



eSun Holdings Limited

Interim Report 2005

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Lien Jown Jing, Vincent (*Chairman*)

Lee Po On (*Chief Executive Officer*)

Lam Kin Ngok, Peter

Liu Ngai Wing

Cheung Wing Sum, Ambrose (*appointed on 12th September, 2005*)

Lam Kin Ming

Tam Wai Chu, Maria

U Po Chu

Alfred Donald Yap*

Low Chee Keong*

Tong Ka Wing, Carl*

Shiu Kai Wah (*resigned on 12th September, 2005*)

Chiu Wai (*resigned on 12th September, 2005*)

* *Independent non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

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Stock code on Hong Kong Stock Exchange: 571

RESULTS

The Directors of eSun Holdings Limited (the "Company") announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2005 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2005

	Notes	Six months ended	
		30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) (Restated) HK\$'000
TURNOVER	4	60,325	43,104
Cost of sales		(53,352)	(43,028)
Gross profit		6,973	76
Other revenue	5	6,824	3,748
Marketing expenses		(7,967)	(5,307)
Administrative expenses		(40,147)	(37,502)
Other operating gains, net		7,627	7,165
LOSS FROM OPERATING ACTIVITIES	6	(26,690)	(31,820)
Finance costs	7	(6,330)	(6,816)
Share of profits and losses of associates		239,285	8,277
Amortisation of goodwill on acquisition of an associate		—	(1,107)
Share of profits and losses of jointly-controlled entities		(1,385)	(1,259)
Provision for amounts due from jointly-controlled entities		(1,133)	(326)
PROFIT/(LOSS) BEFORE TAX		203,747	(33,051)
Tax	8	(786)	(68)
PROFIT/(LOSS) FOR THE PERIOD		202,961	(33,119)
ATTRIBUTABLE TO:			
Equity holders of the parent		202,961	(33,119)
Minority interests		—	—
		202,961	(33,119)
EARNINGS/(LOSS) PER SHARE	9		
Basic		HK29.47 cents	(HK4.93 cents)
Diluted		N/A	N/A
INTERIM DIVIDEND PER SHARE	10	Nil	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

30th June, 2005

		30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Restated) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		184,009	166,029
Interests in jointly-controlled entities		505	1,125
Interests in associates	12	1,796,675	1,515,217
Film rights		188,253	190,684
		2,169,442	1,873,055
CURRENT ASSETS			
Short term investments		22	22
Self-produced and purchased programmes		732	795
Properties held for sale		390	2,700
Debtors and deposits	13	76,599	63,242
Inventories		2,973	—
Cash and cash equivalents		90,082	18,472
		170,798	85,231
CURRENT LIABILITIES			
Creditors and accruals	14	102,460	108,714
Tax payable		3,698	2,919
Finance lease payables		22	40
Interest-bearing bank and other borrowings		167,618	170,971
Loan from a director		—	9,659
		273,798	292,303
NET CURRENT LIABILITIES		(103,000)	(207,072)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,066,442	1,665,983
NON-CURRENT LIABILITIES			
Finance lease payables		—	(2)
Interest-bearing bank and other borrowings		(7,500)	(19,000)
Loan from a related company		—	(13,339)
Loan from a director		(27,266)	—
		(34,766)	(32,341)
		2,031,676	1,633,642
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital	15	372,592	335,592
Reserves		1,658,888	1,297,854
		2,031,480	1,633,446
Minority interests		196	196
		2,031,676	1,633,642

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January, 2005								
As previously reported	335,592	2,888,269	891,289	—	(2,283,818)	1,831,332	196	1,831,528
Prior period adjustment: change in accounting policies of an associate — LSD (Note 3a)	—	—	—	—	(197,886)	(197,886)	—	(197,886)
Prior period adjustment: change in accounting policy of an associate — MAEG (Note 3b)	—	—	—	3,914	(3,914)	—	—	—
As restated	335,592	2,888,269	891,289	3,914	(2,485,618)	1,633,446	196	1,633,642
Share of reserve movements of associates	—	—	—	44,633	—	44,633	—	44,633
Exchange realignment	—	—	—	—	(226)	(226)	—	(226)
Net gains and losses directly recognised in equity	—	—	—	44,633	(226)	44,407	—	44,407
Issue of shares	37,000	118,400	—	—	—	155,400	—	155,400
Share issue expenses	—	(4,734)	—	—	—	(4,734)	—	(4,734)
Profit for the period	—	—	—	—	202,961	202,961	—	202,961
At 30th June, 2005 (Unaudited)	372,592	3,001,935	891,289	48,547	(2,282,883)	2,031,480	196	2,031,676
At 1st January, 2004 (Audited)	335,592	2,888,269	891,289	—	(2,336,304)	1,778,846	196	1,779,042
Exchange realignment	—	—	—	—	93	93	—	93
Net gains directly recognised in equity	—	—	—	—	93	93	—	93
Loss for the period	—	—	—	—	(33,119)	(33,119)	—	(33,119)
At 30th June, 2004 (Unaudited)	335,592	2,888,269	891,289	—	(2,369,330)	1,745,820	196	1,746,016

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2005

	Six months ended	
	30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(50,479)	(18,206)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(11,267)	7,941
NET CASH INFLOW FROM FINANCING ACTIVITIES	133,356	4,930
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	71,610	(5,335)
Cash and cash equivalents at beginning of period	18,472	22,450
CASH AND CASH EQUIVALENTS AT END OF PERIOD	90,082	17,115
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	30,071	17,115
Time deposits	60,011	—
	90,082	17,115

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30th June, 2005

1. BASIS OF PRESENTATION

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

As at 30th June, 2005, the Group recorded consolidated net current liabilities of HK\$103 million (31st December, 2004: HK\$207 million), consolidated accumulated losses of HK\$2,283 million (31st December, 2004: HK\$2,486 million (as restated)) and consolidated net assets of HK\$2,032 million (31st December, 2004: HK\$1,634 million (as restated)).

Included in the net current liabilities of HK\$103 million as at 30th June, 2005 were bank loans of HK\$22 million and other loans of HK\$146 million (collectively, the "Financial Creditors").

On 28th April, 2005, the Company and Asset Managers (China) Fund Co., Ltd (the "Subscriber"), an independent third party, entered into a subscription agreement whereby the Company conditionally agreed to issue and allot to the Subscriber and the Subscriber conditionally agreed to subscribe for 74 million new shares of the Company at a subscription price of HK\$2.10 per share. The subscription was completed on 19th May, 2005. The total net proceeds from the issue of new shares amounted to approximately HK\$150 million and are intended to be used as the Group's general working capital.

To further improve the Group's existing working capital position, the Group will continue 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.

In addition, the Group is negotiating with Lai Sun Development Company Limited ("LSD") for an early repayment of the term loan of HK\$225 million due from Furama Hotel Enterprises Limited ("FHEL"), a wholly-owned subsidiary of LSD. The feedback from LSD is positive.

On the above bases, the Directors of the Company consider that the Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the Directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements for the period under review are the same as those used in the annual financial statements for the year ended 31st December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which affect the Group and are adopted for the first time for the current period's unaudited condensed consolidated interim financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 24	Related Party Disclosures
HKAS 36	Impairment of Assets
HKFRS 3	Business Combinations

The impact of adopting the above HKFRSs is summarised as follows:

(a) HKAS 1 — Presentation of Financial Statements

HKAS 1 affects certain presentations in the unaudited condensed consolidated interim financial statements, including the following:

- taxes of jointly-controlled entities and associates attributable to the Group, which were previously included in the tax charge on the consolidated profit and loss account, are now included in the share of profits and losses of jointly-controlled entities and associates, respectively; and
- minority interests are now included in the equity section of the consolidated balance sheet.

(b) HKAS 24 — Related Party Disclosures

HKAS 24 affects the identification of related parties and requires more extensive and additional related party disclosures in the unaudited condensed consolidated interim financial statements.

(c) HKFRS 3 — Business Combination and HKAS 36 — Impairment of Assets

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisition is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the consolidated profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st January, 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill.

The new policy in respect of goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated. No amortisation charge for goodwill on acquisition of an associate has been recognised in the consolidated profit and loss account for the six months ended 30th June, 2005. The new policy has resulted in an increase in the Group's profit after tax for the six months ended 30th June, 2005 by HK\$1,107,000.

3. PRIOR PERIOD ADJUSTMENTS

- (a) LSD, an associate of the Group, resolved to early adopt the new and revised HKFRSs in the preparation of its financial statements for the financial year ending 31st July, 2005. Certain of these new HKFRSs have material impact on the financial statements of LSD.

As a result of the adoption of the new and revised HKFRSs by the LSD Group, the Group's share of the consolidated net assets of LSD as at 1st January, 2005 decreased by HK\$197,886,000 and the accumulated losses of the Group as at 1st January, 2005 increased by HK\$197,886,000.

- (b) Media Asia Entertainment Group Limited ("MAEG"), an associate of the Group, adopted the revised International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" (the "revised IAS 39"), which is effective for the first time for financial statements covering period beginning on or after 1st January, 2005, retrospectively. The revised IAS 39 is comparable to HKAS 39. Due to the adoption of the revised IAS 39 by MAEG during the period, the Group's accumulated losses as at 1st January, 2005 increased by HK\$3,914,000 and the Group's investment revaluation reserve as at 1st January, 2005 increased by HK\$3,914,000.

4. SEGMENT INFORMATION

(a) Business segments:

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

	Media and entertainment	Satellite television	Advertising agency	Cosmetic*	Corporate and other*	Consolidated Total
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30th June, 2004	30th June, 2004	30th June, 2004	30th June, 2004	30th June, 2004	30th June, 2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	30,225	2,781	19,628	7,691	—	60,325
Other revenue	1,568	—	—	—	5,072	6,640
Total	31,793	2,781	19,628	7,691	5,072	66,965
Segment results	(4,779)	(15,685)	5,874	2,083	(15,651)	(28,158)
Unallocated interest and other gains						184
Unrealised holding loss on short term investments						—
Gain on disposal of properties held for sale						(9)
Write-back of impairment of a long term investment					1,284	3,866
Loss from operating activities						—
Finance costs						1,885
Share of profits and losses of associates	5,679	8,277				(26,690)
Amortisation of goodwill on acquisition of an associate	—	(1,107)				(6,330)
Share of profits and losses of jointly-controlled entities	(1,385)	(1,259)				(1,385)
Provision for amounts due from jointly-controlled entities	(1,133)	(326)			233,606	(1,133)
Profit/(loss) before tax						203,747
Tax						(786)
Profit/(loss) for the period						202,961

* During the period, the cosmetic business of the Group constituted a reportable business segment in accordance with the requirements of HKAS 14 "Segment Reporting" ("HKAS 14"). Accordingly, the comparative figures for the cosmetic business segment for the six months ended 30th June, 2004, which were previously included in the "Corporate and other" segment, were separately disclosed as "Cosmetic" segment to conform with the current period's presentation.

(b) **Geographical segments:**

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

	PRC-Hong Kong		PRC-Mainland (including Macau)		Consolidated Total	
	Six months ended		Six months ended		Six months ended	
	30th June, 2005	30th June, 2004	30th June, 2005	30th June, 2004	30th June, 2005	30th June, 2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	44,719	25,238	15,606	17,866	60,325	43,104

5. **OTHER REVENUE**

	Six months ended	
	30th June, 2005	30th June, 2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	5,204	37
Others	1,620	3,711
	6,824	3,748

6. **LOSS FROM OPERATING ACTIVITIES**

	Six months ended	
	30th June, 2005	30th June, 2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
This is arrived at after charging/(crediting):		
Cost of film rights and license rights	3,497	6,016
Cost of self-produced and purchased programmes	9,396	9,117
Cost of services provided	35,135	25,990
Cost of inventories sold	5,324	1,905
Total cost of sales	53,352	43,028
Gain on disposal of properties held for sale	(1,284)	(3,866)
Write-back of impairment of a long term investment	—	(1,885)
Write-back of provision for bad and doubtful debts	(2,608)	—
Gain on recovery from third parties in connection with the litigation relating to the disposal of an associate	—	(673)
Depreciation	2,487	2,427
Amortisation of film rights*	2,431	5,513
Unrealised holding loss on short term investments	—	9
Foreign exchange losses/(gains), net	(108)	161

* This item is included in the cost of film rights and license rights.

7. FINANCE COSTS

	Six months ended	
	30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Interest on bank and other borrowings wholly repayable within five years	5,617	4,348
Interest on loans from directors, an ex-shareholder and a related company	711	2,463
Interest on finance lease payables	2	5
	6,330	6,816

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the current period. No provision for Hong Kong profits tax had been made in the period ended 30th June, 2004 as there were no assessable profits generated during the prior period. Taxes assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Provision for tax for the period:		
Hong Kong	780	—
Elsewhere	6	68
Total tax charge for the period	786	68

Share of net tax charge attributable to associates amounting to HK\$32,189,000 (six months ended 30th June, 2004: net tax credit of HK\$57,000) is included in "Share of profits and losses of associates" on the face of the unaudited condensed consolidated profit and loss account.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the six months ended 30th June, 2005 is based on the profit attributable to equity holders of the parent of HK\$202,961,000 (six months ended 30th June, 2004: loss for the period of HK\$33,119,000), and the weighted average number of 688,765,040 (six months ended 30th June, 2004: 671,184,929) ordinary shares in issue throughout the period.

Diluted earnings/(loss) per share amounts for the six months ended 30th June, 2005 and 2004 have not been shown as no diluting events existed during these periods.

10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (six months ended 30th June, 2004: Nil).

11. RELATED PARTY TRANSACTIONS

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

(A) Transactions with related parties

	Notes	Six months ended	
		30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Interest income from the amount due from Furama Hotel Enterprises Limited ("FHEL") (a)	(i)	5,021	—
Distribution and license fee income from an associate	(ii)	—	200
Advertising income from related companies (a)	(iii)	6,608	305
Advertising income from related companies (b)	(iii)	3,899	5,956
Television airtime sales from related companies (b)	(iii)	1,000	—
Advertising income from an associate	(iv)	—	182
Distribution commissions for film rights licensing paid to an associate	(v)	523	928
Consultancy fee for concert production/operation paid to a jointly-controlled entity	(vi)	580	400
IT service fee income from related companies (c)	(vii)	1,275	850

- (a) The related companies are subsidiaries/associates of LSD.
- (b) The related companies are associates of a substantial shareholder of LSD.
- (c) The related companies are LSD, a substantial shareholder of LSD and its associates.

Notes:

- (i) The interest income is charged at a rate of 4.5% per annum on the principal balance of HK\$225,000,000.
- (ii) The distribution and license fee income is charged to an associate based on contract terms.
- (iii) The advertising income/television airtime sales is charged to the related companies with reference to the market rates.
- (iv) The advertising income is charged to an associate with reference to the market rates.
- (v) The distribution commissions are charged by an associate at 5% or 15% on the gross revenue from film rights licensing.
- (vi) The consultancy fee for concert production/operation paid to a jointly-controlled entity was based on contract terms.
- (vii) The IT service fee income was charged to the related companies based on contract terms.

(B) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Associates	225,835	226,007	—	—
Jointly-controlled entities	20,355	18,458	—	—
Less: Provisions	(9,724)	(8,591)	—	—
Loans from a director	—	—	27,266	9,659
Loan from a related company	—	—	—	13,339
	236,466	235,874	27,266	22,998

(C) Compensation of key management personnel of the Group

	Six months ended	
	30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Short term employee benefits	6,616	2,512
Post-employment benefits	100	100
Total compensation paid to key management personnel	6,716	2,612

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12. INTERESTS IN ASSOCIATES

The balance mainly includes the Group's interests in LSD and MAEG.

Interest in LSD

On 28th June, 2004, the Group, FHEL and LSD entered into an agreement (the "Settlement Agreement") concerning the settlement of the debt due by FHEL to the Group of approximately HK\$1,500 million. The principal terms of the Settlement Agreement included (i) cash settlement of HK\$20 million; (ii) the issue of 5,200 million ordinary shares in LSD at an issue price of HK\$0.50 per share, which represented 40.8% of the enlarged issued capital of LSD; and (iii) the extension of a five year interest-bearing term loan of HK\$225,000,000 by the Group to FHEL (the "Term Loan"). Further details of the Settlement Agreement are set out on the Company's circular dated 15th September, 2004. The Settlement Agreement was completed on 7th December, 2004. Since then, a cross holding position has been existing between LSD and the Company and as at 30th June, 2005, the LSD Group held in aggregate 38.31% in the issued share capital of the Company.

The Group's share of net assets of the LSD Group is included in the Group's interests in associates. The Group's share of profits and losses of the LSD Group included in the Group's share of profits and losses of associates, after taking into account the cross-holding effect between the Group and the LSD Group, for the six months ended 30th June, 2005 was HK\$233,606,000.

13. DEBTORS AND DEPOSITS

Trading terms with customers are largely on credit. Invoices are normally payable within 30 to 60 days of issuance, except for certain well established customers, where the terms are extended to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. An aged analysis of the trade debtors as at 30th June, 2005 is as follows:

	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	5,365	6,141
31–60 days	4,592	2,367
61–90 days	590	1,299
Over 90 days	12,674	9,589
	<hr/>	<hr/>
	23,221	19,396
Other debtors and deposits	53,378	43,846
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	76,599	63,242
	<hr/> <hr/>	<hr/> <hr/>

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.

Included in trade debtors is an amount of HK\$1,468,000 (31st December, 2004: HK\$719,000) due from an associate of the Group, arising from the ordinary course of business of the Group.

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14. CREDITORS AND ACCRUALS

An aged analysis of the trade creditors as at 30th June, 2005 is as follows:

	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	2,081	3,256
31–60 days	1,416	2,448
61–90 days	1,570	2,237
Over 90 days	14,221	13,441
	<hr/>	<hr/>
	19,288	21,382
Other creditors and accruals	83,172	87,332
	<hr/>	<hr/>
	102,460	108,714
	<hr/> <hr/>	<hr/> <hr/>

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

Included in other creditors and accruals is an amount of HK\$46,000,000 (31st December, 2004: HK\$46,000,000) received from Lai Fung Holdings Limited (“LFH”) as earnest money paid for the participation rights in the Group’s proposed residential property development project in Macau. Further details of the arrangements are set out in the Company’s circular dated 6th December, 2004.

On 29th June, 2005, the Group and LFH entered into a supplemental memorandum of cooperation to extend the time limit of obtaining the relevant approvals for the project from no later than June 2005 as set out under the memorandum dated 15th November, 2004 to no later than December 2005. Further details are set out in the Company's announcement dated 4th July, 2005.

15. SHARE CAPITAL

	30th June, 2005		31st December, 2004	
	Number of shares (Unaudited) '000	Nominal value (Unaudited) HK\$'000	Number of shares (Audited) '000	Nominal value (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	2,000,000	1,000,000	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	745,185	372,592	671,185	335,592

Movements in the Company's issued ordinary share capital and share premium account are summarised as follows:

	Number of ordinary shares '000	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1st January, 2004, 31st December, 2004 and 1st January, 2005 (Audited)	671,185	335,592	2,888,269	3,223,861
Issue of shares (a)	74,000	37,000	118,400	155,400
Share issue expenses	—	—	(4,734)	(4,734)
At 30th June, 2005 (Unaudited)	745,185	372,592	3,001,935	3,374,527

- 14 (a) On 28th April, 2005, the Company and Asset Managers (China) Fund Co., Ltd (the "Subscriber"), an independent third party, entered into a subscription agreement whereby the Company conditionally agreed to issue and allot to the Subscriber and the Subscriber conditionally agreed to subscribe for 74 million new shares of the Company at a subscription price of HK\$2.10 per share. The subscription was completed on 19th May, 2005. The total net proceeds from the issue of new shares amounted to approximately HK\$150 million and are intended to be used as the Group's general working capital.

16. COMMITMENTS

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

	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Capital commitments contracted for	29,860	36,633

In prior years, the Group committed to invest in the development of a television city with a programme production centre on a piece of land in the Cotai Site in the Macau Special Administrative Region ("SAR") (the "Project").

During 2004, the Group proposed to revise its original plan of the Project. On 4th February, 2005, East Asia-Televisão por Satélite, Limitada ("EAST"), a wholly-owned subsidiary of the Company, submitted to the Macau SAR Government revised development plans which anticipate the construction of a television/film studio, concert hall, convention and exhibition centre and retail complex, two four- to five-star hotels and an all-suite hotel covering a total gross floor area of approximately 340,000 square metres. On 30th May, 2005, the Company announced that EAST has received notification in writing of conditional approval of the proposed development plans for the Cotai Site in the Macau SAR. Formal application will be submitted by EAST for change in use of land and formal contract for the lease modification of the Cotai Site will be entered into with the Macau SAR Government, subject to agreement of terms and conditions and payment of lease modification premium.

At 30th June, 2005, commitment authorised but not contracted for in respect of the Project amounted to HK\$177,859,000 (31st December, 2004: HK\$189,859,000).

- (b) The Group leases certain of its office premises and the lease of land in Cotai Site in the Macau SAR under operating lease arrangements. Leases for premises are negotiated for terms ranging from one to three years, and the lease term of the land in Cotai Site is twenty five years commencing from 2001.

At 30th June, 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Within one year	2,634	2,689
In the second to fifth years, inclusive	3,720	4,163
After five years	13,361	13,771
	19,715	20,623

- (c) The Group has entered into an agreement for leasing of a satellite channel at an annual licence fee of US\$800,000 for a term of twelve years from 2001. At 30th June, 2005, the total future minimum lease payments were as follows:

	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Within one year	6,234	6,234
In the second to fifth years, inclusive	24,938	24,938
After five years	15,338	18,456
	46,510	49,628

17. CONTINGENT LIABILITIES

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

	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Guarantee given to LSD in connection with the disposal of an associate to LSD	25,000	25,000

18. COMPARATIVE AMOUNTS

As further explained in notes 2 and 3 to the unaudited condensed consolidated interim financial statements, due to the adoption of certain new and revised HKFRSs during the current period, the accounting treatment and presentation of certain items and balances in the unaudited condensed consolidated interim financial statements have been revised to comply with the new requirements. Accordingly, certain prior period adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current period's presentation.

During the period, the cosmetic business of the Group constituted a reportable business segment in accordance with HKAS 14. Accordingly, the comparative figures for the cosmetic business segment for the six months ended 30th June, 2004, which were previously included in the "Corporate and other" segment, were separately reclassified as "Cosmetic" segment to conform with the current period's presentation.

INTERIM DIVIDEND

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The Directors do not recommend the payment of an interim dividend for the period under review (six months ended 30th June, 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The Group's unaudited consolidated net profit attributable to equity holders for the half-year ended 30th June, 2005 amounted to HK\$202,961,000, which represents a significant improvement on the net loss of HK\$33,119,000 reported for the corresponding period in the previous year. The loss from operating activities was reduced to HK\$26,690,000 from HK\$31,820,000 in the previous corresponding period, due to improvement in gross profit and other revenue, but offset by increases in marketing expenses and administrative expenses. The share of profits from associates, being mainly Lai Sun Development Company Ltd. ("LSD") and Media Asia Entertainment Group Ltd., ("MAEG") at HK\$239,285,000 represented the most significant positive contribution to the consolidated results of the Group.

Turnover for the half-year increased to HK\$60,325,000, an increase of approximately 40% compared with the previous year. Around 88% of the turnover was generated by entertainment event production, distribution and licensing of films, advertising agency services and sale of cosmetic products.

Total revenue from media and entertainment segment recorded a figure of HK\$31,793,000, an increase of 65.5% over the previous period, with entertainment event production becoming the biggest contributor and reporting a total of HK\$22,568,000 for the period under review. This represents a noticeable increase of 165% compared with the figure for the previous year. Distribution fee income recorded a drop of 57% for the period to HK\$3,411,000. This was mostly compensated for by increases in income from album distribution and licensing and artiste management.

Income derived from the advertising agency business was the second biggest contributor to total revenue, despite a drop of approximately 5.2% for the period. Increases in revenue from sale of cosmetic products, satellite television business and information technology services further contributed to the total income for the period.

On the performance of the different business segments of the Group, both the advertising agency business and cosmetic products segments returned profits for the period. Media and entertainment segment reported a loss of HK\$4,779,000, compared with the loss of HK\$2,460,000 recorded for the previous year. The loss arising from satellite television operation had been contained at HK\$15,685,000 for the half-year, in line with the loss of HK\$15,511,000 reported for the previous corresponding period.

On 28th April, 2005, the Company entered into a subscription agreement with Asset Managers (China) Fund Co., Ltd. pursuant to which the latter subscribed for 74 million new shares of the Company at the subscription price of HK\$2.10 per share. The above-mentioned new shares were duly allotted and issued by the Company on 19th May, 2005.

Following the issue of the additional new shares, the total number of issued shares in the capital of the Company increased to 745,184,929. As a result, LSD, which held a 42.54% interest in the Company prior to the issue of new shares, had its interest in the Company diluted to 38.31%.

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East Asia Satellite Television ("EAST") Operations

EAST maintained its focus on cost control and improving programme quality during the period under review. In addition to subscribers of NOW Broadband TV of PCCW Limited in Hong Kong, programmes produced by EAST have been offered to subscribers of Hongkong Broadband Digital TV since May 2005. A healthy growth rate of around 22.7% in subscriptions for EAST programmes on NOW Broadband TV has been recorded for the period from 1st January to 30th June, 2005. The focus of EAST is to raise the overall programme quality to attract a wider viewership base whilst it awaits approval for a satellite television downlink licence from the relevant Mainland authorities.

In May 2005, the Group received conditional approval from the Macau Special Administrative Region ("Macau") Government to the proposed development plans in respect of the EAST Television City situated in Cotai City in Macau. The proposed plans anticipate the construction of a television/film studio, concert hall, convention and exhibition centre and retail complex, two four- to five-star hotels and an all-suite hotel covering a total gross floor area of approximately 340,000 square metres.

In July 2005, the Company entered into a supplemental memorandum of cooperation relating to the residential property project in a section of the above-mentioned Cotai Site with Lai Fung Holdings Limited. Both parties agreed to extend the deadline for obtaining all requisite approvals for developing this specific project.

Film Production and Distribution

Media Asia Entertainment Group Ltd. (“MAEG”), in which the Group holds a 37.33% interest, reported a turnover of HK\$118,185,000 for the half-year ended 30th June, 2005 and a net profit attributable to equity holders of HK\$15,356,000. MAEG did not declare an interim dividend for the period under review.

During the first-half of 2005, MAEG released two films, *Seoul Raiders* in February 2005 and *Initial D* in June 2005. The latter film, MAEG’s biggest budget film ever, had been very well received by audiences in Hong Kong, Taiwan, the Mainland, Malaysia and Singapore. MAEG also released two films, *A World Without Thieves* and *Seoul Raiders* in video format.

Entertainment

With improvement in the local economy and greater optimism in the short-term outlook, demand for entertainment and leisure activities which became evident in 2004 has continued into 2005. This trend had benefited East Asia Entertainment Limited (“EAE”). During the period under review, EAE produced three concerts by popular local artistes and participated in six other concerts and entertainment events in joint-venture with other parties, which involved a total of 66 shows.

The music production and distribution arm of the entertainment division of the Group released ten different albums during the period, including titles for Denise Ho, Leon Lai, Janice, Vicky Fung, concerts of Beyond, and the soundtrack of *Seoul Raiders*.

Lai Sun Development Company Limited (“LSD”)

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Following completion of settlement of the debt due from the LSD group to the Group on 7th December, 2004, a total of 5,200 million new ordinary shares of LSD were allotted and issued to the Group, representing a 40.8% interest in LSD. LSD in turn holds a 38.31% interest in the Company. In view of this cross-holding, and reflecting the results of LSD during the period from 1st January, 2005 to 30th June, 2005, the Company’s share of the results of LSD during the aforesaid period amounted to approximately HK\$233,606,000.

The results of LSD during the aforesaid period have been helped by the gain arising from change in fair value of investment properties, as required under the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) which LSD has early adopted for its financial year ended 31st July, 2005.

As disclosed in the interim report of LSD for the six months ended 31st January, 2005, a loss of HK\$1,483,527,000 arising from the settlement premium had been charged to the profit and loss account of LSD on completion of the settlement of the indebtedness due to the LSD bondholders and the Group. LSD reported in the above interim report a net loss attributable to shareholders of HK\$1,255,969,000 for the six months ended 31st January, 2005.

LSD announced the sale of its interest in Furama Resort in Danang, Vietnam in April 2005 for a consideration of US\$16,800,000 (approximately HK\$131 million). The transaction was completed in July 2005. Proceeds from the sale were used by LSD for partial repayment of its Series A Bonds, as it was a commitment of LSD to raise funds to reduce or eliminate the indebtedness of approximately HK\$266 million owed by LSD to the holders of its Series A Bonds through the sale of the aforesaid property and two other properties earmarked for this purpose.

LSD subsequently announced on 28th July, 2005 the full repayment of the Series A Bonds, and the partial release by the security trustee of the security interests of the Series A Bondholders in relation LSD's holdings in The Ritz-Carlton Hong Kong and the Company.

Prospects

East Asia Satellite Television ("EAST") Operations

With the approval of the proposed development plans for the EAST Television City, the component and weighting of investments of EAST are expected to undergo significant changes. The projected investment by both local and overseas investors in hospitality, leisure and gaming facilities along the "Cotai Strip" where the EAST Television City project is located should further enhance the potential of the project.

Film Production and Distribution

MAEG has five productions scheduled to be released during the second half of 2005. These include two dramas featuring popular Hong Kong stars Andy Lau and Leon Lai respectively, and a co-produced drama series in the Mainland for video and television exploitation and featuring Edison Chen and Anthony Wong from *Initial D*. MAEG has not less than six projects scheduled to be released in 2006, including two releases in the summer.

MAEG will continue to explore opportunities for growth, one example being collaborating with software developers in the area of ultra micro-disc for use in mobile playstations. *Initial D* will be the first film in such an application and is expected to be released in the second half of 2005.

Entertainment

For the second half of 2005, EAE will be producing four concerts by popular local artistes and will also participate in the production of seven other concerts and entertainment events, which will involve around 70 shows in total.

The music production and distribution operation has a busy schedule for the second half of 2005, as it plans to release around twenty albums by local singers, including movie soundtracks of *Initial D*.

Lai Sun Development Company Limited ("LSD")

Because of the upturn in asset value in the local property market, it is anticipated that LSD's results will benefit from the gain arising from the change in fair value of investment properties as required under the new and revised Hong Kong Financial Reporting Standards.

The improvement in the property market has also made possible the successful marketing and sale of the apartments and commercial podium of Kimberley 26 in Tsimshatsui, and the residential property project, Rolling Hills, in Yuen Long. Both Kimberley 26 and Rolling Hills are joint-venture projects of LSD with other partners.

The full repayment of LSD's Series A Bonds and proceeds from the sale of development properties have strengthened its balance sheet.

Liquidity, Financial Resources, Charge on Assets, Gearing and Capital Commitments

As at 30th June, 2005, cash and cash equivalents held by the Group amounted to HK\$90,082,000, of which over 90% were denominated in Hong Kong dollar currency.

As at 30th June, 2005, the bank borrowings of HK\$22,000,000 which are due for renewal within one year, are secured by fixed charges over the Group's land and buildings with an aggregate net book value of HK\$67,259,000. The unsecured other borrowings of HK\$15,000,000 and HK\$7,500,000 are due for repayment within one year and the second year, respectively. The unsecured other borrowings from an ex-shareholder of the Company of HK\$130,618,000 is interest-bearing at the HSBC prime rate and have no fixed terms of repayment. The loan from a director of HK\$27,266,000 is unsecured, bearing interest at HSBC prime rate and is not repayable within one year.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 10%. All of the Group's borrowings are denominated in Hong Kong dollars and the majority of which are floating rate debts. No financial instruments for hedging purposes were employed by the Group during the period under review.

Future capital expenditures comprise mainly further land premium and construction costs payments for the EAST-TV City development project at the COTAI City in Macau. As at 30th June, 2005, capital commitments contracted for in respect of this project amounted to HK\$29,860,000.

The Group is negotiating with the LSD Group for an early repayment of the term loan of HK\$225 million due from Furama Hotel Enterprises Limited, a wholly-owned subsidiary of LSD. The feedback from the LSD Group is positive.

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The Group believes that there will be sufficient resources to fund its capital expenditure and other working capital requirements.

Contingent Liabilities

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

Employees and Remuneration Policies

The Group employed a total of approximately 200 employees as at 30th June, 2005. The total staff costs including pension contributions for the six months ended 30th June, 2005 were approximately HK\$23,210,000 (excluding directors' remuneration). Pay rates for employees are maintained at competitive level, salary and bonuses are rewarded on a performance related basis. Other staff benefits include free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes. The Company adopted a share option scheme for its directors and employees on 25th November, 1996.

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

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

At 30th June, 2005, there were 745,184,929 shares of the Company in issue. Based on the average of the closing prices of the shares of the Company in the daily quotation sheets of The Stock Exchange of Hong Kong Limited for the 5 trading days immediately preceding 30th June, 2005 of HK\$1.968, the total market capitalisation (the “Total Market Capitalisation”) of the Company as at 30th June, 2005 was HK\$1,466,523,940.

As at 30th June, 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 Rule 13.22 of Chapter 13, the proforma combined balance sheet of these affiliated companies at 30th June, 2005 is set out as follows:

	<i>HK\$'000</i>
Fixed assets	1,436,685
Prepaid land lease payments	28,989
Investment properties	3,808,700
Interests in associates	1,034,819
Available-for-sale investments	556,041
Pledged bank balances	76,954
Other non-current assets	7,928
Net current liabilities	(39,227)
Total assets less current liabilities	6,910,889
Interest-bearing bank and other borrowings	(2,361,488)
Deferred tax	(476,681)
Long term rental deposits received	(37,352)
Total non-current liabilities	(2,875,521)
	4,035,368

CAPITAL AND RESERVES

Issued capital	6,373,025
Share premium account	5,858,164
Other reserves	1,353,879
Accumulated losses	(10,062,663)
	3,522,405
Minority interests	512,963
	4,035,368

(B) Advance to an entity (Rule 13.20 of Chapter 13)

In compliance with Rule 13.20 of Chapter 13, details of the advance made by the Company as at 30th June, 2005 which individually has exceeded 8% of the Total Market Capitalisation is set out below:

Name of entity	Percentage of Group's attributable interest	Principal amount of advance <i>HK\$'000</i>	
Furama Hotel Enterprises Limited ("FHEL")	40.8	<u>225,000</u>	<i>Note</i>

Note:

On 28th June, 2004, the Group, FHEL and LSD entered into an agreement (the "Settlement Agreement") concerning the settlement of the debt due by FHEL to the Group of approximately HK\$1,500 million. The Settlement Agreement was completed on 7th December, 2004. One of the principal terms of the Settlement Agreement included the extension of a term loan of HK\$225,000,000 by the Group to FHEL. The loan bears interest at a rate of 4.5% per annum and is repayable in five years from 7th December, 2004. As at 30th June, 2005, the loan was guaranteed by LSD and secured by the following:

- (i) a second charge over LSD's 65% indirect equity interest in Diamond String Limited ("Diamond String"), which wholly owns The Ritz-Carlton, Hong Kong. The charge is shared with the holders of the Series A Bonds (the "Bondholders") of the LSD group on a pari passu basis (but in the case of the Bondholders, up to a maximum potential recovery of HK\$120 million when aggregated with any sums recovered under the first charge over the shares of Surearn Profits Limited ("Surearn") as mentioned in (ii) below); and
- (ii) a first charge over LSD's 100% indirect interest in Surearn, which owns a 65% equity interest of Diamond String, and, by way of security, an assignment of all shareholders' loans owed by Surearn to the LSD group. The charge and assignment are shared with the Bondholders on a pari passu basis (but in the case of the Bondholders, up to a maximum potential recovery of HK\$120 million when aggregated with any sums recovered under the second charge over the shares of Diamond String as detailed in (i) above).

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SHARE OPTION SCHEME

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

No share options were outstanding as at 1st January, 2005 and 30th June, 2005. No share options were granted, exercised or cancelled or lapsed during the period. Subsequent to the amendments made to Chapter 17 of the Listing Rules which came into effect on 1st September, 2001, no further options may be granted under the Share Option Scheme unless such grant is made in compliance with the amended rules. As at the date of the interim report, no amended share option scheme has been adopted. The principal terms of the existing Share Option Scheme before taking into account the aforesaid amendments are:

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

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

In compliance with the provisions of Chapter 17 of the Listing Rules, appropriate amendments will be made to the terms (b) and (d) as mentioned above and other terms and conditions of the Share Option Scheme should the Company continue to grant options under the existing scheme.

DIRECTORS' INTERESTS

As at 30th June, 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 (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

(1) The Company

Name of Director	Long positions in the shares			Capacity	Total	Percentage
	Personal Interests	Family Interests	Corporate Interests			
Lien Jown Jing, Vincent	931,800	Nil	Nil	Beneficial owner	931,800	0.13%
Lee Po On	5,195,934	Nil	Nil	Beneficial owner	5,195,934	0.70%
Liu Ngai Wing	3,321,215	Nil	Nil	Beneficial owner	3,321,215	0.45%

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(2) Associated Corporations

Lai Sun Development Company Limited ("LSD")

Name of Director	Long positions in shares of LSD					Capacity	Total	Percentage
	Personal Interests	Family Interests	Corporate Interests	Other Interests				
U Po Chu	633,400	Nil	1,582,869,192 (Note 1)	Nil	Beneficial owner	1,583,502,592	12.42%	
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 (Note 2)	1,509,524,488 (Note 3)	Beneficial owner	3,102,493,265	24.34%	
Chiu Wai	195,500	Nil	Nil	Nil	Beneficial owner	195,500	0.002%	
Liu Ngai Wing	800	Nil	Nil	Nil	Beneficial owner	800	0.000006%	

Notes:

1. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares in LSD 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.
2. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares in LSD. 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.
3. Mr. Lam Kin Ngok, Peter granted to the Bondholders (as defined in the LSD's circular to its shareholders dated 15th September, 2004) of LSD 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 30th June, 2005, the number of shares with the aforesaid right attached under the first tranche and the second tranche respectively was Nil and 1,509,524,488.
4. Madam U Po Chu is the widow of the late Mr. Lim Por Yen, whose estate includes an interest in 197,859,550 shares in LSD.

Save as disclosed above, as at 30th June, 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.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 30th June, 2005, the following persons, had an interest in the following long positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	Long positions in the shares		
		Nature (Note 1)	Number of Shares	Percentage
Lai Sun Development Company Limited ("LSD")	Beneficial owner	Corporate	285,512,791 (Note 2)	38.31%
Li Chi Keung	Beneficial owner	Corporate & Family	321,210,391 (Notes 3 and 4)	43.10%

Name	Capacity	Long positions in the shares		
		Nature (Note 1)	Number of Shares	Percentage
Wong Hoi Ping	Beneficial owner	Corporate & Family	321,210,391 (Notes 3 and 5)	43.10%
Lovendale International Inc.	Person having a security interest in shares	Corporate	285,512,791 (Note 3)	38.31%
Asset Managers (China) Company Limited	Beneficial owner	Corporate	74,000,000 (Notes 3 and 6)	9.93%
Red Rock Investment Co., Ltd.	Beneficial owner	Corporate	74,000,000 (Notes 3 and 7)	9.93%
Asset Managers Co., Ltd.	Beneficial owner	Corporate	74,000,000 (Notes 3 and 8)	9.93%

Notes:

1. Family and corporate denote family interest and corporate interest respectively.
2. This interest has been pledged to a non-qualified lender by way of security.
3. Persons falling into the category of "Other Persons" in Practice Note 5 of the Listing Rules.
4. Mr. Li Chi Keung was taken to be interested in 35,697,600 shares in the Company by virtue of his corporate and family interests in such shares and he was also deemed to be interested in 285,512,791 shares in the Company by virtue of his beneficial interests of 50% in the issued ordinary share capital of Lovendale International Inc.
5. Ms. Wong Hoi Ping was taken to be interested in 35,697,600 shares in the Company by virtue of her corporate and family interests in such shares and she was also deemed to be interested in 285,512,791 shares in the Company by virtue of the deemed interest in such shares of her spouse, Mr. Li Chi Keung.
6. Asset Managers (China) Company Limited was taken to be interested in 74,000,000 shares in the Company beneficially owned by Asset Manager (China) Fund Co. Ltd and Eagle Hill Holdings Limited due to its corporate interests therein in these companies.
7. Red Rock Investment Co., Ltd. was taken to be interested in 74,000,000 shares in the Company due to its corporate interests in Asset Managers (China) Company Limited.
8. Asset Managers Co., Ltd. was taken to be interested in 74,000,000 shares in the Company due to its corporate interests in Red Rock Investment Co., Ltd..

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 30th June, 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules of the Stock Exchange throughout the accounting period covered by the Interim Report save for the following deviations from code provisions A.4.1, A.4.2 and B.1.1:—

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election.

None of the existing Non-executive Directors of the Company is appointed for a specific term. However, all Directors of the Company are subject to the retirement provisions under bye-law 87 of the bye-laws of the Company ("Bye-law 87") which provides that one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting and a retiring Director shall be eligible for re-election.

Code Provision A.4.2

Under code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under Bye-law 87, the chairman of the Board and/or the managing director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

The Company will consider appropriate amendments to the bye-laws to comply with the relevant code provision for all directors to retire by rotation once every 3 years.

Code Provision B.1.1

Code provision B.1.1 requires listed issuers to establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.

The remuneration committee of the Company, which has been duly established on 16th September, 2005, was not set up at the commencement of the period under review.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (as defined in the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules of the Stock Exchange.

Specific enquiry have been made of all the Directors who have confirmed that, in respect of the accounting period covered by the Interim Report, they have complied with the required standard set out in the Company's code of conduct regarding Director's securities transactions.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") and has adopted written terms of reference in accordance with the provisions set out in the CG Code.

The Interim Report has been reviewed by the Audit Committee.

By Order of the Board
Lien Jown Jing, Vincent
Chairman

Hong Kong, 16th September, 2005