

(b) Geographical segments:

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

	PRC-Hong Kong		PRC-Mainland (including Macau)		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30th June, 2006	30th June, 2005	30th June, 2006	30th June, 2005	30th June, 2006	30th June, 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>47,171</u>	44,719	<u>16,497</u>	15,606	<u>63,668</u>	60,325
4. Other Revenue						
Interest income				5,783		5,204
Realised gains on equity investment at fair value through profit or loss				997		—
Others				<u>1,948</u>		1,620
				<u>8,728</u>		<u>6,824</u>
5. Loss from Operating Activities						

5. Loss from Operating Activities

	Six months ended	
	30th June, 2006	30th June, 2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The Group's loss from operating activities is arrived at after charging/(crediting):		
Cost of film rights and license rights	9,410	3,497
Cost of self-produced and purchased programmes	11,611	9,396
Cost of services provided	32,326	35,135
Cost of inventories sold	5,629	5,324
Total cost of sales	<u>58,976</u>	53,352
Gain on disposal of properties held for sale	—	(1,284)
Write-back of provision for bad and doubtful debts	—	(2,608)
Provision for bad and doubtful debts	417	—
Depreciation	3,065	2,487
Amortisation of prepaid land lease payment*	644	510
Amortisation of film rights**	8,148	2,431
Foreign exchange gains	<u>(51)</u>	<u>(108)</u>

* This item is capitalised and included in property, plant and equipment.

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

6. Finance Costs

	Six months ended	
	30th June, 2006	30th June, 2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other borrowings wholly repayable within five years	4,510	5,617
Interest on loans from a director and a related company	—	711
Interest on finance leases	8	2
	<u>4,518</u>	<u>6,330</u>

7. Tax

No provision for Hong Kong profits tax has been made during the current period as there are no assessable profits generated during the current period. Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the period ended 30th June, 2005. 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, 2006	30th June, 2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for tax for the period:		
Hong Kong	—	780
Elsewhere	—	6
Total tax charge for the period	<u>—</u>	<u>786</u>

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share for the six months ended 30th June, 2006 is based on the net profit for the period attributable to ordinary equity holders of the parent of HK\$54,014,000 (six months ended 30th June, 2005: HK\$202,961,000), and the weighted average number of 783,884.885 (six months ended 30th June, 2005: 688,765,040) ordinary shares in issue throughout the period.

Diluted earnings per share amounts for the six months ended 30th June, 2006 and 2005 have not been shown as no diluting events existed during these periods.

9. Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2006 (six months ended 30th June, 2005: Nil)

10. Interests in Associates

The balance mainly includes the Group's interests in Lai Sun Development Company Limited ("LSD") and Media Asia Entertainment Group Limited.

Interest in LSD

A cross holding position has been existing between LSD and the Company since 7th December, 2004. As at 30th June, 2006, the Group's interest in LSD was 40.8% and the LSD Group held in aggregate 34.83% 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, 2006 was HK\$109,506,000 (six months ended 30th June, 2005: HK\$233,606,000).

11. Debtors and Deposits

Trading terms with customers are largely on credit. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade debtors as at 30th June, 2006 and 31st December, 2005 is as follows:

	30th June, 2006	31st December, 2005
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade debtors:		
Less than 30 days	6,913	10,122
31-60 days	3,858	4,134
61-90 days	1,534	1,560
Over 90 days	<u>2,905</u>	<u>2,071</u>
	<u>15,210</u>	<u>17,887</u>
Other receivables, prepayments and deposits	<u>76,849</u>	<u>60,662</u>
	<u>92,059</u>	<u>78,549</u>

The above aged analysis, stated net of provisions for doubtful debts, was prepared based on the dates when goods are delivered or the services are provided.

Included in trade debtors and other receivables are amounts due from the Group's associates of HK\$3,549,000 (31st December, 2005: HK\$480,000) and due from related companies of HK\$1,535,000 (31st December, 2005: HK\$2,788,000). These balances arose from the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable on similar credit terms to those offered to major customers of the Group.

12. Creditors and Accruals

An aged analysis of the trade creditors as at 30th June, 2006 and 31st December, 2005 is as follows:

	30th June, 2006	31st December, 2005
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade creditors:		
Less than 30 days	4,144	5,564
31-60 days	1,591	2,891
61-90 days	1,797	1,029
Over 90 days	<u>3,010</u>	<u>2,311</u>
	<u>10,542</u>	<u>11,795</u>
Others creditors and accruals	<u>29,814</u>	<u>96,808</u>
	<u>40,356</u>	<u>108,603</u>

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

At 31st December, 2005, included in other creditors and accruals was an amount of HK\$46,000,000 received from Lai Fung Holdings Limited ("LFH") as an 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 31st March, 2006, the Group and LFH entered into an agreement to terminate the memorandum of cooperation. The Group had refunded the earnest money of HK\$46,000,000 to LFH within seven business days from 31st March, 2006. No further claim or matter was outstanding under the memorandum of cooperation upon the full refund of the earnest money. Further details are set out in the Company's announcement dated 31st March, 2006.

The trade creditors and other creditors and accruals are non-interest-bearing and have an average credit term of three months.

13. Share Capital

	30th June, 2006		31st December, 2005	
	Number of shares (Unaudited)	Nominal value (Unaudited)	Number of shares (Audited)	Nominal value (Audited)
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	<u>2,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	<u>819,703</u>	<u>409,851</u>	<u>745,185</u>	<u>372,592</u>

Movements in the Company's issued share capital 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, 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 (a)	—	—	(4,734)	(4,734)
At 31st December, 2005 and 1st January, 2006 (Audited)	745,185	372,592	3,001,935	3,374,527
Issue of shares (b)	74,518	37,259	394,945	432,204
Share issue expenses (b)	—	—	(6,711)	(6,711)
At 30th June, 2006 (Unaudited)	<u>819,703</u>	<u>409,851</u>	<u>3,390,169</u>	<u>3,800,020</u>

(a) On 28th April, 2005, the Company entered into a subscription agreement with Asset Managers (China) Fund Co., Ltd. (the "Subscriber") pursuant to which the Company agreed to issue and allot 74 million new ordinary shares of the Company at a subscription price of HK\$2.10 per share. The subscription was completed on 19th May, 2005. Proceeds of approximately HK\$150 million, after deduction of share issue expenses of HK\$4.7 million, were brought in to the Group as its general working capital.

(b) Pursuant to a placing agreement entered into between the Company and the placing agents dated 15th March, 2006, a total of 74,518,000 ordinary shares of the Company were issued and allotted to not less than six institutional investors for cash at a subscription price of HK\$5.80 per share on 29th March, 2006 (the "Placement"). The net proceeds of the Placement of approximately HK\$425 million were used primarily to finance the Macau project and as general working capital of the Group.

14. 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, 2006 (Unaudited) HK\$'000	31st December, 2005 (Audited) HK\$'000
Guarantee given to LSD in connection with the disposal of an associate to LSD	<u>25,000</u>	<u>25,000</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (six months ended 30th June, 2005: 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, 2006 amounted to HK\$54,014,000 as compared to HK\$202,961,000 for the corresponding period in 2005.

Turnover for the half-year increased to HK\$63,668,000, representing an increase of approximately 6% when compared with turnover in the corresponding period of 2005. The main portion of this total turnover was derived from our media and entertainment businesses where revenues totalled HK\$41,862,000, up approximately 32% from HK\$31,793,000 in the corresponding period of 2005 with the increase largely due to higher film library license fee income.

The loss from operating activities for the period amounted to HK\$55,779,000 as compared to the loss of HK\$26,690,000 in the previous corresponding period. The increased loss was in line with expectations and was due principally to a sharp rise in administrative expenses mainly associated with the preliminary development of our project in Macau. The share of profits from associates, arising mainly from Lai Sun Development Company Limited ("LSD") and Media Asia Entertainment Group Limited ("MAEG"), at HK\$115,680,000 was lower than the HK\$239,285,000 recorded in the first half of 2005 due to much reduced gain from change in fair value of investment properties and absence of reversal of impairments at LSD.

On 15th March, 2006, the Company entered into a share placing agreement pursuant to which the Company issued 74,518,000 new shares of the Company at a placing price of HK\$5.80 per share. Following the issue of the new shares, the total number of issued shares in the capital of the Company increased to 819,702,929 shares. As a result, LSD, which held a 38.31% interest in the Company prior to the issue of new shares, had its interest in the Company diluted to 34.83%.

Macau Studio City (Cotai Project)

Through its wholly-owned subsidiary Cyber One Agents Limited ("Cyber One"), the Group owns the land-use rights of a site in Cotai, Macau. In April 2006, the Group entered into an agreement whereby the Group will initially dispose of 40% of the shares in issue of Cyber One to New Cotai LLC ("New Cotai"). Upon completion of this transaction, the Group and New Cotai will execute a joint venture agreement to develop the Macau Studio City project on the Cotai site. Details of this major transaction were sent to shareholders in a circular dated 30th May, 2006 and the transaction was subsequently approved by shareholders at a Special General Meeting held on 16th June, 2006. Completion of this transaction is expected shortly and planning for the development of the site is in progress.

Entertainment

During the period under review, the Group produced four concerts by popular local artistes and participated in eleven other concerts and entertainment events in joint-venture with other parties, which involved a total of 61 shows.

The music production and distribution arm of the entertainment division of the Group released eight albums during the period, including titles for Denise Ho, Jill, Michael Wong, concerts of Leon Lai, Cheung Brothers and the soundtrack of MAEG's award winning film *Isabella*.

Satellite Television

For its EAST-TV satellite television business, the Group maintained its focus on cost control and improving programme quality during the period under review.

The State Administration of Radio, Film and Television in China has granted a downlink license to EAST-TV. The Group plans to distribute its programmes to hotels, expatriate residential areas and other permitted audiences in China via satellite.

In Hong Kong, the homepass of NOW Broadband TV and HKBN Digital TV total approximately 700,000 as at June 2006. EAST-TV has captured approximately 11% and 9% of viewers on these two platforms respectively. There was steady growth of residential subscribers of EAST-TV on NOW Broadband TV throughout the first half of 2006. The number of subscribers of EAST-TV at the end of June 2006 was approximately 56% higher than at the end of June 2005.

The Group has focused on local production to create a library of original content for programme sales. The content mix in the first half of 2006 was 52% lifestyle content, 23% music programmes, 13% cooking programmes, and 12% topical feature programmes. In the first half of 2006 EAST, completed over 500 hours of local production, plus 390 hours of syndication programmes.

Film Production and Distribution

MAEG, in which the Group holds a 37.3% interest, reported a turnover of HK\$61,362,000 for the half-year ended 30th June, 2006 and a net profit attributable to equity holders of HK\$15,945,000.

During the first six months of 2006, MAEG released two small budget films, being *Two Become One* in March 2006 and *Isabella* in April 2006. Due to the limited number of film releases and with all three of its bigger budget productions (namely, *The Banquet*, *Confession of Pain and Exiled*), scheduled for release in the second half of 2006, total revenue from film production and distribution fell by 57% as compared to the corresponding period of 2005 when substantial revenue resulting from the major success of its big budget film *Initial D* was recorded.

The decrease in revenue resulted in a 70% decrease in gross profit. However there was a gain of HK\$29 million on disposal of available-for-sale investment so net profits rose by approximately 4%.

Lai Sun Development Company Limited

LSD continues to benefit from reversionary rental income and from the strength of the hotel sector in Hong Kong but much reduced investment property revaluation surplus and the absence of write-back of impairments has meant that the Company's share of profits and losses of associates, of which LSD is the most significant, was substantially lower in the period under review. Under current accounting standards, LSD's hotel properties are not revalued and depreciation is charged on the hotel properties.

Prospects

Macau Studio City (Cotai Project)

Our Macau Studio City joint venture with New Cotai will dramatically transform the Group's business, considering the financial scale of the project.

New Cotai brings to the project the financial expertise of Silver Point Capital L.P and the experience of Mr. David Friedman, a pioneer of the gaming industry in Las Vegas and Macau. Their strengths complement the entertainment and media expertise of the Group. The project company itself is financially strong because the site represents a very substantial equity base and in addition the joint venture partners have each agreed to provide its respective pro rata share of US\$100,000,000 as working capital/project financing. Each joint venture partner is subject to a future capital call of up to the same amount as may be required by Cyber One. The Group's financial commitment to the joint venture will be funded from internal resources which will be substantially boosted by the HK\$1,317,513,600 cash that it will receive as initial consideration for the sale of the Group's Cyber One shares, and any additional consideration it stands to receive under the agreement.

Our Macau Studio City project will contribute to and benefit from the development of Macau. Historically, Macau's casinos catered primarily to visitors mainly from Hong Kong and the Mainland. Recent developments support the Macau SAR's push to become a full-fledged international resort destination with pan-Asian flavour; indeed, we expect Macau will appeal to visitors from all over the world, and become a new integrated retail, convention, entertainment and gaming centre. We expect Cotai will be the heart of the new Macau, and within Cotai, our Macau Studio City project will stand as one of its icons.

Entertainment

For the second half of 2006, the Group will be producing eight concerts by popular local artistes and will also participate in the production of six other concerts and entertainment events, which will involve around 90 shows in total. The music production and distribution operation of the Group plans to release around ten albums by local singers in the second half of this year.

Satellite Television

With the downlink license of EAST-TV in the Mainland, the Group will focus on the distribution of its channel service in China and is exploring business opportunities there. EAST-TV is both a television channel service and a multimedia content provider. EAST-TV is negotiating to make its content available on a major U.S. IP video service network.

Film Production and Distribution

As mentioned above, MAEG has three bigger budget films currently scheduled for release in the second-half of this year. In addition, it will also be distributing in October 2006 *The Departed*, an English-language remake by Warner Brothers of its highly-successful *Infernal Affairs*. MAEG currently has three film projects in the pipeline for development in the first-half of 2007. It hopes to increase its yearly total investments in film production, subject to the availability of suitable scripts.

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

As at 30th June, 2006, cash and cash equivalents held by the Group amounted to HK\$436,007,000 of which over 90% were denominated in Hong Kong dollar currency.

As at 30th June, 2006, the unsecured other borrowings from an ex-shareholder of the Company with the principal amount of HK\$112,938,000 is interest-bearing at the HSBC prime rate per annum, and is not repayable within one year. The Group recorded an interest accruals of HK\$17,949,000 for the other borrowings as at 30th June, 2006. In addition, certain land and buildings of the Group with a carrying amount of HK\$65,324,000 were pledged to a bank to secure general banking facilities granted to the Group. As at 30th June, 2006, the general banking facilities were not utilized by the Group. Also, the Group has finance lease payables of HK\$29,000 fall due within one year, HK\$32,000 fall due within the second year and HK\$86,000 fall due within the third to fifth years, as at 30th June, 2006.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 5%. 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 Macau Studio City project at the Cotai site in Macau. As at 30th June, 2006, there is no capital commitment contracted for in respect of this project.

The Group believes that its cash holdings, together with the available banking facilities will be sufficient to fund its working capital requirements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2006, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

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 a deviation from 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 the bye-laws of the Company which provides that the directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring director shall be eligible for re-election.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 30th June, 2006 has been reviewed by the audit committee which comprises the three independent non-executive directors of the Company, namely Messrs. Alfred Donald Yap, Low Chee Keong and Tong Ka Wing, Carl.

By Order of the Board
Lien Jown Jing, Vincent
Chairman

Hong Kong, 22nd September, 2006

As at the date of this announcement, the executive directors of the Company are Mr Lien Jown Jing, Vincent, Mr Lee Po On, Mr Lam Kin Ngok, Peter, Mr Liu Ngai Wing and Mr Cheung Wing Sum, Ambrose; the non-executive directors are Mr Lam Kin Ming, Madam Tam Wai Chu, Maria and Madam U Po Chu and the independent non-executive directors are Mr Alfred Donald Yap, Mr Low Chee Keong and Mr Tong Ka Wing Carl.