

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Lim Por Yen	(Chairman and Managing Director)
Lam Kin Ngok, Peter	(Deputy Chairman)
Lam Kin Ming	(Deputy Chairman)
Chiu Wai	
Shiu Kai Wah	
Lee Po On, Mark	
U Po Chu	
Lai Yuen Fong	
William Fung*	
Wong Kai Cho, Kenneth*	
Mui Chiu Ying*	(appointed on 17th January, 2000)

* *Independent Non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

RESULTS

The Directors announce that the unaudited consolidated results of the Group for the six months ended 31st January, 2000 were as follows:

	1/8/99 to 31/1/00 <i>HK\$'000</i>	1/8/98 to 31/1/99 <i>HK\$'000</i>
Turnover	1,707,489	1,694,206
Operating loss before exceptional items	(408,704)	(579,455)
Exceptional items (<i>Note a</i>)	(1,208,936)	(646,714)
Operating loss	(1,617,640)	(1,226,169)
Share of profits less losses of associated companies	(45,706)	(196,469)
Loss before taxation	(1,663,346)	(1,422,638)
Taxation (<i>Note b</i>)	(28,033)	(39,691)
Loss before minority interests	(1,691,379)	(1,462,329)
Minority interests	1,175,629	845,526
Net loss attributable to shareholders	(515,750)	(616,803)
Loss per share (<i>Note c</i>)		
— Basic	(HK\$0.36)	(HK\$1.05)

Notes:

(a) **Exceptional items**

	1/8/99 to 31/1/00 <i>HK\$'000</i>	1/8/98 to 31/1/99 <i>HK\$'000</i>
Provision for diminution in value of a property under development ⁽ⁱ⁾	559,679	—
Provisions for diminutions in values of hotel properties ⁽ⁱⁱ⁾	649,257	—
Loss on disposal and provisions for diminutions in values of long term investments	—	646,714
	<u>1,208,936</u>	<u>646,714</u>

(i) This represented a further provision made for the diminution in value of Furama Hotel Hong Kong with reference to the estimated loss that would arise from the conditional sale as more detailed in Post Balance Sheet Events below.

(ii) This represented provisions made for the diminutions in values of certain hotel properties held by the Group.

(b) **Taxation**

Hong Kong profits tax has been provided at the rate of 16% (1999: 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 places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	1/8/99 to 31/1/00 <i>HK\$'000</i>	1/8/98 to 31/1/99 <i>HK\$'000</i>
Provision for taxation for the period:		
Hong Kong	18,179	22,958
Outside Hong Kong	9,343	4,786
	<u>27,522</u>	<u>27,744</u>
Associated companies:		
Hong Kong	599	14,484
Outside Hong Kong	(88)	(2,537)
	<u>511</u>	<u>11,947</u>
Taxation charge for the period	<u>28,033</u>	<u>39,691</u>

(c) **Loss per share**

The calculation of basic loss per share for the six months ended 31st January, 2000 is based on the net loss attributable to shareholders of HK\$515,750,000 (1999: HK\$616,803,000) and the number of ordinary shares in issue during the period of 1,437,709,710 shares (1999: weighted average number of ordinary shares in issue during the period of 586,588,209 shares). The weighted average number of ordinary shares in issue for the six months ended 31st January, 1999 is arrived at by adjusting the number of ordinary shares in issue prior to the rights issue of 28th January, 1999 with a factor of 2.191.

No diluted loss per share for the six months ended 31st January, 1999 and 2000 has been presented as the effect of the assumed conversion of the warrants, convertible bonds and convertible notes of the Group or share options of a subsidiary outstanding during the periods would be anti-dilutive.

BUSINESS REVIEW AND PROSPECTS

Business Review

The Company reported a consolidated net loss attributable to shareholders of HK\$515.8 million for the half-year after accounting for its share of the losses of the two principal subsidiaries, Lai Sun Development Company Limited ("LSD") and Crocodile Garments Limited ("CGL"). The garment operations of the Company continued to achieve an overall profit, albeit at a lower level than that for the previous corresponding period.

LSD reported a consolidated loss after tax and minority interest of HK\$1,338.1 million for the period under review. The performance of LSD had been adversely affected mainly by provisions taken in respect of the disposal of a 65% interest in Furama Hotel Hong Kong, diminution in asset values of LSD's subsidiary, Lai Sun Hotels International Limited ("LSH"), losses arising from the sale of non-core property assets and financing expenses incurred.

The results of LSH for the half-year under review were mainly depressed by provisions taken in respect of the asset values of its hotel portfolio. Losses were also recorded on the disposal of various overseas property assets. However, the liquidity generated from the disposals has enabled LSH to explore different investment opportunities in Hong Kong and Asia.

Lai Fung Holdings Limited ("LFH"), the 74.5% -owned subsidiary of LSD, turned in a small profit during the period under review. Contributions from Hong Kong Plaza, its major investment property in Shanghai, continued to be hampered by the rental guarantee obligations given to purchasers of both the service apartments and office units.

LFH also rationalised its property portfolio in Shanghai by increasing its effective interest in Hong Kong Plaza to 82% and disposing of its 85% interest in Shanghai Zhong Yue Garden.

CGL reported a significant improvement in its interim results compared with the previous corresponding period, with its net loss attributable to shareholders sharply reduced to approximately HK\$13.8 million on increased turnover of around HK\$389.9 million. CGL was engaged in a litigation with a supplier who sought a Court Order in Hong Kong to prohibit CGL from registering certain trademarks in the Mainland. The Court awarded judgement against CGL in December 1999 and CGL is now appealing against the said judgement. CGL has been advised by its legal advisers that there are valid grounds of appeal.

Prospects

The business environment in Hong Kong gradually improved during the period under review. An increased level of activity on the local stock market since the last quarter of 1999 and an encouraging upward trend in tourist arrivals for the best part of 1999 helped lift consumer spending from the doldrums overhanging the first half of 1999.

While domestic market conditions have improved, the latest macro-economic indicators continued to point to a still fragile economic backdrop. Escalating interest rates and a high unemployment situation will continue to dampen domestic consumer spending.

LSD will continue to actively pursue its debt reduction and cashflow generation programme. Implementation of the LSD group's restructuring programme has been delayed due to its conditional disposal of a 65% interest in Furama Hotel Hong Kong, thereby necessitating a revision of the original financial plan for all creditors. Management of LSD is confident that, barring unforeseen circumstances, a satisfactory outcome for all creditors will materialize before the end of the current financial year.

Subsequent to the end of the half-year under review, LSH and LSD jointly announced their proposed acquisition, through a 50/50 joint-venture, of a 50% interest in HKATV.com Limited, a company set up to exploit certain television programming rights on the Internet. This reflects LSH's intention of focusing on Internet and technology-related businesses with a particular emphasis on content provision.

The operating income of LFH should improve by its increased holding in Hong Kong Plaza and the rental contribution from the Tianhe Entertainment Plaza in Guangzhou. On the development front, Phase II of the Eastern Place in Guangzhou has been completed and sales activities are expected to accelerate. Phase III of this project is currently in the final planning stage and construction work is expected to commence in the second half of 2000.

CGL will reorganize its network of retail shops in Hong Kong and will promote the new "Croco Ladies" line to improve the performance of this division. At the same time, it plans to aggressively develop its operations in the Mainland of China, with a view to increasing further the level of market penetration of its products.

POST BALANCE SHEET EVENTS

- (1) On 24th March, 2000, a formal agreement for sale and purchase (the "Agreement for Sale and Purchase") was made between, amongst other parties, Furama Hotel Enterprises Limited ("FHEL"), an indirect wholly-owned subsidiary of LSD and Southwold Limited ("Southwold"), a company owned as to 35% indirectly by LSD and as to the remaining 65% by Century West International Limited ("CWI"), which is in turn owned by independent third parties, relating to, amongst other things, the conditional sale of Furama Hotel Hong Kong ("Furama Hotel") by FHEL to Southwold.

The major terms and conditions of the Agreement for Sale and Purchase are as follows:

- (a) The purchase price is a sum comprising of HK\$2,843,373,500 for the Furama Hotel and HK\$50,000,000 for all fittings, furniture and operating equipment in Furama Hotel. Stamp duty in respect of the sale and purchase will be borne and paid by Southwold.
- (b) The completion of the Agreement for Sale and Purchase is subject to the fulfillment of various conditions precedent. One of these conditions is the cancellation of, and release of LSD from its obligations under, the Development Agreement (as defined below), and all liabilities relating thereto. Further, any agreement implementing the proposed cancellation of the Development Agreement would constitute a connected transaction for each of the Company, LSD and LSH and will be subject to the approval of independent shareholders of each of the Company, LSD and LSH.

On 11th February, 1999, LSD and FHEL entered into an agreement (the "Development Agreement") with LSH and Golden Pool Enterprises Limited, a wholly-owned subsidiary of LSH, with respect to the redevelopment of Furama Hotel. Pursuant to the Development Agreement, Furama Hotel will be redeveloped into a composite retail, hotel and office building which is expected to be completed in or around May 2004.

- (c) The formal completion of the sale pursuant to the Agreement for Sale and Purchase will take place within 30 days of the fulfillment or waiver of all conditions precedent, and in any event will not be later than 31st July, 2000 or earlier than 30th June, 2000.
 - (d) LSD will lease Furama Hotel from Southwold at a fixed rent of HK\$145 million per annum and continue to operate Furama Hotel as a five-star hotel for a period of up to 3 years from the date of formal completion of the sale. The lease will be terminable only by Southwold at any time during its term by giving 12 months prior written notice to LSD.
 - (e) Southwold will be entitled to redevelop Furama Hotel as a Grade A office building after formal completion of the sale and on termination of the lease.
 - (f) LSD will also obtain any consent that may be required from its bondholders.
- (2) On 10th March, 2000, Asia Television Limited (“ATV”), Houseman International Limited (“Houseman”), a company owned by LSH and LSD in equal shares, and HKATV.com Limited (“HKATV.com”) entered into a share purchase agreement (the “Agreement”) pursuant to which Houseman has conditionally agreed to purchase and ATV has conditionally agreed to sell 50% of the issued share capital in HKATV.com for a total consideration of approximately HK\$300,000,000. HKATV.com is a wholly-owned subsidiary of ATV established for the purpose of carrying on the business of developing and maintaining the hkatv.com website and exploiting certain programme rights through or in connection with such website and the Internet worldwide.

The consideration will be satisfied as to HK\$150,000,000 in cash and as to the remaining by way of an allotment and issue of 210,000,000 new ordinary shares of HK\$0.5 each in the capital of LSD (“LSD Shares”), which represent approximately 5.9% of the existing issued ordinary share capital of LSD and approximately 5.6% of LSD’s enlarged ordinary share capital after such allotment and issue. As contemplated in the relevant deeds of guarantee executed by LSD and LSH, respectively, it is intended for LSH to be responsible for paying the firm cash consideration of HK\$150,000,000 and for LSD to issue the new LSD Shares or pay HK\$150,000,000 in cash which ATV may demand in lieu of shares in certain circumstances.

Following the issue of 210,000,000 LSD Shares as part of the consideration provided in the Agreement, the shareholding of the Company together with its associates and the Lim family in LSD will fall from approximately 50.66% to approximately 47.82%. Accordingly, LSD will cease to be a subsidiary of the Company and the accounts of LSD will cease to be consolidated in the accounts of the Company. The possible dilution and possible consequential deconsolidation of LSD constitute a possible major transaction for the Company and is subject to the approval of Shareholders.

The Agreement and the transactions contemplated thereunder constitute a connected transaction for each of the Company, LSD and LSH and will be subject to the approval of independent shareholders of each of the Company, LSD and LSH (including the approval of the independent shareholders of LSD for the issue of LSD Shares as part of the consideration for the transactions contemplated in the Agreement, which constitutes a share transaction for LSD under the Listing Rules).

For more details, please refer to the circular to the shareholders of the Company dated 12th April, 2000.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the financial year ending 31st July, 2000. No interim dividend was declared in respect of the previous corresponding period.

DIRECTORS' INTERESTS IN SHARE CAPITAL OR DEBENTURES

As at 31st January, 2000, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(1) The Company

	Number of Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	420,381,750	Nil	Nil	Nil	420,381,750
Lam Kin Ngok, Peter	110,794,951	Nil	Nil	Nil	110,794,951
Lam Kin Ming	64,610,000	Nil	Nil	Nil	64,610,000
Chiu Wai	199,600	Nil	Nil	Nil	199,600
U Po Chu	3,669,000	Nil	Nil	Nil	3,669,000
Lai Yuen Fong	4,451,790	Nil	Nil	Nil	4,451,790

(2) Associated Corporations:

(a) Lai Sun Development Company Limited ("LSD")

	Number of LSD Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	197,859,550	Nil	Nil	Nil	197,859,550
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
Chiu Wai	195,500	Nil	Nil	Nil	195,500
U Po Chu	633,400	Nil	Nil	Nil	633,400

Note : The Company and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in LSD. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 29.8% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were Directors and held an interest of approximately 42% in aggregate in the issued share capital of the Company, thus controlling collectively more than one-third of the voting power at the Company's general meetings.

(b) Lai Sun Hotels International Limited ("LSH")

	Number of LSH Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	5,522,890	Nil	Nil	Nil	5,522,890
Lam Kin Ngok, Peter	11,421,890	Nil	Nil	Nil	11,421,890
U Po Chu	375,000	Nil	Nil	Nil	375,000

Note : LSD and its wholly-owned subsidiaries beneficially owned 951,709,306 shares in LSH. The Company together with its wholly-owned subsidiary held an interest of approximately 44.76% in the issued ordinary share capital of LSD. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 29.8% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were Directors and held an interest of approximately 42% in aggregate in the issued share capital of the Company, thus controlling collectively more than one-third of the voting power at the Company's general meetings.

(c) Lai Fung Holdings Limited (“LFH”)

None of the Directors or the chief executive of the Company or their respective associates had any interests (within the meaning of the SDI Ordinance or the Model Code) in LFH.

LSD beneficially owned 779,958,912 shares in LFH. The Company together with its wholly-owned subsidiary held an interest of approximately 44.76% in the issued ordinary share capital of LSD. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 29.8% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were Directors and held an interest of approximately 42% in aggregate in the issued share capital of the Company, thus controlling collectively more than one-third of the voting power at the Company's general meetings.

(d) Crocodile Garments Limited (“CGL”)

None of the Directors or the chief executive of the Company or their respective associates had any interests (within the meaning of the SDI Ordinance or the Model Code) in CGL .

The Company and its wholly-owned subsidiary beneficially owned 338,982,809 shares in CGL. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 29.8% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were Directors and held an interest of approximately 42% in aggregate in the issued share capital of the Company, thus controlling collectively more than one-third of the voting power at the Company's general meetings.

In addition to the above, certain Directors held non-beneficial interests in the share capital of some of the subsidiaries of the Company as nominee shareholders, mainly for the purpose of complying with the statutory requirements for a minimum number of shareholders for those subsidiaries.

Save as disclosed above, as at 31st January, 2000, 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 of any of its associated corporations which were required to be notified to the Company and The Stock

Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance or the Model Code (including interests which they were deemed or taken to have under Section 31 or Part 1 of the Schedule to the SDI Ordinance) 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 31st January, 2000, the following person was interested in 10% or more of the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of Shares	Percentage
Mr. Lim Por Yen	428,502,540	29.8% (<i>Note</i>)

Note: Mr. Lim Por Yen's interest in the said 428,502,540 shares in the Company included 4,451,790 shares and 3,669,000 shares in the Company respectively held by Madam Lai Yuen Fong and Madam U Po Chu, the spouses of Mr. Lim Por Yen, who were also deemed under the SDI Ordinance to have interests in those of Mr. Lim Por Yen in the share capital of the Company.

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 31st January, 2000.

PRACTICE NOTE 19 TO THE LISTING RULES

(1) Specific performance obligations on controlling shareholder

A bank loan facility of HK\$200 million was granted to Lai Sun Development Company Limited ("LSD") for a term of two years (the "Loan Agreement") from 19th February, 1999. The outstanding amount as at 31st January, 2000 was HK\$187.9 million. According to the Loan Agreement, Mr. Lim Por Yen and members of Lim Family (as defined in the Loan Agreement) should maintain control of the Company and the Company should maintain control of LSD.

(2) Financial assistance and guarantees provided to affiliated companies (including associated companies and jointly controlled entities)

As at 31st January, 2000, the Company and its subsidiaries (the "Group") had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies amounting to, in aggregate, approximately 57.5% of the Group's net asset value. In compliance with

Practice Note 19, the proforma combined balance sheet of affiliated companies as at the balance sheet date is disclosed as follows:

	<i>HK\$'000</i>
Fixed assets	482,475
Investment properties	144,687
Properties under development	2,540,799
Deferred expenses	54,637
Associated companies	353,103
Net current liabilities	(332,750)
Total assets less current liabilities	3,242,951
Long term borrowings	(402,055)
Deferred income	(88,526)
Amount due to shareholders	(3,262,695)
	<u>(510,325)</u>
CAPITAL AND RESERVES	
Share capital	505,461
Capital reserve	65,270
Investment property revaluation reserve	110,081
Exchange fluctuation reserve	2,946
Accumulated losses	(1,178,892)
	<u>(495,134)</u>
Minority interests	(15,191)
	<u>(510,325)</u>

(3) Breach of loan agreements

As disclosed in note (1) "Basis of presentation" to the financial statements for the financial year ended 31st July, 1999 incorporated in the 1999 Annual Report, as a result of the losses and the deterioration in the financial position of LSD, LSD together with its subsidiaries (the "LSD Group") had failed to comply with certain financial covenants in certain bank loan agreements and certain covenants specified in the trust deeds governing the issue of bonds.

As at the current date, all principal lending banks have agreed in principle to waive any breach of covenants provided that all other lending banks and bondholders also agree to the same waiver. Meetings with bondholders for obtaining the waivers of any breach of covenants and to secure their agreement to the LSD Group's debt restructuring program have been delayed largely due to the conditional agreement to dispose of a substantial interest of the Furama Hotel which has necessitated a revision of the financial plan for all financial creditors. Meetings with bondholders will be shortly conducted by the LSD Group with a view to obtaining the waivers and to secure their agreement to the revised debt restructuring plan. Barring unforeseen circumstances, the directors of LSD are confident that a satisfactory outcome will materialise before the end of the financial year.

YEAR 2000 COMPLIANCE

All of the Group's computer systems and equipment have been operating smoothly into the Year 2000 ("Y2K"). However, the Group will continue to stay alert and be prepared for the upcoming "high risk" days generally identified with the Y2K issue. The total cost incurred for the Y2K compliance was within the original budget.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st January, 2000, 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 this Interim Report, 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 Non-executive Directors are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles of Association of the Company.

The Company established an audit committee comprising two Independent Non-executive Directors on 23rd March, 2000.

By Order of the Board
Lim Por Yen
Chairman

Hong Kong, 27th April, 2000