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**eSun Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*  
 (Stock Code: 571)

**ANNOUNCEMENT OF INTERIM RESULTS  
 FOR THE SIX MONTHS ENDED 30 JUNE 2009**

**RESULTS**

The Board of Directors of eSun Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2009*

		<b>Six months ended</b>	
		<b>30 June 2009</b>	30 June 2008
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>CONTINUING OPERATIONS</b>			
TURNOVER	3	<b>166,984</b>	123,579
Cost of sales		<b>(111,167)</b>	(99,019)
Gross profit		<b>55,817</b>	24,560
Other revenue	4	<b>8,707</b>	13,241
Marketing expenses		<b>(59,462)</b>	(13,518)
Administrative expenses		<b>(115,771)</b>	(99,751)
Other operating gains		<b>8,596</b>	500
Other operating expenses		<b>(25,607)</b>	(26,109)
LOSS FROM OPERATING ACTIVITIES	5	<b>(127,720)</b>	(101,077)
Finance costs	6	<b>(3,316)</b>	(3,673)
Share of profits and losses of jointly-controlled entities		<b>(15,641)</b>	(78,243)
Share of profits and losses of associates		<b>39,664</b>	82,215

		<b>Six months ended</b>	
		<b>30 June</b>	30 June
		<b>2009</b>	2008
		<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>		<b>HK\$'000</b>	HK\$'000
	LOSS BEFORE TAX	<b>(107,013)</b>	(100,778)
	Tax	<u>(331)</u>	<u>412</u>
	LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS	<b>(107,344)</b>	(100,366)
	<b>DISCONTINUED OPERATION</b>		
	Loss for the period from a discontinued operation	<u>—</u>	<u>(1,394)</u>
	<b>LOSS FOR THE PERIOD</b>	<b><u>(107,344)</u></b>	<b><u>(101,760)</u></b>
	Attributable to:		
	Equity holders of the parent	<b>(100,760)</b>	(87,832)
	Minority interests	<u>(6,584)</u>	<u>(13,928)</u>
		<b><u>(107,344)</u></b>	<b><u>(101,760)</u></b>
	<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
	Basic		
	— For loss for the period	<b><u>(HK8.12 cents)</u></b>	<b><u>(HK9.33 cents)</u></b>
	— For loss from continuing operations	<b><u>(HK8.12 cents)</u></b>	<b><u>(HK9.18 cents)</u></b>
	Diluted		
	— For loss for the period	<u>N/A</u>	<u>N/A</u>
	— For loss from continuing operations	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(107,344)</b>	<b>(101,760)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Exchange realignment	(271)	4,788
Share of reserve movements of associates	<u>6,722</u>	<u>21,088</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<u><b>6,451</b></u>	<u><b>25,876</b></u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u><b>(100,893)</b></u>	<u><b>(75,884)</b></u>
Attributable to:		
Equity holders of the parent	(94,309)	(61,956)
Minority interests	<u>(6,584)</u>	<u>(13,928)</u>
	<u><b>(100,893)</b></u>	<u><b>(75,884)</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2009

		<b>30 June</b>	31 December
		<b>2009</b>	2008
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>74,537</b>	77,206
Goodwill		<b>35,202</b>	35,202
Film rights		<b>109,511</b>	110,934
Film products		<b>68,362</b>	60,430
Music catalogs		<b>117,551</b>	108,556
Interests in jointly-controlled entities		<b>1,067,400</b>	1,076,802
Interests in associates	<i>10</i>	<b>2,604,492</b>	2,557,469
Available-for-sale investments		<b>65,006</b>	65,006
Loan receivables		—	63,445
Deposits, prepayments and other receivables		<b>109,768</b>	110,369
Deferred tax assets		<b>422</b>	753
		<hr/>	<hr/>
Total non-current assets		<b>4,252,251</b>	4,266,172
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Due from a jointly-controlled entity		<b>3,111</b>	3,608
Loan receivables		<b>78,045</b>	17,000
Inventories		<b>5,021</b>	4,693
Equity investments at fair value through profit or loss		<b>16,110</b>	9,592
Held-to-maturity debt investments		<b>179,740</b>	—
Films under production		<b>73,141</b>	93,714
Debtors	<i>11</i>	<b>77,167</b>	64,447
Deposits, prepayments and other receivables		<b>107,212</b>	158,446
Cash and cash equivalents		<b>1,391,785</b>	1,652,980
		<hr/>	<hr/>
Total current assets		<b>1,931,332</b>	2,004,480
		<hr/>	<hr/>

		<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	12	407,025	398,834
Tax payable		3,208	3,199
Finance lease payables		108	92
Promissory notes		20,000	20,000
Interest-bearing other borrowings		152,819	—
		<hr/>	<hr/>
Total current liabilities		583,160	422,125
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>			
		1,348,172	1,582,355
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		5,600,423	5,848,527
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Finance lease payables		(267)	(218)
Promissory notes		(31,789)	(31,269)
Interest-bearing other borrowings		—	(150,027)
		<hr/>	<hr/>
Total non-current liabilities		(32,056)	(181,514)
		<hr/>	<hr/>
Net assets		5,568,367	5,667,013
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	13	620,366	620,366
Reserves		4,608,900	4,700,865
		<hr/>	<hr/>
		5,229,266	5,321,231
<b>Minority interests</b>		339,101	345,782
		<hr/>	<hr/>
Total equity		5,568,367	5,667,013
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2009 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. SIGNIFICANT ACCOUNTING POLICIES

The significant 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 Group's annual financial statements for the year ended 31 December 2008. During the period, the Group purchased certain held-to-maturity debt investments, accordingly accounting policies for such held-to-maturity debt investments are adopted in these unaudited condensed consolidated interim financial statements which are described in 2.1 below.

In addition, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations), which are applicable to the Group for the first time for the current period's unaudited condensed consolidated interim financial statements, details of which are described in 2.2 below.

#### 2.1 Accounting policies for held-to-maturity debt investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long term financial investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

## 2.2 Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs, applicable to the Group, for the first time for the current period's unaudited condensed consolidated interim financial statements:

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009

The adoption of the new and revised HKFRSs, except for HKAS 1 (Revised) and HKFRS 8 as described below, has had no material impact on the reported results or financial position of the Group.

### **HKAS 1 (Revised) Presentation of Financial Statements**

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, this standard introduces the consolidated statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

### **HKFRS 8 Operating Segments**

HKFRS 8, which replaces HKAS 14 “Segment Reporting”, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of this standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain changes in the presentation and disclosure of financial statements.

### 3. SEGMENT INFORMATION

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

	Continuing operations								Discontinued operation		Consolidated	
	Media and entertainment		Film production and distribution		Corporate and others		Total		Satellite television		Six months ended	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:												
Sales to external customers	53,707	65,705	98,078	41,551	15,199	16,323	166,984	123,579	—	53	166,984	123,632
Other revenue	2,218	2,897	1,353	421	781	68	4,352	3,386	—	22	4,352	3,408
Total	55,925	68,602	99,431	41,972	15,980	16,391	171,336	126,965	—	75	171,336	127,040
Segment results	(17,955)	(21,264)	(19,049)	(2,129)	(103,667)	(86,607)	(140,671)	(110,000)	—	(1,394)	(140,671)	(111,394)
Unallocated interest and other gains							6,433	9,855	—	—	6,433	9,855
Gain on sale of equity investments at fair value through profit or loss	—	—	—	—	—	12	—	12	—	—	—	12
Fair value gains/(losses) on equity investments at fair value through profit or loss	—	—	—	—	6,518	(944)	6,518	(944)	—	—	6,518	(944)
Loss from operating activities							(127,720)	(101,077)	—	(1,394)	(127,720)	(102,471)
Finance costs							(3,316)	(3,673)	—	—	(3,316)	(3,673)
Share of profits and losses of jointly-controlled entities	712	(2,338)	2,759	(34,593)	(19,112)	(41,312)	(15,641)	(78,243)	—	—	(15,641)	(78,243)
Share of profits and losses of associates	(7)	(5)	—	—	39,671	82,220	39,664	82,215	—	—	39,664	82,215
Loss before tax							(107,013)	(100,778)	—	(1,394)	(107,013)	(102,172)
Tax							(331)	412	—	—	(331)	412
Loss for the period							(107,344)	(100,366)	—	(1,394)	(107,344)	(101,760)



The following table presents the total assets for the Group's reportable segments.

	Continuing operations								Discontinued operation		Consolidated	
	Media and entertainment		Film production and distribution		Corporate and others		Total		Satellite television		30 June 2009	31 December 2008
	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Segment assets	261,482	246,424	537,571	583,315	1,448,159	1,723,400	2,247,212	2,553,139	—	3,034	2,247,212	2,556,173
Interests in jointly-controlled entities	7,629	(1,912)	42,868	42,733	1,020,014	1,039,589	1,070,511	1,080,410	—	—	1,070,511	1,080,410
Interests in associates	114	121	—	—	2,604,378	2,557,348	2,604,492	2,557,469	—	—	2,604,492	2,557,469
Unallocated assets	—	—	—	—	—	—	261,368	76,600	—	—	261,368	76,600
Total assets	<u>269,225</u>	<u>244,633</u>	<u>580,439</u>	<u>626,048</u>	<u>5,072,551</u>	<u>5,320,337</u>	<u>6,183,583</u>	<u>6,267,618</u>	<u>—</u>	<u>3,034</u>	<u>6,183,583</u>	<u>6,270,652</u>

Note: The advertising agency business and the cosmetics business of the Group have no longer constituted reportable segments of the Group in accordance with the requirements of HKFRS 8 (for the six months ended 30 June 2009) or HKAS 14 (for the period prior to the adoption of HKFRS 8). Accordingly, the financial information of these two businesses are included in 'Corporate and others' segment for the purpose of presentation of segment information in these unaudited condensed consolidated interim financial statements. Comparative figures of these two businesses as shown in these unaudited condensed consolidated interim financial statements have been reclassified to conform with the current period's presentation.

#### 4. OTHER REVENUE

	Six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Bank interest income	1,804	8,809
Interest income on a loan receivable	3,600	873
Interest income on held-to-maturity debt investments	1,029	—
Others	2,274	3,559
	<hr/>	<hr/>
Attributable to continuing operations	8,707	13,241
Attributable to a discontinued operation		
— Others	—	22
	<hr/>	<hr/>
	<b>8,707</b>	<b>13,263</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 5. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Cost of film rights, license rights and films products	51,995	22,469
Cost of artiste management services, advertising agency services, and services for entertainment events provided	51,454	66,751
Cost of inventories sold	7,718	9,799
	<hr/>	<hr/>
Total cost of sales	111,167	99,019
	<hr/>	<hr/>
Provision for advances to artistes*	336	15,000
Write-back of provision for bad and doubtful debts	—	(38)
Depreciation	3,917	3,540
Amortisation of film rights*	2,606	11,203
Amortisation of film products*	45,855	9,568
Amortisation of music catalogs*	2,205	673
Impairment of goodwill**	—	880
Reversal for impairment of items of property, plant and equipment <sup>@</sup>	—	(1,257)
Fair value gains on equity investments at fair value through profit or loss***	(6,518)	—
Fair value losses on equity investments at fair value through profit or loss**	—	944
Foreign exchange gains	(227)	(538)
	<hr/> <hr/>	<hr/> <hr/>

- \* These items are included in “Cost of sales” on the face of the unaudited condensed consolidated income statement.
- \*\* These items are included in “Other operating expenses” on the face of the unaudited condensed consolidated income statement.
- \*\*\* This item is included in “Other operating gains” on the face of the unaudited condensed consolidated income statement.
- @ The disclosure presented in this note included the amount credited in respect of the discontinued operation, further details of which are set out in note 8.

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 June 2009 (Unaudited) HK\$'000</b>	<b>30 June 2008 (Unaudited) HK\$'000</b>
Attributable to continuing operations:		
Interest on other borrowings wholly repayable within five years	2,792	3,148
Interest on promissory notes	520	522
Interest on finance leases	4	3
	<u>3,316</u>	<u>3,673</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 (six months ended 30 June 2008: nil).

	<b>Six months ended</b>	
	<b>30 June 2009 (Unaudited) HK\$'000</b>	<b>30 June 2008 (Unaudited) HK\$'000</b>
Attributable to continuing operations:		
Prior period's over/(under) provision:		
Hong Kong	—	75
Overseas	—	(26)
	<u>—</u>	<u>49</u>
Deferred tax credit/(charge)	(331)	363
	<u>(331)</u>	<u>412</u>

## 8. DISCONTINUED OPERATION

During the year ended 31 December 2007, the Group ceased the satellite television business in order to align the Group's business strategy and to focus resources on the continuing businesses.

The results of the satellite television business for both periods are presented below:

	Six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Turnover	—	53
Other revenue	—	22
Cost of sales	—	(634)
Reversal of impairment of items of property, plant and equipment	—	1,257
Other expenses	—	(2,092)
	<hr/>	<hr/>
Loss before tax from the discontinued operation	—	(1,394)
Tax	—	—
	<hr/>	<hr/>
Loss for the period from the discontinued operation	<u>—</u>	<u>(1,394)</u>

The net cash flows incurred by the discontinued operation for both periods are as follows:

	Six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Operating activities	—	(3,641)
Investing activities	—	1,257
Financing activities	—	4,444
	<hr/>	<hr/>
Net cash inflow	<u>—</u>	<u>2,060</u>
Loss per share:		
Basic, from the discontinued operation	<u>—</u>	<u>HK0.15 cents</u>
Diluted, from the discontinued operation	<u>N/A</u>	<u>N/A</u>

The calculation of basic loss per share from the discontinued operation is based on:

	<b>Six months ended</b>	
	<b>30 June 2009 (Unaudited)</b>	<b>30 June 2008 (Unaudited)</b>
Loss attributable to ordinary equity holders of the parent from the discontinued operation	—	HK\$1,394,000
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<b><u>1,240,732,165</u></b>	<b><u>941,451,206</u></b>

Diluted loss per share amount for the six months ended 30 June 2008 from the discontinued operation had not been disclosed as no diluting events existed during that period.

## 9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amount for the six months ended 30 June 2009 is based on the loss for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

The calculation of basic loss per share is based on:

	<b>Six months ended</b>	
	<b>30 June 2009 (Unaudited) HK\$'000</b>	<b>30 June 2008 (Unaudited) HK\$'000</b>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	(100,760)	(86,438)
From a discontinued operation	—	(1,394)
	<b><u>(100,760)</u></b>	<b><u>(87,832)</u></b>

	<b>Number of shares</b>	
	<b>Six months ended</b>	
	<b>30 June 2009 (Unaudited)</b>	<b>30 June 2008 (Unaudited)</b>
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<b><u>1,240,732,165</u></b>	<b><u>941,451,206</u></b>

Diluted loss per share amount for both periods has not been disclosed as no diluting events existed during the periods.

## 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 7 December 2004. As at 30 June 2009, the Group's interest in LSD was 36.72% (31 December 2008: 36.72%) and LSD and its subsidiaries (the "LSD Group") held in aggregate 36.08% (31 December 2008: 36.08%) 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 profit 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 30 June 2009 was HK\$40,088,000 (six months ended 30 June 2008: HK\$82,220,000).

## 11. DEBTORS

Trade debtors include receivables for advertising, sales of products, licensing income and distribution commission from music publishing, film products and film rights. 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 its 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 ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at 30 June 2009 and 31 December 2008 is as follows:

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Trade debtors:		
Neither past due nor impaired	<b>39,632</b>	27,514
1 - 90 days past due	<b>31,089</b>	25,744
Over 90 days past due	<b>6,446</b>	11,189
	<b>77,167</b>	64,447

Included in trade debtors are amounts due from related companies of HK\$290,000 (31 December 2008: HK\$2,533,000). The balances arose from ordinary course of business of the Group. The balances are unsecured, interest-free and are subject to similar credit terms to those offered to major customers of the Group.

## 12. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the dates of receipt of the goods and services purchased, as at 30 June 2009 and 31 December 2008 is as follows:

	<b>30 June 2009 (Unaudited) HK\$'000</b>	31 December 2008 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	<b>7,199</b>	4,228
31 - 60 days	<b>749</b>	1,552
61 - 90 days	<b>295</b>	1,328
Over 90 days	<b>1,286</b>	1,878
	<b>9,529</b>	8,986
Other creditors and accruals	<b>397,496</b>	389,848
	<b>407,025</b>	398,834

Trade creditors are non-interest-bearing and have an average credit term of three months.

## 13. SHARE CAPITAL

	<b>30 June 2009</b>		31 December 2008	
	<b>Number of shares (Unaudited) '000</b>	<b>Nominal value (Unaudited) HK\$'000</b>	Number of shares (Audited) '000	Nominal value (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	<b>2,000,000</b>	<b>1,000,000</b>	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	<b>1,240,732</b>	<b>620,366</b>	1,240,732	620,366

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### ***OVERVIEW OF INTERIM RESULTS***

For the six months ended 30 June 2009, the Group recorded a turnover of HK\$166,984,000 (2008: HK\$123,579,000), representing an increase of approximately 35% from the corresponding period in 2008. For the first half of 2009, there were increases in revenue with respect to certain business operations (namely film production and distribution, music production and distribution and sale of products), but off-set by a reduction in revenue from other business operations (namely live entertainment, film library licensing and advertising). The increase in revenue between the corresponding period for film production and distribution was largely due to the successful release of several films in early 2009 as compared to a backlog created by, and as a result of the limited time slot suitable and/or available for any film promotional campaigns prior to, the Beijing 2008 Olympic Games in August 2008. The increase in revenue between the corresponding period for music production and distribution was largely due to more album releases and the expansion into new media distribution. The reduction in revenue between the corresponding period for live entertainment was mainly due to the reduced number of major local pop concerts in early part of 2009 when the Hong Kong Coliseum, a major local pop concert venue in Hong Kong, was closed for renovation since late 2008.

For the six months ended 30 June 2009, the Group recorded a loss from operating activities of HK\$127,720,000 (2008: HK\$101,077,000). For the first half of 2009, due to the reasons explained above, the increase in revenue of certain business operations was accompanied by corresponding increases in related cost/expenditure. In return, the reduction in revenue generated from other business operations was accompanied by a reduction in related cost/expenditure.

For the six months ended 30 June 2009, the Group recorded a consolidated loss attributable to equity holders of the Company of HK\$100,760,000 (2008: HK\$87,832,000). The increase in losses between the corresponding period last year was largely due to the reasons explained above.

The Group recorded a share of profits of associates of HK\$39,664,000 (2008: HK\$82,215,000). The share of profits of associates was mainly attributable to Lai Sun Development Company Limited (“LSD”), an associated company of the Company. The Group currently holds a 36.72% interest in LSD, which in turn holds a 36.08% interest in the Group. The Group’s share of the losses of jointly controlled entities was significantly lowered to HK\$15,641,000 as compared to HK\$78,243,000 for the corresponding period last year as (i) there was no provision made for the film production and distribution business undertaken by a jointly controlled entity for the first half of 2009 (as there had been in the corresponding period last year) and (ii) the cost/expenditure related to the Macao Studio City project was reduced, due to the status of the project during the period under review (as explained below).

Shareholders’ equity as at 30 June 2009 amounted to HK\$5,229,266,000, as compared to HK\$5,321,231,000 as at 31 December 2008. Net asset value per share as at 30 June 2009 was HK\$4.21, as compared to HK\$4.29 as at 31 December 2008.

### ***BUSINESS REVIEW***

#### **Macao Studio City**

The Company’s ambition remains to build Macao Studio City into one of Asia’s leading integrated leisure resorts combining theatre/concert venues, live entertainment facilities, Studio Retail<sup>TM</sup> (a destination retail complex), Las Vegas-style gaming facilities and world-class hotels. The site of the project is strategically located “Where Cotai Begins<sup>TM</sup>”, next to the Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai’s Hengqin Island.



## ***Project progress***

Progress on Macao Studio City stalled over the period under review, as a result of various factors including the difficult economic environment and differences of opinion between East Asia Satellite Television (Holdings) Limited (“EAST”) and New Cotai LLC (“New Cotai”) on various aspects of the project.

EAST is the holding company of a 60% interest in Cyber One (as defined below), of which 66.7% is held indirectly by the Company and 33.3% is held by CapitaLand Integrated Resorts Pte Ltd (“CapitaLand”), a wholly-owned subsidiary of CapitaLand Limited (one of the largest listed real estate companies in Asia). New Cotai is the US joint venture partner holding a 40% interest in Cyber One.

Cyber One Agents Limited (“Cyber One”), the jointly controlled joint venture company responsible for the project (owned as to 60% by EAST and 40% by New Cotai) has yet to receive approval from the Macau Government in relation to its application for a land grant modification on land use and to increase the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. In connection with that application, the Macau Government has requested further particulars from the joint venture concerning plans for the project, in respect of which EAST and New Cotai have yet to formulate an agreed response.

Notwithstanding that Macau has suffered from significant economic volatility since the original project plan was developed in 2006/2007, EAST is confident that the Macao Studio City project is an attractive business venture with considerable potential for long-term returns. EAST firmly believes that Cyber One is ready and able to present updated proposals on prospective financing and construction to the Macau Government. By contrast, New Cotai has, for its own reasons, refused to approve or allow Cyber One to make any substantive response to the Macau Government’s request for further particulars, required in order to move the project forward.

Despite the differences of views between EAST and New Cotai, the Group is continuing to explore a range of potential solutions designed to give the project fresh impetus. Ideally, a consensual solution will be found, whether involving the introduction of new investors, a sale of all or part of its interest by New Cotai, a restructuring of the existing interests of the parties, or otherwise. However, EAST recognises that a solution to the differences may necessarily involve litigation, the timing and outcome of which would be uncertain. Further, in the event of legal proceedings and/or additional prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau Government would exercise its rights, including but not limited to its rights to re-possess the plot of land.

Cyber One has not appointed a general contractor and has not, to date, progressed the building works beyond foundations for the super-structure.

Cyber One will need to revisit its plans for the retail component of the project. As announced by the Company on 21 August 2009, the various arrangements with Taubman Centres, Inc and its subsidiaries (“Taubman”), which would have seen Taubman take an equity stake in the retail component and take the lead in managing it, have now lapsed. The Company is aware that the retail element of the Macao Studio City will be one of the key components of the project and it is keen to explore, together with the other stakeholders and Taubman, whether it might be possible to revive or reconfigure the arrangements with Taubman in due course.

## ***Financing***

To date, the parties have contributed a total of US\$200 million capital to the project (the Company’s attributable share being US\$80 million). However, Cyber One has yet to secure the necessary project finance for the development. The Directors believe that this will be more readily achievable once consensus is reached between the joint venture partners or the current differences of views are resolved.

The Company continues to hold net proceeds of approximately HK\$1,015 million from its rights issue of 2008, substantially all of which was, and is, intended for investment in the project. Indeed, it is ultimately anticipated that, when the project does resume, there will be a requirement for further equity investment in excess of these proceeds.

### **East Asia Satellite Television (Holdings) Limited (“EAST”)**

Although the Company and CapitaLand have been in consistent agreement on the development of Macao Studio City, it should be noted (as was announced jointly by the Company and LSD on 9 January 2007 and disclosed in the Company’s circular of 1 February 2007, each in the context of CapitaLand’s acquisition of an interest in EAST) that, in the event that the land grant modification for the first phase of the project has not been published by the Macau Government and the occupation permit for Macao Studio City (in effect, signifying completion of the first phase of the project) is not issued solely due to the failure of the Macau government to publish in its gazette the land grant modification for the first phase of the project, in each case, within 54 months of completion of CapitaLand’s investment (i.e. by mid September 2011), then CapitaLand would, subject to the terms and conditions in the sale and purchase agreement, have an option to put back its holding of shares in EAST to the Company. The consideration payable for the shares would be equal to the purchase price paid by CapitaLand for the shares (being approximately HK\$659 million to date) and any further sums invested by it (being US\$40 million to date as project funding contribution) (net of any returns or dividends received by CapitaLand).

### **Media and Entertainment**

#### ***Film production and distribution — Media Asia Entertainment Group Limited (“MAEG”)***

During the six months ended 30 June 2009, MAEG has completed the principal photography of 2 films with 8 films still in the pipeline of production or under development.

There were 3 films released in the first half of 2009, namely *Look For A Star* in January, *The Sniper* in April and *City Of Life And Death* in May as compared to two films released in the corresponding period last year, namely *The Warlords* in December 2007 and *Assembly* in January 2008. Such difference was largely due to a backlog created by, and as a result of the limited time slot suitable and/or available for any film promotional campaigns prior to, the Beijing 2008 Olympic Games in August 2008.

#### ***Live entertainment***

For the six months ended 30 June 2009, the Group’s live entertainment division produced and participated in 64 (2008: 101) concerts and entertainment events by popular local, Asian and internationally renowned artistes including Andy Lau, Alan Tam, Hacken Lee, Super Band, Kay Tse, Liu Chia Chang, At 17 and George Lam, in Hong Kong and the Mainland of China.

Since the Hong Kong Coliseum, a major local pop concert venue in Hong Kong was closed for renovation till January 2009, the transition to re-opening the venue meant fewer concerts in the early part of 2009 and, as a result, revenue generated from major local pop concerts was substantially reduced as compared with the corresponding period last year.

#### ***Music production, distribution and publishing***

For the six months ended 30 June 2009, the Group’s music production, distribution and publishing division released 30 albums (2008: 15), including titles by Andy Lau, Denise Ho, Bosco Wong, Chet Lam and At 17.

Following the acquisition of music libraries containing over 3,000 songs and 400 music videos in 2007 and 2008, the Group has by expanding its content offering, enhanced its position to expand into the new media distribution business. During the period under review, the Group steadily grew its position in the market for music publishing and generated a stable and recurring cash flow.

### ***Television drama and content production***

The Group has expanded its entertainment offerings to include TV drama business. During the period under review, the Group has made investments, via renowned television dramas and content directors, producers and artistes from the Mainland of China, to produce television dramas and content. In addition, the Group reactivated its distribution network with the intention to expand this part of the operation.

### **Lai Sun Development Company Limited (“LSD”)**

For the period under review, the Group reported an operating loss (before taking into account the Group’s share of LSD’s profit) of approximately HK\$140,848,000 (2008: HK\$170,052,000). Since LSD holds a 36.08% equity interest in the Company, LSD is required to equity account for the operating loss of the Group. As the Group also holds a 36.72% equity interest in LSD, the Group is required to further take up LSD’s share of the Group’s operating results. The effect of such recurring process leads to the Group taking up a further loss of HK\$21,510,000 (2008: HK\$24,684,000) and such amount is included in the Group’s share of profits and losses of associates.

Taking into account the cross-holdings between the Group and LSD, the Group’s share of LSD’s profits included within the Group’s share of profits and losses of associates for the six months ended 30 June 2009 was HK\$40,088,000 (2008: HK\$82,220,000).

## ***OUTLOOK***

### **Macao Studio City**

The Company continues to believe that the Macao Studio City will eventually become one of the region’s major entertainment destinations and will be an important platform for the Group to expand and monetise its entertainment and media expertise. The Group remains firmly committed to the project and will continue to press for like-minded commitment from its project partners from time to time.

### **Media and entertainment**

#### ***Film production and distribution***

MAEG will continue to explore and/or consider various film projects according to its objectives as identified in the Company’s last published financial statements.

Reference is made to an announcement issued by the Company dated 31 March 2009, whereby an indirect wholly-owned subsidiary of the Company entered into a conditional co-financing and distribution agreement with StudioCanal S.A. on 31 March 2009. Pursuant to the terms of the conditional co-financing and distribution agreement, if the conditions precedent are not fulfilled by 30 September 2009, then unless otherwise agreed in writing by the parties, the agreement automatically terminates. As at the date of this announcement, the conditions precedent have yet to be fulfilled and, as a result, there is no certainty that such agreement will continue to be effective after 30 September 2009.

#### ***Live entertainment***

For the second half of 2009, the live entertainment division of the Group has already scheduled its own production of 6 concerts and entertainment events by popular local artistes and participation in the productions of around 4 other events by other promoters, already involving around 31 shows in total.

In addition, the Group will continue to increase its efforts to expand into live entertainment promotions in the Mainland of China and Taiwan.

### ***Music production, distribution and publishing***

With the successful debut of East Asia Music's expansion into Mandarin albums and the positive contribution from the exploitation of the music library through new media distribution, the Group will continue its efforts to expand its presence in the Mainland of China.

### ***Television drama and content production, and distribution***

In view of the steady returns generated from investments in television drama and other television content, the Group will continue to look for business opportunities in this area.

### **LSD**

According to LSD, it will continue to take a defensive approach as regards its rental policies, with the objectives of maintaining occupancy rates and rental cashflows from its investment properties. It is further understood that LSD will monitor the local property market closely and will adopt a prudent and balanced approach towards its property development business.

### **Other matters relating to the Company**

#### ***Update in relation to Passport Special Opportunities Master Fund, LP and Passport Global Master Fund SPC Limited ("Passport")***

In December 2008, the Company had sought to raise approximately HK\$60 million through a share placement exercise (with the prospect of raising an additional HK\$60 million if the placees exercised the accompanying warrants in full). The placing shares would have represented approximately 8.82% of the enlarged issued share capital of the Company (and the shares issued on the full exercise of the warrants would have represented approximately 8.10% of the further enlarged issued share capital of the Company). The placing, which was primarily intended to finance the Group's media and entertainment business, did not ultimately proceed in light of the fact that Passport, a substantial shareholder of the Company, obtained an order, on ex-parte application (i.e. without the Company being represented at the proceedings), that temporarily restrained the Company from going ahead with the placing. Although the long-stop date for the placing was extended once, the restraining order remained in place and with the conditions to the placing remaining unfulfilled, the placing agreement lapsed on 9 January 2009.

In essence, Passport contends that the Company had no good commercial reason for the placement and that its sole or primary purpose was to dilute Passport's shareholding. Whether or not the injunction was validly obtained by Passport remains the subject of on-going legal proceedings in respect of which the Company and its Directors are vigorously defending Passport's claims, and are pursuing their own remedies against Passport. The Court granted leave to the placing agent and certain of the placees to join the legal proceedings, as parties who were adversely affected by Passport's injunction. The Court required Passport to put up a bank guarantee in the sum of HK\$120 million to fortify its undertaking in damages. Passport has also agreed to put up security for the Company's costs. The trial of the matter is scheduled to take place in November 2009.

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

As at 30 June 2009, cash and cash equivalents held by the Group amounted to HK\$1,391,785,000 of which over 97% were denominated in Hong Kong dollar currency.

In order to optimise the Group's liquidity and to enhance the yield of the Group's available cash, the Group also invested in short-term bond investments with investment grade rating. As at 30 June 2009, the carrying amount of such bond investments held by the Group amounted to HK\$179,740,000.

As at 30 June 2009, the Group has unsecured promissory notes payables of HK\$20,000,000 falling due within one year and HK\$31,789,000 falling due within the second year. The promissory notes payables are interest-free except for an amount of HK\$30,000,000 which bears interest at 3.5% per annum. As at 30 June 2009, there existed unsecured other borrowings from a former shareholder of the Company in the principal amount of HK\$112,938,000 which is interest-bearing at the HSBC prime rate per annum and is repayable on demand. The Group recorded interest accruals of HK\$39,881,000 for the other borrowings as at 30 June 2009. In addition, certain land and buildings of the Group with a carrying amount of HK\$58,422,000 were pledged to a bank to secure general banking facilities granted to the Group which were not utilised by the Group as at 30 June 2009. Also, the Group had finance lease payables of HK\$108,000 falling due within one year, HK\$89,000 falling due within the second year and HK\$178,000 falling due within the third to fifth years, as at 30 June 2009.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 3.9% as at 30 June 2009. 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2009, 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 on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by this 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 provide 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 30 June 2009 has been reviewed by the Audit Committee of the Company. The Audit Committee comprises four independent non-executive directors of the Company, namely Messrs. Tong Ka Wing, Carl, Alfred Donald Yap, Low Chee Keong and Dr. Ng Lai Man, Carmen.

By Order of the Board  
**Lien Jown Jing, Vincent**  
*Chairman*

Hong Kong, 25 September 2009

*As at the date of this announcement, the executive directors of the Company are Mr. Lam Kin Ngok, Peter, Miss Leung Churk Yin, Jeanny, 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 U Po Chu and Mr. Lo Kwok Kwei, David; and the independent non-executive directors are Mr. Tong Ka Wing, Carl, Mr. Alfred Donald Yap, Mr. Low Chee Keong and Dr. Ng Lai Man, Carmen.*