	(ii)	2,953	2,618
Hotel management fees paid to a related company	(iii)	826	1,231
Legal fees paid to Boughton Peterson Yang Anderson	(iv)	—	1,036
Interest income on an amount due from Furama Hotel Enterprises Limited	(v)	37,193	37,193
Interest income from an associate	(vi)	1,104	—
Interest income from a jointly-controlled entity	(vii)	256	—
		256	—

- (a) The related companies are all subsidiaries of Lai Sun Development Company Limited (“LSD”), other than those which are members in the Group. Since the Company remained as a subsidiary of LSD up to 4th April, 2001, these LSD’s subsidiaries are regarded as fellow subsidiaries on or before 4th April, 2001 and subsequent to that date, they became related companies of the Group.
- (i) Rental is charged with reference to market rate.
- (ii) The hotel management, royalty and marketing fees are charged to the hotels at certain percentages ranging from 1% to 10% on the gross revenue or operating profits of the hotels.
- (iii) The hotel management fees paid are charged at certain percentages ranging from 1.5% to 1.8% on the gross revenue of the hotels.
- (iv) The legal fees were charged by Boughton Peterson Yang Anderson for the legal services rendered to the Group at market rates. Mr. Victor Yang, a Director of the Company, is a partner of the firm.

- (v) On 11th February, 1999, the Company and its wholly-owned subsidiary, Golden Pool Enterprise Limited (“GPEL”), entered into an agreement (the “Development Agreement”) with LSD and its wholly-owned subsidiary, Furama Hotel Enterprises Limited (“FHEL”), with respect to the purchase by GPEL of the retail and hotel portion of the Furama Hotel Hong Kong (“the Furama Hotel”), which is a property situated in Hong Kong, upon the completion of its redevelopment into a composite retail, hotel and office building (the “New Building”), which was expected to be completed in or around May 2004. The consideration of HK\$1,900,000,000 for the purchase of the retail and hotel portion of the Furama Hotel was fully paid by GPEL to FHEL in 1999.

On 1st June, 2000, the Company and LSD entered into a reorganisation agreement (the “Reorganisation Agreement”). Pursuant to the Reorganisation Agreement, the Development Agreement was cancelled on 29th June, 2000 upon approval by the shareholders of the Company and LSD. Accordingly, the prepaid consideration of HK\$1,900,000,000 became immediately due from FHEL.

In connection with the Reorganisation Agreement, the Company transferred certain hotel and ancillary assets, through the disposal of certain subsidiaries, associates and a long term investment, with an aggregate value of HK\$685,410,000 to LSD and, at the same time, LSD transferred certain technology-oriented assets with an aggregate value of HK\$1,085,370,000 to the Company. The excess consideration of HK\$399,960,000 payable by the Company to LSD in respect of such asset transfers was deducted from the outstanding principal amount of indebtedness of HK\$1,900,000,000, which FHEL owed to GPEL, as a result of the cancellation of the Development Agreement as mentioned above. The amount due from FHEL was then reduced to HK\$1,500,040,000 which is interest bearing at 5% per annum.

- (vi) The interest income from an associate is charged at 1% above the prime rate quoted by The Hongkong and Shanghai Banking Corporation Limited (the “HSBC prime rate”) per annum or at 1.75% above the United States prime rate per annum.
- (vii) Interest income from a jointly-controlled entity is charged at 1% above the HSBC prime rate per annum.

10. DEBTORS AND DEPOSITS

Trading terms with customers are largely on credit. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. The aged analysis of the trade debtors as at 30th June, 2002 is as follows:

	30th June, 2002 (Unaudited) HK\$'000	31st December, 2001 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	7,791	4,134
31-60 days	1,373	1,724
61-90 days	401	250
Over 90 days	1,099	3,890
	<u>10,664</u>	9,998
Other debtors and deposits	94,445	66,548
	<u>105,109</u>	<u>76,546</u>

The above aged analysis, stated net of provision for doubtful debts, was prepared based on the dates when revenue is recognised from the trade transactions.

11. CREDITORS AND ACCRUALS

An aged analysis of trade creditors as at 30th June, 2002 is as follows:

	30th June, 2002	31st December, 2001
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade creditors:		
Less than 30 days	10,221	3,224
31-60 days	325	2,853
61-90 days	757	2,827
Over 90 days	2,544	5,861
	13,847	14,765
Other creditors and accruals	21,445	15,196
	35,292	29,961

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

12. SHARE CAPITAL

	30th June, 2002		31st December, 2001	
	Number of shares	Nominal value	Number of shares	Nominal value
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	2,000,000	1,000,000	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	571,185	285,592	571,185	285,592

A summary of the movements in the issued share capital of the Company during the period is as follows:

	30th June, 2002		31st December, 2001	
	Number of ordinary shares (Unaudited) '000	Amount (Unaudited) HK\$'000	Number of ordinary shares (Audited) '000	Amount (Audited) HK\$'000
At beginning of period/year	571,185	285,592	377,057	188,528
Issue of rights shares	—	—	188,528	94,264
Shares issued as partial consideration for the acquisition of a jointly-controlled entity	—	—	5,600	2,800
At end of period/year	<u>571,185</u>	<u>285,592</u>	<u>571,185</u>	<u>285,592</u>

13. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1st January, 2001				
As previously reported	2,822,477	68,234	(1,168,088)	1,722,623
Prior year adjustment: SSAP 30 - impairment of goodwill (note 14)	—	823,055	(823,055)	—
As restated	2,822,477	891,289	(1,991,143)	1,722,623
Issue of rights shares	65,985	—	—	65,985
Shares issued as partial consideration for acquisition of a jointly-controlled entity	2,800	—	—	2,800
Share issue expenses	(2,629)	—	—	(2,629)
Exchange realignments	—	—	(1,356)	(1,356)
Loss for the year	—	—	(181,688)	(181,688)
At 31st December, 2001 and 1st January, 2002 (Audited)	<u>2,888,633</u>	<u>891,289</u>	<u>(2,174,187)</u>	<u>1,605,735</u>
Exchange realignments	—	—	1,283	1,283
Loss for the Period	—	—	(33,284)	(33,284)
At 30th June, 2002 (Unaudited)	<u>2,888,633</u>	<u>891,289</u>	<u>(2,206,188)</u>	<u>1,573,734</u>

14. PRIOR PERIOD ADJUSTMENT

Following adoption of SSAP 30 and Interpretation 13 for the year ended 31st December, 2001, the Group adopted a policy to assess goodwill eliminated against reserves for impairment. As a result, the Group has performed an assessment of the fair value of the goodwill previously eliminated against reserves and has recognised an impairment of such goodwill of HK\$823,055,000 as at 31st December, 2000. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30.

This prior year adjustment has resulted in impairment of goodwill in the amounts of HK\$595,610,000 and HK\$227,445,000 arising on acquisition of associates and subsidiaries, respectively, being charged to the consolidated profit and loss account for the year ended 31st December, 2000; a consequential increase in the amount of accumulated losses of HK\$823,055,000 and a consequential increase in the amount of the contributed surplus of HK\$823,055,000, previously reported in reserves as at 31st December, 2000. This prior year adjustment has had no effect on the Period.

In the prior period unaudited condensed consolidated interim financial statements, the Group had charged to the profit and loss account a total amount of HK\$22,036,000, which forms part of the goodwill of HK\$823,055,000 as mentioned above. Such charge was reversed and the unaudited condensed consolidated profit and loss account was restated accordingly, resulting in a corresponding decrease in net loss attributable to shareholders for the period ended 30th June, 2001 by HK\$22,036,000.

15. COMMITMENTS

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

	30th June, 31st December,	
	2002	2001
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Capital commitments contracted for	<u>30,916</u>	<u>32,859</u>

In addition, the Group has committed to invest in the development of a television city with a programme production centre in Macau the completion of which is scheduled in the last quarter of 2004. At 30th June, 2002 and 31st December, 2001, the authorised but not contracted for commitment in respect of this project amounted to HK\$258,249,000.

- (b) The Group leases certain of its office properties and a parcel of land in Macau under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years, and the lease term of the Macau production centre is twenty five years.

At 30th June, 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2002 (Unaudited) HK\$'000	31st December, 2001 (Audited) HK\$'000
Within one year	2,472	2,775
In the second to fifth years, inclusive	4,476	4,145
After five years	15,821	16,209
	22,769	23,129

- (c) In addition, the Group has entered into an agreement to lease a satellite channel at an annual licence fee of US\$800,000 for a term of twelve years. At 30th June, 2002, the total future minimum lease payments are as follows:

	30th June, 2002 (Unaudited) HK\$'000	31st December, 2001 (Audited) HK\$'000
Within one year	6,240	3,390
In the second to fifth years, inclusive	24,960	24,932
After five years	34,063	37,398
	65,263	65,720

16. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements at the balance sheet dates were as follows:

	30th June, 2002 <i>(Unaudited)</i> HK\$'000	31st December, 2001 <i>(Audited)</i> HK\$'000
Guarantees given to LSD in connection with disposal of an associate to LSD	<u>25,000</u>	<u>25,000</u>

17. SUBSEQUENT EVENT

No significant events requiring disclosure occurred during the Period.

18. COMPARATIVE AMOUNTS

Following the clarification of an entity as a jointly-controlled entity, which was previously regarded as an associate of the Group, an amount of HK\$754,000 of share of loss of an associate was reclassified to share of loss of a jointly-controlled entity for the six months ended 30th June, 2001. In addition, due to the adoptions of the new and revised SSAPs as detailed in note 2 to the unaudited condensed consolidated interim financial statements, and for other reasons as further mentioned in note 3 and note 14 to the financial statements, certain comparative amounts have been reclassified and adjusted.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (six months ended 30th June, 2001: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a turnover of HK\$56,573,000 for the six months ended 30th June, 2002, representing an increase of 26.5% over the figure (as restated) for the corresponding period last year. Net loss attributable to shareholders had also been reduced to HK\$33,284,000 from the HK\$58,449,000 (as restated) reported for last year, an improvement of 43%.

The increase in turnover was mainly attributable to the contribution from the media and entertainment business of the Group. This had been partly offset, however, by a drop of 22% in revenue from the advertising agency business, which reported a lower profit for the period.

Due to higher cost of sales recorded in the period under review, a corresponding improvement in gross profit had not been achieved despite the increase in turnover. Loss from operating activities had been reduced to HK\$21,694,000, representing an improvement of 57.7% compared with last year (as restated), mainly due to an 18% reduction in administrative expenses and the absence of unrealised holding loss on short term investments. Interest income was the major contributor to the operating income of the Group.

Satellite Television Operation

The television programme production centre of East Asia Satellite Television Limited ("EAST") in Hong Kong had been operating smoothly. Programmes produced at this centre are being broadcast on the EAST "Life Channel". Continuous efforts have been made to further improve the quality and marketability of the programmes. Work had also started during the period under review to promote the sale of programmes to other potential markets in South East Asia.

A ground-breaking ceremony for the construction work of the EAST Television City in Macau Special Administrative Region was held on 18th September, 2002. Completion of the project has now been rescheduled for the last quarter of 2004.

Overall the EAST operation recorded a loss of HK\$31,984,000 for the period, compared with the loss of HK\$8,071,000 arising from pre-operating expenses for the previous corresponding period.

Film Production & Distribution

Media Asia Holdings Limited ("MAH"), an associated company of the Company, has undertaken a number of film projects during the period under review. It is anticipated that two films will be released by MAH during the last quarter of 2002.

Both MAH and Artiste Campus International Limited, a jointly-controlled entity, which specialises in the provision of agency services for artistes in the entertainment industry, reported operating losses for the half-year under review due to difficult market conditions.

Entertainment

During the period under review, East Asia Entertainment Limited (“EAE”), a wholly-owned subsidiary of the Company, organized two separate pop concerts by Miss Sandy Lam and Mr. Richie Jen, and an entertainment show, Spectaculum. Operating results for Spectaculum fell short of expectations, whilst the results for the two pop concerts were on target.

Internet-related Operations

Following a cost-benefit review of the Company’s operations, 15 staff of a wholly-owned subsidiary of the Company engaged in Internet-related operations of the Group had been laid off in mid-June 2002. The total loss recorded for the subsidiary for the half-year ended 30th June, 2002 amounted to approximately HK\$4,600,000. All related work previously carried out by the subsidiary had been awarded to an independent outside contractor.

Prospects

EAST will continue to improve the quality of its television programmes to cater to different sectors of viewers, and to facilitate the promotion of sale of programmes to other markets in South East Asia.

To develop a new source of revenue, EAST has been marketing its services for providing broadcasting facilities and know-how to potential clients. Market response to this new initiative has been satisfactory so far and the Company considers there is further scope for growth in this sector.

Unfavourable conditions in the local economy have had an adverse impact on the local movie industry and as a result, the operations of MAH had also been affected. Although it is expected that difficult market conditions will persist in the short-term, the Company is confident that MAH, with its strengths and solid foundations, will be able to overcome this cyclical market phenomenon.

EAE will continue to focus on the entertainment sector. It organised three pop concerts by Miss Miriam Chin Wah Yeung, Mr. Kenny Bee and Miss Elva Hsiao in August 2002 with satisfactory results. These will be followed by a concert by another popular and leading artiste, Miss Chang Hui Mei, in December 2002.

Liquidity and Financial Resources

As at 30th June, 2002, the Group had cash and cash equivalents of HK\$20,062,000, which comprised RMB5,541,000 (equivalent to HK\$5,233,000) and the remaining balance of HK\$14,829,000 representing approximately 74% of total cash and cash equivalents.

As at 30th June, 2002, the bank borrowings of HK\$20,000,000 due within one year is secured by the Group's land and buildings with an aggregate net book value of HK\$73,065,000 and is interest-bearing with an interest charged at 2% above HIBOR per annum. In addition, the Group has finance lease payables of HK\$26,000 and HK\$96,000 which fall due within one year and over one year to five years, respectively, as at 30th June, 2002.

The Group's gearing is considered low, as the debt to equity ratio was only 1%, expressed as a percentage of total bank borrowings to total net assets. As at 30th June, 2002, the Group did not have any financial instruments for hedging purpose, or foreign currency net investment hedged by currency borrowings or other hedging instruments.

Future capital expenditures will mainly consist of the land and construction cost for the EAST-Television City in COTAI City in Macau of approximately HK\$289,000,000.

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

Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 16 to the unaudited condensed consolidated interim financial statements.

Employees and Remuneration Policies

The Group employed a total of approximately 137 employees as at 30th June, 2002. The total staff costs, including net pension contributions, for the period were approximately HK\$33,500,000. Pay rates for employees are maintained at competitive level, salary and bonuses are rewarded on a performance related basis. Other staff benefits include free hospitalization insurance plan, subsidized medical care and subsidies for external educational and training programs. The Company adopted a share option scheme for its directors and employees on 25th November, 1996.

LITIGATION

- (a) In 1998, the Group disposed of its 50% interest in Delta Hotels Limited (“DHL”) to Canadian Pacific Hotels Corporation (the “Purchaser”). Under the terms of the sale and purchase agreement, C\$10 million (approximately HK\$50 million) of the sale proceeds was held in escrow (the “Escrow Funds”) pending the expiration of a warranty period.

The Purchaser made claims against the Escrow Funds in 2000. Subsequently, C\$8 million (approximately HK\$40 million) of the Escrow Funds was released to the Group and the other owner during 2000. The Group and the other owner have commenced action against the Purchaser for the remaining C\$2 million (approximately HK\$10 million), and the Purchaser has issued a counterclaim for the C\$2 million (approximately HK\$10 million).

The litigation is still in a discovery stage, and the Directors are uncertain as to the amount of the Escrow Funds that will be recovered by the Group. However, the Group has been advised by the other owner that they have substantive grounds to rebut the defense and counterclaims made by the Purchaser, and the Directors are satisfied that the Group will receive a significant portion of the Escrow Funds in due course.

- (b) In the 1999 annual report, it was reported the Group had lost its appeal in the litigation in respect of the Whistler Mountain Inn, Limited Partnership (“WMILP”) against the limited partners. Subsequent to the appeal, the Group settled with the plaintiffs the quantum of damages, interest, and costs of the action, and the court appointed receiver of the limited partnership commenced the liquidation of the limited partnership. However, the action with the limited partners and the subsequent settlement did not deal with a separate C\$600,000 claim from one of the limited partners against the Group and the other limited partners. That matter has now been settled and of funds on hand from the receiver, the sum of C\$470,911, has been received by the Group and all matters in respect of the WMILP have now been concluded.

The exposure of the Group to this litigation has been covered by an indemnity from LSD and from Mr. Lam Kin Ngok, Peter, a Director of the Company.

- (c) In the 1999 annual report, it was reported that Sun Microsystems Inc. (“SMI”) had commenced legal proceedings against the Group in March 2000, alleging the Group’s use of the “eSun” trademark was a passing off of SMI’s own trademarks. The interlocutory injunction application by SMI was dismissed by the High Court of Hong Kong, with a strong indication from the Court that SMI’s case lacked merit. The parties have now reached settlement on the dispute pursuant to which a consent judgment has been entered dismissing the action based on confidential terms. Pursuant to the settlement, each party undertakes not to interfere in the other party’s use of the eSun mark in its current businesses.

- (d) On or about 17th June, 2002, a Writ of Summons was issued in the Court of First Instance by EAE, a wholly-owned subsidiary of the Company, and Active Union Limited (“AUL”), a joint venture company, against Australasian Entertainment Corporation Limited (“AEC”), the other joint venturer and other related parties claiming for, inter alia, loss and damages suffered in holding an entertainment show known as “Spectaculum” to be assessed. AEC counterclaimed the unsettled expenditure incurred in the show. EAE and AUL are in the process of applying for a summary judgment against Mr. Dale Rennie, one of the related parties for part of the amount claimed in the sum of US\$81,000, being a liquidated sum that Mr. Rennie had personally undertaken to repay.

PRACTICE NOTE 19 TO THE LISTING RULES

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

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

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

As of 31st December, 2001, the indebtedness due from FHEL was approximately HK\$1,506,945,000. GPEL is entitled to share security items (B) and (C) below with LSD’s Exchangeable Bondholders and Convertible Bondholders in respect of the indebtedness due from FHEL on a pro rata basis:-

- (A) LSD has guaranteed the repayment of the outstanding principal and accrued interest payable to GPEL.
- (B) The indebtedness shall be secured by a limited recourse second charge created over the 6,500 shares in Diamond String Limited, beneficially owned by LSD through Surearn Profits Limited, for repayment of the outstanding principal amount plus accrued interest.

- (C) LSD agreed to grant a negative pledge to its Exchangeable Bondholders, the Convertible Bondholders and the Company, and has agreed not to create additional security over Causeway Bay Plaza 1, Causeway Bay Plaza 2 and Cheung Sha Wan Plaza without the prior consent of LSD's Exchangeable Bondholders and Convertible Bondholders and the Company. LSD has also undertaken that, upon the disposal of all or a substantial part of such properties by LSD or any of its subsidiaries prior to 31st December, 2002 which results in a net consideration in excess of amounts secured by any first or prior charge or right over the property sold and costs and expenses related to such disposal ("Surplus"), 70% of any Surplus would be paid on a pro rata basis based on, in the case of LSD's Exchangeable Bondholders and the Convertible Bondholders, the outstanding principal amounts owed plus the accrued interest and redemption premium, and any investment parity payment due together with the accrued interest, and in the case of the Company, the outstanding principal amount owed plus the accrued interest, from time to time to LSD's Exchangeable Bondholders, the Convertible Bondholders and the Company.

The indebtedness due from FHEL is subject to interest at a rate of 5% per annum on the outstanding balance and the repayment date will be due on 31st December, 2002.

SHARE OPTION SCHEME

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

The implementation of relevant terms of the Share Option Scheme will be adjusted to comply with the new requirements set out in Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted to the Directors and employees as recent traded prices of the Shares on the Stock Exchange are significantly lower than the subscription prices for the subsisting and unexercised options granted under the Share Option Scheme.

The following share options were outstanding under the Share Option Scheme during the six months ended 30th June, 2002:

Name	Date of Grant	No. of Options			Option Period	Subscription Price	
		At 01/01/2002*	Lapsed During the Period*	At 30/06/2002*		At Grant Date	Adjusted*
Directors							
Lien Jown Jing, Vincent	12/02/2000	1,500,000	750,000	750,000	13/08/2000 - 12/08/2002**	HK\$0.610 per share	HK\$2.655 per share
Stephen Hung (resigned on 1/4/2002)	12/02/2000	2,250,000	2,250,000	Nil	13/08/2000 - 12/08/2002**	HK\$0.610 per share	HK\$2.655 per share
Lee Po On	04/03/2000	6,000,000	Nil	6,000,000	05/09/2000 - 04/09/2002	HK\$1.400 per share	HK\$6.094 per share
Lam Kin Ngok, Peter	12/02/2000	6,000,000	Nil	6,000,000	13/08/2000 - 12/08/2002	HK\$0.610 per share	HK\$2.655 per share
	04/03/2000	4,500,000	Nil	4,500,000	05/09/2000 - 04/09/2002	HK\$1.400 per share	HK\$6.094 per share
Victor Yang	12/02/2000	300,000	150,000	150,000	13/08/2000 - 12/08/2002**	HK\$0.610 per share	HK\$2.655 per share
	04/03/2000	3,000,000	Nil	3,000,000	05/09/2000 - 04/09/2002	HK\$1.400 per share	HK\$6.094 per share
		<u>23,550,000</u>	<u>3,150,000</u>	<u>20,400,000</u>			
Other employees							
	12/02/2000	1,500,000	750,000	750,000	13/08/2000 - 12/08/2002**	HK\$0.610 per share	HK\$2.655 per share
	28/04/2000	450,000	225,000	225,000	29/10/2000 - 28/10/2002**	HK\$0.283 per share	HK\$1.232 per share
		<u>1,950,000</u>	<u>975,000</u>	<u>975,000</u>			
		<u>25,500,000</u>	<u>4,125,000</u>	<u>21,375,000</u>			

* As adjusted by the share consolidation and the rights issue of the Company

** in 4 six-month tranches

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th June, 2002, the interests of the Directors and the chief executive of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Code for Securities Transactions by Directors adopted by the Company (the "Code") were as follows:

The Company

Name	Number of Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lien Jown Jing, Vincent	931,800	Nil	Nil	750,000 (under share options)	931,800
Lee Po On	Nil	Nil	Nil	6,000,000 (under share options)	Nil
Lam Kin Ngok, Peter	3,426,567	Nil	Nil	10,500,000 (under share options)	3,426,567
Lim Por Yen	1,656,867	Nil	285,512,791 (Note)	Nil	287,169,658
Liu Ngai Wing	3,101,215	Nil	Nil	Nil	3,101,215
U Po Chu	112,500	Nil	Nil	Nil	112,500
Victor Yang	Nil	Nil	Nil	3,150,000 (under share options)	Nil

Note : Lai Sun Development Company Limited ("LSD") and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in the Company. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of LSD. Mr. Lim Por Yen (and his associates) held an interest of approximately 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate an interest of approximately 42% in the issued share capital of LSG.

Save as disclosed above, as at 30th June, 2002, none of the Directors or the chief executive of the Company or their respective associates had any interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or the Code or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, the following persons were interested or deemed to be interested in 10% or more of the nominal value of the total issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance:

	Number of Shares Held
Lai Sun Development Company Limited ("LSD")	285,512,791
Lai Sun Garment (International) Limited ("LSG")	285,512,791
	<i>(Note 1)</i>
Lim Por Yen	287,282,158
	<i>(Note 2)</i>

Notes:

1. These interests in the Company were held by LSD and its subsidiaries. LSG was deemed to be interested in the 285,512,791 shares in the Company held by LSD and its subsidiaries by virtue of LSG and its wholly-owned subsidiary holding collectively an interest of approximately 42.25% in the issued ordinary share capital of LSD.
2. Mr. Lim Por Yen (and his associates) held an interest of approximately 34.30% in the issued share capital of LSG. The above interest in the Company also includes Mr. Lim Por Yen's personal and family interests.

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

Save for the interests disclosed above, the Directors are not aware of any other person being interested in 10% or more of the issued share capital of the Company as at 30th June, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2002, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by the Interim Report of the Company for the six months ended 30th June, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive Directors, Mr. Alfred Donald Yap and Mr. Low Chee Keong during the period covered by the Interim Report of the Company for the six months ended 30th June, 2002. The Interim Report has been reviewed by the audit committee.

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

By Order of the Board
Lien Jown Jing, Vincent
Chairman

Hong Kong, 20th September, 2002