



Lai Sun Hotels
International Limited
(Incorporated in Bermuda
with limited liability)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 1999

RESULTS

The Directors of Lai Sun Hotels International Limited (the "Company") are pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 1998 as follows:

	6 months ended 30/6/1999 HK\$'000	6 months ended 30/6/1998 HK\$'000
Turnover	223,633	179,296
	=====	=====
Operating profit before exceptional items	33,513	3,135
Exceptional items (Note a)	(148,514)	---
	-----	-----
Operating profit/(loss)	(115,001)	3,135
Attributable profits less losses related to associated companies	8,907	55,391
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Profit/(loss) before taxation	(106,094)	58,526
Taxation (Note b)	(278)	(11,539)
	-----	-----
Profit/(loss) before minority interests	(106,372)	46,987
Minority interests	8,620	6,843
	-----	-----
Net profit/(loss) attributable to shareholders	(97,752)	53,830
	=====	=====
Earnings/(loss) per share (Note c)		
--- Basic	(5.36 cents)	2.95 cents
--- Diluted	N/A	N/A
	=====	=====
Interim dividend per share	Nil	1 cent
	=====	=====
Notes:		
(a) Exceptional items		
	6 months ended 30/6/1999 HK\$'000	6 months ended 30/6/1998 HK\$'000
Profit on disposal of a subsidiary	261,055	---
Loss arising from disposal of a		

subsidiary	(197,450)	---
Losses on disposal of subsidiaries	(24,592)	---
Provision for loss arising from disposal of fixed assets	(145,788)	---
Provision for diminution in value of investment in associated companies	(15,463)	---
Provision for doubtful debts	(12,398)	---
Goodwill written off	(13,878)	---
	<u>(148,514)</u>	<u>---</u>
	=====	=====

(b) Taxation

Hong Kong profits tax has been provided at the rate of 16% (6 months ended 30/6/1998: 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 taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	6 months ended 30/6/1999 HK\$'000	6 months ended 30/6/1998 HK\$'000
Provision for taxation for the period:		
--- Hong Kong	7	---
--- Overseas	271	162
	<u>278</u>	<u>162</u>
Associated companies:		
--- Overseas	---	11,377
	<u>278</u>	<u>11,539</u>
Taxation charge for the period	278	11,539
	=====	=====

(c) Earnings/(loss) per share

The calculation of earnings per share is based on the net loss attributable to shareholders for the period of HK\$97,752,000 (net profit attributable to shareholders for 6 months ended 30/6/1998: HK\$53,830,000) and the weighted average of 1,824,143,092 (30/6/1998: 1,824,143,092) ordinary shares of the Company in issue during the period.

No diluted earnings/(loss) per share is presented as there is no dilution effect arising from the share options as well as the unexercised warrants granted by the Company for both periods ended 30th June, 1998 and 1999.

BUSINESS REVIEW AND PROSPECTS

OPERATING REVIEW

For the six months ended 30th June, 1999, the Company reported an operating profit of HK\$33,513,000 which compares favorably to HK\$3,135,000 recorded in the previous corresponding period. Due to losses and adequate provisions made on the exceptional level, however, the Company incurred a net interim loss of HK\$97,752,000.

During the period under review, the local hotel industry showed a marked improvement in occupancies; however, room rates remained under pressure. This was reflected by the performance of the Company's 65%-owned The Ritz-Carlton Hong Kong, which achieved an average occupancy rate of 63% versus 55% in the preceding corresponding period, while average daily rate ("ADR") exhibited a year-on-year drop of 14% to HK\$1,375.

In contrast, the buoyant state of the US hospitality sector continued to help support the

performance of the Company's overseas assets. Notably, the 25%-owned Regent Beverly Wilshire Hotel showed satisfactory results subsequent to its major renovation program; both average occupancy and ADR were stable at 66.9% and US\$323 respectively. However, as a result of the sale of the Four Seasons Hotel, New York, a decline in profits from associated companies was observed during the interim period.

MAJOR EVENTS

Several significant events occurred during the period under review. Firstly, the Company agreed to purchase from Lai Sun Development Company Limited the retail and hotel portions of the redeveloped Furama Hotel for a consideration of HK\$1,900 million. The proposal was approved by independent shareholders of both companies on 22nd March, 1999. The strategic acquisition, together with the adjacent Ritz-Carlton Hotel, will provide the Company with an unrivaled presence in the luxury hotel segment of which curtailment of supply is apparent in the long term. Meanwhile, the Company, as aforementioned, completed the disposal of the Four Seasons Hotel, New York in March 1999. Total consideration amounted to US\$275 million of which the Company has an attributable interest of 49.995%. The exceptional gain, however, was largely offset by the losses resulted from the disposal of "The Lions" --- a residential development project in Vancouver, and the disposal of the Hong Kong Plaza service apartments for HK\$475 million. Finally, the Company has made a provision for the loss arising from the disposal of the Delta Whistler Resort, Canada. The transaction was completed in July 1999.

Despite the losses being incurred, these disposal activities have generated substantial liquidity for the Company, thus allowing it to focus on opportunities in Asia-Pacific where asset prices remain attractive.

PROSPECTS

The road of recovery for the Asian hospitality sector is expected to remain bumpy despite of a more stable economic environment. Stringent cost control and enhanced productivity will be imperative to generate organic growth, while a firm balance sheet footing will be necessary for expansion via acquisitions. Senior management will adopt these operating principles as to map out the Company's strategy going forward, aspiring to capitalize on the evolving economic trend in a proactive and prudent manner.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the financial year ending 31st December, 1999. An interim dividend of one HK cent per share was declared in respect of the previous corresponding period, which absorbed distributable profits of HK\$18,241,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 1999, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

THE YEAR 2000 COMPLIANCE

The Group has been carrying on the implementation of the "Year 2000 Compliance Program" of which the approach, structure, risk assessment and compliance definition have been well covered in the previous Annual Report. In this respect, the Group has appointed independent consultants to advise on the replacement or upgrading of the hardware and related software to ensure compliance. As at the date hereof, the hardware have been replaced and upgraded completely, costs incurred were approximately HK\$100,000.

As for the hotel operating subsidiaries, the systems identified as requiring major upgrade are the accounting and hotel reservation systems. As these systems are all sourced from leading software vendors, the Group considers that the risks and

uncertainties associated with the Year 2000 problem are not significant and the compliance projects are executed in an orderly and professional manner to ensure that will be no disruption to their operations after the turn of millennium. Owing to the delay of interfacing the hotel reservation system with the ledger system in a hotel operating subsidiary in Vietnam, the Group could not fully completed the Year 2000 compliance projects by the end of the second quarter of 1999. As at the date hereof, the compliance project was 90% completed and it is expected that all necessary Year 2000 compliance projects will be completed by the end of September 1999. The total project costs were approximately HK\$1 million which were accounted for either as operating expenses or capital expenditure in 1999 according to the normal accounting practice.

As at the date hereof, there was no material commitment undertaken by the Group in respect of the Year 2000 modifications. Furthermore, the Group has formulated contingency plans to deal with any unforeseen problems that might arise at the turn of the new millennium. They mainly involve the backing up of all electronic data in multiple media at intervals to enable the restoration of the same at a later time; the engagement of external consultant to oversee the transition of the computer systems through the turn of the millennium and having manual modes of the Group's vital functions ready to take over to enable the continued operation of the Group without the need of computers.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 22nd September, 1999