



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

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, 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

		Six months ended	
		30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000
TURNOVER	3	93,840	63,668
Cost of sales		(76,638)	(58,976)
Gross profit		17,202	4,692
Other revenue	4	31,640	8,728
Marketing expenses		(15,338)	(10,206)
Administrative expenses		(93,160)	(63,142)
Other operating gains		3,224	6,045
Other operating expenses		(49,364)	(1,896)
Gain on disposal of partial interests in a subsidiary		499,969	—
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	394,173	(55,779)
Finance costs	6	(4,352)	(4,518)
Share of profits and losses of jointly-controlled entities		(9,049)	(1,369)
Share of profits and losses of associates		151,349	115,680
PROFIT BEFORE TAX		532,121	54,014
Tax	7	—	—
PROFIT FOR THE PERIOD		532,121	54,014
Attributable to:			
Equity holders of the parent		533,984	54,014
Minority interests		(1,863)	—
		532,121	54,014
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		HK65.11 cents	HK6.89 cents
Diluted		HK64.36 cents	N/A
INTERIM DIVIDEND PER SHARE	9	Nil	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

30th June, 2007

		30th June, 2007	31st December, 2006
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		90,407	77,310
Goodwill		34,609	—
Interests in jointly-controlled entities		648,886	654,534
Interests in associates	<i>10</i>	2,087,252	1,992,165
Available-for-sale investments		28,228	34,704
Film products		85,930	—
Film rights		144,571	133,745
Deposits	<i>11</i>	4,667	10,048
Deferred tax assets		434	—
		<hr/>	<hr/>
Total non-current assets		3,124,984	2,902,506
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		4,900	3,338
Equity investment at fair value through profit or loss		16,865	20
Film products		691	—
Film under production		29,053	—
Self-produced and purchased programmes		372	269
Loan receivable		40,689	128,151
Debtors and deposits	<i>11</i>	260,419	117,577
Due from a jointly-controlled entity		88,834	—
Cash and cash equivalents		1,463,263	861,454
		<hr/>	<hr/>
Total current assets		1,905,086	1,110,809
		<hr/>	<hr/>
CURRENT LIABILITIES			
Creditors and accruals	<i>12</i>	424,026	250,252
Tax payable		7,758	2,642
Finance lease payables		64	31
		<hr/>	<hr/>
Total current liabilities		431,848	252,925
		<hr/>	<hr/>
NET CURRENT ASSETS		1,473,238	857,884
		<hr/>	<hr/>

		30th June, 2007	31st December, 2006
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		4,598,222	3,760,390
NON-CURRENT LIABILITIES			
Deferred tax liabilities		(44)	—
Finance lease payables		(224)	(102)
Interest-bearing other borrowings		(139,739)	(135,399)
		<hr/>	<hr/>
Total non-current liabilities		(140,007)	(135,501)
		<hr/>	<hr/>
Net assets		4,458,215	3,624,889
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EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	<i>13</i>	410,783	409,851
Reserves		3,828,290	3,214,842
		<hr/>	<hr/>
		4,239,073	3,624,693
Minority interests		219,142	196
		<hr/>	<hr/>
Total equity		4,458,215	3,624,889
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						MINORITY	TOTAL	
	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	INTERESTS HK\$'000	EQUITY HK\$'000
At 1st January, 2007 (Audited)	409,851	3,390,169	891,289	11,495	46,141	(1,124,252)	3,624,693	196	3,624,889
Exchange realignment	—	—	—	—	—	496	496	—	496
Changes in fair value of available-for-sale investments	—	—	—	—	(11)	—	(11)	—	(11)
Derecognition of an available-for-sale investment	—	—	—	—	1,727	—	1,727	—	1,727
Total income and expense for the period recognised directly in equity	—	—	—	—	1,716	496	2,212	—	2,212
Profit for the period	—	—	—	—	—	533,984	533,984	(1,863)	532,121
Total income and expense for the period	—	—	—	—	1,716	534,480	536,196	(1,863)	534,333
Issue of shares on exercise of share options	932	7,168	—	(648)	—	—	7,452	—	7,452
Equity-settled share option arrangements	—	—	—	5,537	—	—	5,537	—	5,537
Share of reserve movements of associates	—	—	—	3,579	61,616	—	65,195	—	65,195
Release upon deemed disposal of an associate by an associate	—	—	—	—	(37)	37	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	3,912	3,912
Disposal of partial interests in a subsidiary	—	—	—	—	—	—	—	216,897	216,897
At 30th June, 2007 (Unaudited)	<u>410,783</u>	<u>3,397,337</u>	<u>891,289</u>	<u>19,963</u>	<u>109,436</u>	<u>(589,735)</u>	<u>4,239,073</u>	<u>219,142</u>	<u>4,458,215</u>

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						MINORITY	TOTAL	
	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	INTERESTS <i>HK\$'000</i>	EQUITY <i>HK\$'000</i>
At 1st January, 2006 (Audited)	372,592	3,001,935	891,289	—	53,453	(2,275,215)	2,044,054	196	2,044,250
Exchange realignment	—	—	—	—	—	600	600	—	600
Changes in fair value of available-for-sale investments	—	—	—	—	(2,720)	—	(2,720)	—	(2,720)
Total income and expense for the period recognised directly in equity	—	—	—	—	(2,720)	600	(2,120)	—	(2,120)
Profit for the period	—	—	—	—	—	54,014	54,014	—	54,014
Total income and expense for the period	—	—	—	—	(2,720)	54,614	51,894	—	51,894
Issue of shares	37,259	394,945	—	—	—	—	432,204	—	432,204
Share issue expenses	—	(6,711)	—	—	—	—	(6,711)	—	(6,711)
Equity-settled share option arrangements	—	—	—	4,089	—	—	4,089	—	4,089
Share of reserve movements of associates	—	—	—	677	(16,818)	—	(16,141)	—	(16,141)
At 30th June, 2006 (Unaudited)	<u>409,851</u>	<u>3,390,169</u>	<u>891,289</u>	<u>4,766</u>	<u>33,915</u>	<u>(2,220,601)</u>	<u>2,509,389</u>	<u>196</u>	<u>2,509,585</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30th June, 2007

1. Basis of Preparation

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.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. Accounting Policies

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 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are applicable to the Group and are adopted for the first time for the current period's unaudited condensed consolidated interim financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new and revised HKFRSs has had no material impact on the Group's results of operations or financial position.

3. 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		Cosmetics		Film production and distribution*		Corporate and others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000	30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000	30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000	30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000	30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000	30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000	30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000
Segment revenue:														
Sales to external customers	60,614	29,181	984	586	12,326	15,527	9,111	6,955	10,805	11,419	—	—	93,840	63,668
Other revenue	683	1,262	—	—	—	675	2	2	6	—	9	1,006	700	2,945
Total	61,297	30,443	984	586	12,326	16,202	9,113	6,957	10,811	11,419	9	1,006	94,540	66,613
Segment results	673	(1,344)	(16,621)	(15,997)	(1,048)	1,315	(3,158)	(3,225)	(15,868)	302	(102,708)	(42,613)	(138,730)	(61,562)
Unallocated interest and other gains													30,940	5,783
Gain on disposal of partial interests in a subsidiary											499,969	—	499,969	—
Gain on sale of equity investments at fair value through profit or loss											160	—	160	—
Gain on sale of an available-for-sale investment											1,834	—	1,834	—
Profit/(loss) from operating activities													394,173	(55,779)
Finance costs													(4,352)	(4,518)
Share of profits and losses of jointly-controlled entities	635	(1,369)									(9,684)	—	(9,049)	(1,369)
Share of profits and losses of associates									(5,299)	6,174	156,648	109,506	151,349	115,680
Profit before tax													532,121	54,014
Tax													—	—
Profit for the period													532,121	54,014

* During the period, the film production and distribution 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 film production and distribution business segment for the six months ended 30th June, 2006, which were previously included in the "Media and entertainment" segment, were separately disclosed as "Film production and distribution" segment to conform to the current period's presentation.

(b) *Geographical segments:*

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

	Hong Kong		Mainland China (including Macau)		Other area		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30th June, 2007	30th June, 2006	30th June, 2007	30th June, 2006	30th June, 2007	30th June, 2006	30th June, 2007	30th June, 2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>72,791</u>	<u>47,171</u>	<u>19,870</u>	<u>16,497</u>	<u>1,179</u>	<u>—</u>	<u>93,840</u>	<u>63,668</u>

4. **Other Revenue**

	Six months ended	
	30th June, 2007	30th June, 2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	30,940	5,783
Realised gains on equity investment at fair value through profit or loss	—	997
Others	700	1,948
	<u>31,640</u>	<u>8,728</u>

5. Profit/(Loss) from Operating Activities

	<i>Note</i>	Six months ended	
		30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000
The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):			
Cost of film products		1,942	—
Cost of film rights and license rights		5,810	9,410
Cost of self-produced and purchased programmes		9,451	11,611
Cost of services provided		54,391	32,326
Cost of inventories sold		5,044	5,629
		<hr/>	<hr/>
Total cost of sales		76,638	58,976
		<hr/>	<hr/>
Write-back of provision for bad and doubtful debts		(124)	—
Provision for bad and doubtful debts		—	417
Depreciation		4,402	3,065
Amortisation of prepaid land lease payment*		—	644
Amortisation of film rights**		5,307	8,148
Foreign exchange gains		(1,840)	(51)
Provision for indemnity	14	25,000	—
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* 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, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000
Interest on bank and other borrowings wholly repayable within five years	4,346	4,510
Interest on finance leases	6	8
	<hr/>	<hr/>
	4,352	4,518
	<hr/> <hr/>	<hr/> <hr/>

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 (six months ended 30th June, 2006: Nil).

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

The calculation of basic earnings per share amount for the six months ended 30th June, 2007 is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$533,984,000 (six months ended 30th June, 2006: HK\$54,014,000), and the weighted average number of 820,176,389 (six months ended 30th June, 2006: 783,884,885) ordinary shares in issue during the period.

The calculation of diluted earnings per share amount for the period ended 30th June, 2007 is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$533,984,000 and the weighted average number of 829,738,125 ordinary shares in issue during the period, adjusted for the effects of all dilutive potential ordinary shares.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 820,176,389 ordinary shares in issue during the period plus the weighted average of 9,561,736 ordinary shares deemed to be issued at no consideration as if all of the Company's outstanding share options have been considered.

Diluted earnings per share amount for the period ended 30th June, 2006 has not been shown as no diluting events existed during the prior period.

9. Interim Dividend

In view of the possible commitments relating to the Macao Studio City Project, the Directors consider that it will be in the best interests of the Company to preserve cash resources for the time being. The Directors, therefore, do not recommend the payment of an interim dividend for the period under review (six months ended 30th June, 2006: Nil)

10. Interests in Associates

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

Interests in LSD

A cross holding position has been existing between LSD and the Company since 7th December, 2004. As at 30th June, 2007, the Group's interest in LSD was 36.72% and the LSD Group held in aggregate 34.75% 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, 2007 was HK\$156,648,000 (six months ended 30th June, 2006: HK\$109,506,000).

11. 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. 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, 2007 and 31st December, 2006 is as follows:

	30th June, 2007 (Unaudited) HK\$'000	31st December, 2006 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	29,468	13,787
31-60 days	7,676	7,022
61-90 days	2,236	2,806
Over 90 days	6,105	3,367
	<hr/>	<hr/>
	45,485	26,982
Other receivables, prepayments and deposits	219,601	100,643
	<hr/>	<hr/>
	265,086	127,625
Portion classified as current portion	(260,419)	(117,577)
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Non-current portion	4,667	10,048
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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 related companies of HK\$670,000 (31st December, 2006: HK\$929,000). At 31st December, 2006, included in trade debtors and other receivables were amounts due from the Group's associates of HK\$3,631,000. 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, 2007 and 31st December, 2006 is as follows:

	30th June, 2007 (Unaudited) HK\$'000	31st December, 2006 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	1,133	4,753
31-60 days	1,068	2,005
61-90 days	1,848	1,584
Over 90 days	3,963	2,620
	8,012	10,962
Other creditors and accruals	416,014	239,290
	424,026	250,252

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

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, 2007		31st December, 2006	
	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	821,566	410,783	819,703	409,851

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, 2006 (Audited)	745,185	372,592	3,001,935	3,374,527
Issue of shares (a)	74,518	37,259	394,945	432,204
Share issue expenses (a)	—	—	(6,711)	(6,711)
At 31st December, 2006 and 1st January, 2007 (Audited)	819,703	409,851	3,390,169	3,800,020
Issue of shares on exercise of share options (b)	1,863	932	7,168	8,100
At 30th June, 2007 (Unaudited)	<u>821,566</u>	<u>410,783</u>	<u>3,397,337</u>	<u>3,808,120</u>

- (a) On 15th March, 2006, the Company entered into a placing agreement with placing agents pursuant to which a total of 74,518,000 new 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 (the "Placement"). The Placement was completed on 29th March, 2006. Proceeds of approximately HK\$425 million, after deduction of share issue expenses of HK\$6.7 million, were used to finance the development project in Macau and as general working capital of the Group.
- (b) During the period, share options granted under a share option scheme (the "Share Option Scheme") were exercised to subscribe for 1,862,962 ordinary shares of HK\$0.50 each at a subscription price of HK\$4.00 per share. Total cash consideration of approximately HK\$7,452,000 was received.

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, 2007 (Unaudited) HK\$'000	31st December, 2006 (Audited) HK\$'000
Guarantee given to LSD in connection with the disposal of an associate to LSD	—	25,000

In connection with a reorganisation agreement between LSD and the Company in June 2000, the Group disposed of its 45% interest in Guangzhou International Golf Club Ltd. ("GIGC") to LSD. GIGC owns and operates a golf club in Xiancun, Zhencheng, Guangdong Province, the People's Republic of China.

GIGC has not obtained valid land use rights for a total area of 1,430 mu (approximately 953,340 square metres) of the land (the “Golf Club Land”) on which the golf club is situated, which showed unencumbered ownership over such Golf Club Land upon completion of the transaction. As a result, the Group entered into a Deed of Undertaking and Indemnity with LSD on 30th June, 2000.

The Group has undertaken to indemnify LSD or any of its subsidiaries against all losses and charges suffered or sustained, directly or indirectly, in connection with GIGC not having obtained the land use rights certificates, and all other relevant documents of the Golf Club Land on which the golf club is situated or not showing unencumbered ownership over the Golf Club Land. The aggregate liability of the Group under the indemnity created is limited to a maximum of HK\$25,000,000.

As at the date of this report, the land use rights referred to the above has not been obtained by GIGC. The Directors considered it appropriate to make full provision for the indemnity amount of HK\$25,000,000 in the financial statements for the six months ended 30th June, 2007. The provision has been included in other operating expenses in the unaudited condensed consolidated interim financial statements.

15. Comparative Amounts

As further explained in note 3 to the unaudited condensed consolidated interim financial statements, the film production and distribution business of the Group constituted a reportable business segment in accordance with HKAS 14 during the period. Accordingly, the comparative amounts for the film production and distribution business segment for the six months ended 30th June, 2006, which were previously included in the “Media and entertainment” segment, were separately reclassified and disclosed as “Film production and distribution” segment to conform to the current period’s presentation.

INTERIM DIVIDEND

In view of the possible commitments relating to the Macao Studio City Project, the Directors consider that it will be in the best interests of the Company to preserve cash resources for the time being. The Directors, therefore, do not recommend the payment of an interim dividend for the period under review (six months ended 30th June, 2006: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF INTERIM RESULTS

For the six months ended 30th June, 2007, the Group recorded a turnover of HK\$93,840,000 (2006: HK\$63,668,000), representing an increase of approximately 47.4% from the corresponding period in 2006. The increase was largely due to higher entertainment event income.

For the six months ended 30th June, 2007, the Group recorded a profit from operating activities of HK\$394,173,000 versus a loss from operating activities of HK\$55,779,000 in the previous corresponding period in 2006. The substantial turnaround in profit from operating activities was mainly due to a gain on sale of a 20% effective interest in the Macao Studio City project to CapitaLand Integrated Resorts Pte. Limited (“CapitaLand Integrated Resorts”). Administrative expenses were up by approximately 47.5% to HK\$93,160,000. Such increase was related to the increase in headcount of executives and staff to overlook the various business operations of the Group and the joint venture for the development of the Macao Studio City project, as well as the administrative expenses related to Media Asia Entertainment Group Limited (“MAEG”).

For the six months ended 30th June, 2007, the Group achieved a consolidated profit attributable to equity holders of the parent of HK\$533,984,000 (2006: HK\$54,014,000) which comprised a profit from operating activities of HK\$394,173,000 and a share of profit of associates amounting to HK\$151,349,000.

Share of profits and losses of associates was HK\$151,349,000 (2006: HK\$115,680,000), up approximately 30.8%. Lai Sun Development Company Limited (“LSD”) contributed to the Group a share of profit of associates of HK\$156,648,000 (2006: HK\$109,506,000), up approximately 43% due to continued benefit from reversionary rental income, increase in average daily room rate of LSD’s hotel operations, the investment property revaluation surplus and its share of the results of the Group as a result of the cross-holding between LSD and the Company. From 1st January, 2007 until MAEG became a subsidiary of the Group following closing of the voluntary cash offer on 11th June, 2007, MAEG accounted for a share of loss of associates of HK\$5,292,000 (2006: a share of profit of associates of HK\$6,114,000).

Shareholders’ equity as at 30th June, 2007 amounted to HK\$4,239,073,000, up from HK\$3,624,693,000 as at 31st December, 2006. Net asset value per share as at 30th June, 2007 was HK\$5.16, as compared to HK\$4.42 as at 31st December, 2006.

BUSINESS REVIEW

Macao Studio City

The Macao Studio City project will be developed on a strategically located site, next to the new Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai's Hengqin Island. The architectural plan of Macao Studio City is designed by visionary Las Vegas-based design expert Mr. Paul Steelman.

Macao Studio City will be Asia's first leisure resort property combining working TV/film studios, theatre/concert venues, Studio Retail™ (a destination retail complex), Las-Vegas style gaming facilities and world-class hotels.

Joint venture arrangements

The Group has completed the joint venture arrangements for the development of the Macao Studio City project.

In December 2006, the Group completed the sale of a 40% interest in Cyber One Agents Limited ("Cyber One"), the investment holding company of Macao Studio City, to our US joint venture partner New Cotai, LLC ("New Cotai"). New Cotai is a consortium of US-based investors including Mr. David Friedman (a veteran resort and gaming developer), Silver Point Capital, L.P., and Oaktree Capital Management, LLC. In March 2007, the Group completed the sale of 33.3% of East Asia Satellite Television (Holdings) Limited ("East Asia"), the holding company of a 60% interest in Cyber One, to CapitaLand Integrated Resorts. CapitaLand Integrated Resorts is a wholly-owned subsidiary of CapitaLand Limited ("CapitaLand Group"), one of the largest listed real estate companies in Asia. Following completion of the sale to New Cotai and the CapitaLand Group, the Group retains a 40% effective interest in the Macao Studio City Project.

The consideration of the sale of interests in Macao Studio City to both New Cotai and CapitaLand Group was based on HK\$900 per square foot of GFA approved. Following completion of the sale of interests in Macao Studio City project, the Group received the initial sale consideration of HK\$1,317,513,600 and HK\$658,756,800 respectively from New Cotai in December 2006 and CapitaLand Group in March 2007, based on the currently approved GFA of 3,659,760 square feet for Phase I of the project.

In April 2007, the Group submitted building plans of Phase II for approval by the Macau government. Once additional GFAs on Phase II are approved by the Macau government, the Group will receive further sale considerations from New Cotai and the CapitaLand Group.

Component partnerships

In January 2007, Macao Studio City entered into a memorandum of understanding with Taubman Asia Management Limited ("Taubman Asia"), pursuant to which Taubman Asia will be the retail component partner of Macao Studio City. Taubman Asia is a subsidiary of Taubman Centers, Inc. ("Taubman"), a global leader of the shopping center industry. Macao Studio City is close to reaching a definitive agreement with Taubman Asia in respect of the retail partnership.

In the first half of 2007, Macao Studio City executed a number of hotel management agreements for Phase I of the development. Under these agreements, Macao Studio City will build a Ritz-Carlton Hotel (256 rooms), a Marriot Hotel (965 rooms), a W Hotel (563 rooms) and a Tang Hotel (118 rooms, the new super-luxury boutique hotel designed by Mr. David Tang— founder of the China Clubs and Shanghai Tang) in Phase I.

The Group believes that with the track record and international experience of the joint venture partners and component partners, Macao Studio City will provide visitors with a new and unique experience on its world-class leisure resort facilities.

Project progress

The ground breaking ceremony of Macao Studio City project was held in January 2007. Foundation work for Phase I started in April 2007.

Media and Entertainment

Film Production and Distribution — Media Asia Entertainment Group Limited (“MAEG”)

Following the closing of the voluntary cash offer on 11th June 2007, the Group held a 98.44% interest in MAEG. The financial results of MAEG had since then been consolidated into the Group. In August 2007, the Group completed the privatization and delisting of MAEG in Singapore Exchange and MAEG became a wholly-owned subsidiary of the Group.

After completion of the privatization, the Group would be able to enjoy greater autonomy over MAEG’s business direction and exercise better control over deployment and utilization of resources. The increase in the Group’s interest in MAEG will enhance the Group’s media and entertainment business portfolio and promote synergies with other business units of the Group including artiste management and the upcoming Macao Studio City development.

MAEG released one film — *Hooked On You* in the first half of 2007, while most of other films are scheduled for release in the second half of 2007.

During 2007, MAEG’s films released in 2006 continued to receive industry recognitions in local and international film festivals. *The Banquet* won the Best Supporting Actress at The 26th Hong Kong Film Awards, and the Best Supporting Actress, the Best Art Direction and the Best Original Theme Song at The 12th Golden Bauhinia Awards. *Confession of Pain* won the Best Cinematography and the Best Sound Effect at The 12th Golden Bauhinia Awards and the Best Cinematography at The 26th Hong Kong Film Awards. *Exiled* won the Best Picture, the Best Director and the Top Ten Film of the Year at The 12th Golden Bauhinia Awards.

Live Entertainment

For the six months ended 30th June, 2007, the Group's live entertainment division produced 6 concerts and entertainment events by popular local and Asian artistes including Sammi Cheng, Denise Ho, Ayumi Hamasaki, Tsai Chin and Cheung Wai Man. The Group also participated in 7 others concerts and entertainment events in joint venture with other promoters. In total, these concerts and events involved 71 shows.

Music Production and Distribution

For the six months ended 30th June, 2007, the Group's music production and distribution divisions released 15 albums during the period, including titles *This Is Mi* by Sammi Cheng, *We Stand As One and Live In Unity 2006 演唱會* by Denise Ho, *4 In Love* by Leon Lai, *讓我再次介紹我自己* by Edison Chen, *一期一會* and *東亞萬歲*.

Satellite Television

During the six months ended 30th June, 2007, the Group's satellite television division produced approximately 460 hours of local production, plus 280 hours of syndication programmes.

Lai Sun Development Company Limited

For the six months ended 30th June, 2007, LSD continued to benefit from reversionary rental income, increase in average daily room rate of its hotel operations, the investment properties revaluation surplus and its share of the results of the Group as a result of the cross-holding between LSD and the Company.

PROSPECTS

Overall

Our Macao Studio City project will dramatically transform the Group's business. Given its mega-scale and its unique positioning in Macau - a new integrated leisure, entertainment, convention and retail centre in Asia, we expect Macao Studio City will stand as the major entertainment destination for visitors from Greater China and other parts of the world. It will become an important platform for the Group to expand and monetarize its entertainment and media expertise. Upon its completion, the Group will become an operator of integrated leisure and entertainment venues as well as a provider of media and entertainment contents and services.

Macao Studio City

The joint venture shareholders and component partners provide the project with world-class expertise in different areas. The Group, being an Asian Chinese-language media and entertainment content powerhouse which owns a comprehensive array of entertainment, talent management to music labels, offers various contents and service expertise to the project. New Cotai brings the experience of Mr. David Friedman, a pioneer of the gaming industry in Las Vegas and Macau, and the financial expertise of Silver Point Capital L.P and Oaktree Capital Management, LLC. CapitaLand Group brings to the project its world-wide real estate, hospitality and real estate financial services expertise. Taubman brings the experience of developing and managing high-end shopping malls within integrated casino properties. Ritz-Carlton, Marriot, W Hotel and Tang Hotel offer a variety of hotel brands serving different segments of visitors.

The Macao Studio City joint venture is continuing its discussions with the bankers on arranging financing for development of Phase I of the project. The Group currently expects that construction for super-structure work of Phase I will commence in the 4th quarter of 2007. Formal opening of Phase I is expected to be in first half of 2009.

Media and entertainment

Film production and distribution

For the second half of 2007, MAEG plans to release four films – *Triangle*, *Wedding Trap*, *The Warlords and Assembly*. Among these films, *The Warlords* is a mega-budget film of MAEG directed by Peter Chan and featuring Asia' top actors – Jet Li, Andy Lau and Takeshi Kaneshiro.

Entertainment and music production

For the second half of 2007, the live entertainment division of the Group has already scheduled its own production of 4 concerts and entertainment events by popular local artistes and participation in the other promoters production of 4 other concerts, already involving around 68 shows in total.

The music production and distribution division of the Group plans to release albums which are comparable to the year 2006 by local singers, including those from Denise Ho, Janice, Michael Wong, Andy Hui, and Miriam Yeung.

Lai Sun Development Company Limited

In July 2007, LSD completed the disposal of its 50% interest in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong. LSD has received its share of the sale proceeds of approximately HK\$600 million, after repayment of the bank loan secured by the subject property.

Since early 2007, LSD has been preparing for the redevelopment of The Ritz-Carlton Hong Kong site into prime office premises. After a number of acquisition of shares, LSD now holds about 74.57% effective interest in The Ritz-Carlton Hong Kong. The Hotel will cease operations at the end of 2007 and redevelopment will commence in early 2008. The redevelopment is expected to enhance asset value as well as rental yield on this prime property.

In August 2007, LSD completed the acquisition of a site situated at Nos. 20, 22, 24, 26 and 28 Tai Po Road, Kowloon, Hong Kong for a consideration of HK\$303 million. LSD intends to develop this site into a residential-cum-commercial property with a gross floor area of over 60,000 square feet.

Through the disposal of its interest in Majestic Hotel and the redevelopment of The Ritz-Carlton Hong Kong, LSD has realized most of its hotel assets. In future, LSD will continue to improve its tenant mix in its investment properties so as to strengthen its rental income base, and will also increase its investment in development properties.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENTS

As at 30th June, 2007, cash and cash equivalents held by the Group amounted to HK\$1,463,263,000 of which over 90% were denominated in Hong Kong dollar currency.

As at 30th June, 2007, the unsecured other borrowings from a former 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 interest accruals of HK\$26,801,000 for the other borrowings as at 30th June, 2007. In addition, certain land and buildings of the Group with a carrying amount of HK\$63,389,000 were pledged to a bank to secure general banking facilities granted to the Group. As at 30th June, 2007, the general banking facilities were not utilized by the Group. Also, the Group has finance lease payables of HK\$64,000 falling due within one year, HK\$66,000 falling due within the second year and HK\$158,000 falling due within the third to fifth years, as at 30th June, 2007.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 3% as at 30th June, 2007. 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.

The Group believes that its cash holdings and 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, 2007, 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 contained in Appendix 14 of the Rules Governing the Listing of Securities ("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, 2007 has been reviewed by the Audit Committee of the Company. The committee 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, 14th September, 2007

As at the date of this announcement, the executive directors of the Company are Ms. Leung Churk Yin, Jeanny, Mr. Lam Kin Ngok, Peter, Mr. Liu Ngai Wing, Mr. Cheung Wing Sum, Ambrose and Mr. Low Kit Leong; the non-executive directors are Mr. Lien Jown Jing, Vincent, 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.