



eSun Holdings Limited

Interim Report 2008
(Stock code: 571)

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Lien Jown Jing, Vincent (*Chairman*)

Leung Churk Yin, Jeanny (*Chief Executive Officer*)

Lam Kin Ngok, Peter

Cheung Wing Sum, Ambrose

Low Kit Leong

Lam Kin Ming

U Po Chu

Alfred Donald Yap*

Low Chee Keong*

Tong Ka Wing, Carl*

Liu Ngai Wing

(retired on 22 May 2008)

Tam Wai Chu, Maria

(resigned on 29 January 2008)

* *Independent non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

eSun Holdings Limited

11/F Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon, Hong Kong

Tel (852) 2741 0391 Fax (852) 2785 2775

Internet <http://www.laisun.com>

E-mail advpr@laisun.com

Stock code on Hong Kong Stock Exchange: 571

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 30 June 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Six months ended	
		30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
	Notes		
CONTINUING OPERATIONS			
TURNOVER	3	123,579	92,856
Cost of sales		(99,019)	(67,187)
Gross profit		24,560	25,669
Other revenue	4	13,241	31,640
Marketing expenses		(13,518)	(14,988)
Administrative expenses		(99,751)	(85,356)
Other operating gains		500	3,224
Other operating expenses		(26,109)	(49,364)
Gain on disposal of partial interests in a subsidiary		—	499,969
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	(101,077)	410,794
Finance costs	6	(3,673)	(4,352)
Share of profits and losses of jointly-controlled entities		(78,243)	(9,049)
Share of profits and losses of associates		82,215	151,349
PROFIT/(LOSS) BEFORE TAX		(100,778)	548,742
Tax	7	412	—
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(100,366)	548,742
DISCONTINUED OPERATION			
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	8	(1,394)	(16,621)
PROFIT/(LOSS) FOR THE PERIOD		(101,760)	532,121
Attributable to:			
Equity holders of the parent		(87,832)	533,984
Minority interests		(13,928)	(1,863)
		(101,760)	532,121
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9		
— For profit/(loss) for the period		(HK9.33 cents)	HK64.09 cents
— For profit/(loss) from continuing operations		(HK9.18 cents)	HK66.09 cents
Diluted			
— For profit for the period		N/A	HK63.37 cents
— For profit from continuing operations		N/A	HK65.34 cents
INTERIM DIVIDEND	10	Nil	Nil

CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2008

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		77,651	80,180
Goodwill		35,202	35,202
Film rights		132,359	139,059
Film products		52,925	59,545
Music catalogs		60,694	61,645
Interests in jointly-controlled entities		1,060,205	972,146
Interests in associates	11	2,724,807	2,620,179
Available-for-sale investments		67,242	51,631
Deposits, prepayments and other receivables		77,234	83,408
Deferred tax assets		797	434
Total non-current assets		4,289,116	4,103,429
CURRENT ASSETS			
Inventories		5,457	4,630
Equity investments at fair value through profit or loss		16,811	17,806
Films under production		89,971	33,560
Due from a jointly-controlled entity		42,643	90,842
Loan receivables		27,300	50,607
Debtors	12	42,748	50,931
Deposits, prepayments and other receivables		189,626	164,331
Cash and cash equivalents		1,882,514	1,126,017
Total current assets		2,297,070	1,538,724
CURRENT LIABILITIES			
Creditors, accruals and provision	13	396,652	434,135
Tax payable		3,417	8,204
Finance lease payables		66	65
Promissory notes		10,000	10,000
Total current liabilities		410,135	452,404
NET CURRENT ASSETS		1,886,935	1,086,320
TOTAL ASSETS LESS CURRENT LIABILITIES		6,176,051	5,189,749
NON-CURRENT LIABILITIES			
Finance lease payables		(160)	(194)
Promissory notes		(50,741)	(50,219)
Interest-bearing other borrowings		(147,086)	(143,939)
Deferred tax liabilities		(44)	(44)
Total non-current liabilities		(198,031)	(194,396)
Net assets		5,978,020	4,995,353
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	14	620,366	413,577
Reserves		5,006,447	4,255,641
Minority interests		5,626,813	4,669,218
		351,207	326,135
Total equity		5,978,020	4,995,353

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	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 1 January 2008 (Audited)	413,577	3,419,843	891,289	20,491	150,535	(226,517)	4,669,218	326,135	4,995,353
Exchange realignment	—	—	—	—	—	4,788	4,788	—	4,788
Total income and expense for the period recognised directly in equity	—	—	—	—	—	4,788	4,788	—	4,788
Loss for the period	—	—	—	—	—	(87,832)	(87,832)	(13,928)	(101,760)
Total income and expense for the period	—	—	—	—	—	(83,044)	(83,044)	(13,928)	(96,972)
Issue of shares (Note 14)	206,789	827,155	—	—	—	—	1,033,944	—	1,033,944
Share issue expenses	—	(19,320)	—	—	—	—	(19,320)	—	(19,320)
Equity-settled share option arrangements	—	—	—	4,302	—	—	4,302	—	4,302
Share of reserve movements of associates	—	—	—	625	21,088	—	21,713	—	21,713
Shareholder loan from a minority shareholder	—	—	—	—	—	—	—	39,000	39,000
At 30 June 2008 (Unaudited)	620,366	4,227,678	891,289	25,418	171,623	(309,561)	5,626,813	351,207	5,978,020

	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 1 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 30 June 2007 (Unaudited)	410,783	3,397,337	891,289	19,963	109,436	(589,735)	4,239,073	219,142	4,458,215

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(208,187)	(216,931)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(96,110)	811,105
NET CASH INFLOW FROM FINANCING ACTIVITIES	1,057,587	7,426
NET INCREASE IN CASH AND CASH EQUIVALENTS	753,290	601,600
Cash and cash equivalents at beginning of period	1,126,017	861,454
Effect of foreign exchange rate changes, net	3,207	209
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,882,514	1,463,263
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	140,013	50,248
Time deposits	1,742,501	1,413,015
	1,882,514	1,463,263

6

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2008

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 31 December 2007, 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:

HK(IFRIC) — Int 11

HKFRS 2 — Group and Treasury Share Transactions

HK(IFRIC) — Int 12

Service Concession Arrangements

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

(b) **Geographical segments:**

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

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	
	2008	2007	2008	2007	2008	2007	2008	2007
	(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	85,157	72,791	23,467	19,870	15,008	1,179	123,632	93,840
Attributable to a discontinued operation	(53)	(984)	—	—	—	—	(53)	(984)
Revenue from continuing operations	85,104	71,807	23,467	19,870	15,008	1,179	123,579	92,856

4. **OTHER REVENUE**

	Six months ended	
	30 June	30 June
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	8,809	23,398
Interest income on a loan receivable	873	7,542
Others	3,559	700
Attributable to continuing operations	13,241	31,640
Attributable to a discontinued operation		
— Others	22	—
	13,263	31,640

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):		
Cost of film products	9,900	1,942
Cost of film rights and license rights	12,569	5,810
Cost of services provided	66,751	54,391
Cost of inventories sold	9,799	5,044
Total cost of sales	99,019	67,187
Provision for advances to artistes*	15,000	—
Write-back of provision for bad and doubtful debts	(38)	(124)
Depreciation	3,540	3,259
Amortisation of film rights*	11,203	5,307
Amortisation of film products*	9,568	—
Amortisation of music catalogs*	673	—
Impairment of goodwill**	880	—
Reversal for impairment of items of property, plant and equipment [®]	(1,257)	—
Foreign exchange gains	(538)	(1,839)

10

* These items are included in the "Cost of sales" on the face of the condensed consolidated income statement.

** This item is included in the "Other operating expenses" on the face of the condensed consolidated income statement.

[®] The disclosures presented in this note included those amounts credited in respect of the discontinued operation, further details of which are set out in note 8 to the condensed consolidated interim financial statements.

6. FINANCE COSTS

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Attributable to continuing operations:		
Interest on other borrowings wholly repayable within five years	3,670	4,346
Interest on finance leases	3	6
Total	3,673	4,352

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 2007: Nil).

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Attributable to continuing operations:		
Prior period's over/(under) provision:		
Hong Kong	75	—
Overseas	(26)	—
	49	—
Deferred tax credit	363	—
Total tax credit	412	—

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.

11

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

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Turnover	53	984
Other revenue	22	—
Cost of sales	(634)	(9,451)
Reversal for impairment of items of property, plant and equipment	1,257	—
Other expenses	(2,092)	(8,154)
Loss before tax from the discontinued operation	(1,394)	(16,621)
Tax	—	—
Loss for the period from the discontinued operation	(1,394)	(16,621)

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

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Operating activities	(3,641)	(15,346)
Investing activities	1,257	(42)
Financing activities	4,444	13,873
Net cash inflow/(outflow)	2,060	(1,515)
Loss per share:		
Basic, from the discontinued operation	(HK0.15 cents)	(HK2.00 cents)
Diluted, from the discontinued operation	N/A	N/A

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

	Six months ended	
	30 June 2008 (Unaudited)	30 June 2007 (Unaudited)
Loss attributable to ordinary equity holders of the parent from the discontinued operation	(HK\$1,394,000)	(HK\$16,621,000)
Weighted average number of ordinary shares in issue during the period used in calculation of basic loss per share	941,451,206	833,135,176

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

Diluted loss per share amount for the six months ended 30 June 2007 from the discontinued operation had not been disclosed as the share options outstanding had an anti-dilutive effect on the basic loss per share for that period.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amount for the period is based on the profit/(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 diluted earnings/(loss) per share amount for the period is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration as if all of the Company's outstanding share options had been considered.

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation:		
From continuing operations	(86,438)	550,605
From a discontinued operation	(1,394)	(16,621)
	(87,832)	533,984

	Number of shares	
	Six months ended	
	30 June 2008 (Unaudited)	30 June 2007 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	941,451,206	833,135,176
Effect of dilution — weighted average number of ordinary shares:		
Share options	N/A	9,561,736
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	N/A	842,696,912

The weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation has been adjusted for the rights issue in May 2008.

Diluted loss per share amount for the six months ended 30 June 2008 has not been shown as no diluting events existed during the period.

10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

11. 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 2008, the Group's interest in LSD was 36.72% (31 December 2007: 36.72%) and LSD and its subsidiaries ("LSD Group") held in aggregate 36.08% (31 December 2007: 34.52%) 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 2008 was HK\$82,220,000 (six months ended 30 June 2007: HK\$156,648,000).

12. DEBTORS

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 30 June 2008 and 31 December 2007 is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	15,188	28,004
31-60 days	3,502	7,734
61-90 days	2,675	1,607
Over 90 days	21,383	13,586
	42,748	50,931

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

Included in trade debtors are amounts due from related companies of HK\$257,000 (31 December 2007: HK\$130,000). The balances which were arisen from ordinary course of business of the Group are unsecured, interest-free and are subject to similar credit terms to those offered to major customers of the Group.

13. CREDITORS, ACCRUALS AND PROVISION

An aged analysis of the trade creditors as at 30 June 2008 and 31 December 2007 is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	3,008	7,000
31-60 days	1,677	4,399
61-90 days	680	1,511
Over 90 days	2,485	2,390
	7,850	15,300
Other creditors and accruals	388,802	393,835
Provision	—	25,000
	396,652	434,135

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

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

14. SHARE CAPITAL

	30 June 2008		31 December 2007	
	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	1,240,732	620,366	827,155	413,577

Movements in the Company's issued share capital during the six months ended 30 June 2008 are summarised as follows:

	Number of ordinary shares '000	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2008 (Audited)	827,155	413,577	3,419,843	3,833,420
Issue of shares (Note)	413,577	206,789	827,155	1,033,944
Share issue expenses	—	—	(19,320)	(19,320)
At 30 June 2008 (Unaudited)	1,240,732	620,366	4,227,678	4,848,044

Note: On 20 May 2008, a rights issue on the basis of one rights share of every two existing shares held by the members on the register of members on 25 April 2008 at a subscription price of HK\$2.50 per rights share was made, resulting in the issue of 413,577,388 rights shares of HK\$0.50 each for a net cash consideration of approximately HK\$1,014,624,000, after deduction of share issue expenses of approximately HK\$19,320,000.

15. COMMITMENTS

(a) The Group had the following capital commitments at the balance sheet dates:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Commitments in respect of:		
Acquisition of land and buildings	9,457	9,457
Acquisition of leasehold improvements and equipment	134	134
Capital contributions payable to a jointly-controlled entity	—	116,940
Contribution to an available-for-sale investment	28,047	43,660
	37,638	170,191

As envisaged by the Memorandum of Understanding dated 9 November 2007, shareholders of Cyber One Agents Limited ("Cyber One") (a jointly-controlled entity of the Group) agreed to increase shareholders' contribution to the Macao Studio City project, on a several basis, to US\$500 million, subject to the approval of the shareholders of the Company and further negotiation of the definitive documents to reflect and expand upon matter agreed in the Memorandum of Understanding.

As at 30 June 2008, the shareholders of Cyber One have already contributed funding of US\$200 million towards the Macao Studio City project, while the parties have yet to finalise the long form documentation envisaged by the Memorandum of Understanding. As a result of the delay in agreeing on the long form documentation, it is now permissible for either party to terminate the Memorandum of Understanding. However, as at 30 June 2008, neither party has taken this step. The Company remains committed to negotiate in good faith to reach agreement on the long form documentation.

Until the definitive documents can be agreed, the obligation on the Company's subsidiary, East Asia Satellite Television (Holdings) Limited to make the additional funding contributions of US\$180 million (i.e. 60% of the US\$300 million) to Cyber One as envisaged by the Memorandum of Understanding, has yet to become legally-binding. As such, the Company's obligation to make its pro-rata contribution towards this US\$180 million (i.e. US\$120 million, being two-thirds thereof) has not yet materialised.

The Group's share of the jointly-controlled entities' own capital commitments, which is not included in the above, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Contracted, but not provided for	343,768	305,981

As at 31 December 2007, a sum of HK\$5,451,210,000 was recorded as “authorised, but not contracted for” of the Group’s capital commitment in respect of its interests in the jointly-controlled entities relating to the Macao Studio City project. However, the current poor sentiments of global capital markets make it difficult for the Group to ascertain the exact timing when the financing for the construction of Phase I of the Macao Studio City project may be realised. As a result, construction schedule of Phase I of the Macao Studio City project will now depend on the timing of the conclusion of the debt financing exercise. Accordingly, as at 30 June 2008, the Group’s only capital commitment in respect of its interests in the Macao Studio City project were those contracted but not provided for of approximately HK\$344 million (31 December 2007: HK\$306 million) since the construction schedule and the size of the construction contract of Phase I of the Macao Studio City project were being reconsidered.

- (b) The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At the balance sheet dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2008 (Unaudited) HK\$’000	31 December 2007 (Audited) HK\$’000
Within one year	4,140	5,319
In the second to fifth years, inclusive	2,914	4,024
	7,054	9,343

16. ACQUISITION OF A SUBSIDIARY

In June 2008, the Group acquired the remaining 50% interest in The Artiste Campus International Limited (“ACIL”), a former 50%-owned jointly-controlled entity of the Group engaging in provision of agency services to artistes, from the other shareholder of the ACIL for a cash consideration of HK\$100. Following the completion of the acquisition, ACIL becomes a wholly-owned subsidiary of the Group.

The fair value and the carrying amount of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the corresponding carrying amount immediately before the acquisition were as follows:

	Fair values and carrying amounts HK\$’000
Property, plant and equipment	7
Cash and bank balances	84
Trade receivables	109
Prepayments and other receivables	104
Trade payables	(109)
Accruals and other payables	(3,943)
	(3,748)
Transfer from interests in a jointly controlled entity	2,868
Goodwill on acquisition	880
Satisfied by cash	—

The goodwill was fully impaired during the six months ended 30 June 2008.

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	—
Cash and bank balances acquired	84
<hr/>	
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	84
<hr/> <hr/>	

Since the date of acquisition up to 30 June 2008, the subsidiary contributed approximately HK\$201,000 to the Group's turnover and a loss for approximately HK\$12,000 to the loss of the Group for the six months ended 30 June 2008.

Had the combination taken place at the beginning of the period, the turnover from the continuing operations of the Group and the loss of the Group for the period would have been increased by approximately HK\$1,768,000 and decreased by approximately HK\$991,000 respectively.

17. COMPARATIVE AMOUNTS

The Group ceased the satellite television business during the year ended 31 December 2007. Certain comparative amounts as shown in the condensed consolidated income statement and its relevant notes for the six months ended 30 June 2007 have been reclassified to present the information by continuing operations and a discontinued operation so as to achieve a comparable presentation of result for the current period.

18. POST BALANCE SHEET EVENT

On 8 August 2008, the Group entered into a joint venture agreement (the "JV Agreement") with Avex Entertainment Inc. and Avex Asia Limited, both being independent third parties to the Group, for the formation of a joint venture company, Silver Mark Pacific Limited (to be renamed PAMIEM Film Fund Limited) (the "JV Company"). Pursuant to the JV Agreement, the JV Company will be beneficially owned as to 50% by the Group, 40% by Avex Entertainment Inc. and 10% by Avex Asia Limited.

The joint venture parties proposed to use the JV Company primarily as a vehicle for producing films targeted at the Asian markets. Pursuant to the JV Agreement, each shareholder of the JV Company may be required to contribute to a project fund, with such contributions to be provided on a standby basis. The total amount of film funding has been agreed at no more than US\$50 million over five years from the date of the JV Agreement. Accordingly, the amount to be contributed by the Group for the project fund would be no more than US\$25 million. Further details of the aforesaid transactions are set out in the Company's circular dated 25 August 2008.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF INTERIM RESULTS

For the six months ended 30 June 2008, the Group recorded a turnover from continuing operations of HK\$123,579,000 (2007: HK\$92,856,000), representing an increase of approximately 33.1% from the corresponding period in 2007. The increase between the corresponding periods was largely due to higher entertainment event income and the consolidation of the financial results of Media Asia Entertainment Group Limited (“MAEG”) since the privatisation of MAEG became unconditional by the end of June 2007 and following the completion of the privatisation and delisting of MAEG on the Singapore Stock Exchange in August 2007.

For the six months ended 30 June 2008, the Group recorded a loss from operating activities of HK\$101,077,000 versus a profit from operating activities of HK\$410,794,000 in the previous corresponding period in 2007. The substantial deviation between the two corresponding periods was mainly due to the one-off gain of approximately HK\$499,969,000 recorded in the six months ended 30 June 2007 on the sale of a 20% effective interest in the Macao Studio City project to CapitaLand Integrated Resorts Pte. Limited (“CapitaLand Integrated Resorts”). In addition, administrative expenses were up by approximately 16.9% to HK\$99,751,000. Such increase was related to the consolidation of the expenses of MAEG for the current period and the increase in headcount of executives and staff to oversee the various business operations of the Group.

19

For the six months ended 30 June 2008, the Group recorded a consolidated loss attributable to equity holders of HK\$87,832,000 as compared to a profit attributable to equity holders of HK\$533,984,000 for the corresponding period in 2007. Although LSD has continued to benefit from reversionary rental income and the investment property revaluation surplus, it is off-set by its share of the results of the Group as a result of the cross-holding interests between LSD and the Company. In addition, the Group has shared the losses of jointly-controlled entities of approximately HK\$78,243,000, an increase of 7.6 times from HK\$9,049,000 recorded for the six months ended 30 June 2007 with regard to the film production and distribution business engaged by a jointly-controlled entity and also due to the cost incurred to set up the team to manage the Macao Studio City project and to commence building the foundation of Macao Studio City.

Shareholders’ equity as at 30 June 2008 amounted to HK\$5,626,813,000, up from HK\$4,669,218,000 as at 31 December 2007. Net asset value per share as at 30 June 2008 was HK\$4.54, as compared to HK\$5.64 as at 31 December 2007.

BUSINESS REVIEW

Macao Studio City

Macao Studio City will be one of Asia's leading integrated leisure resorts combining theatre/concert venues, live entertainment facilities, Studio Retail™ (a destination retail complex), Las Vegas-style gaming facilities and world-class hotels. The project will be developed on a site strategically located "Where Cotai Begins™", next to the Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai's Hengqin Island.

Project progress

Gross Floor Areas

In 2007, the Macao Studio City joint venture ("Macao Studio City JV") submitted land grant modification on land uses and to increase the developable gross floor area of the site to 6,000,000 square feet. Macao Studio City JV has yet to receive formal approval to the same from the Macau government. Upon approval and satisfaction of other terms, the Group should receive further sale consideration from New Cotai, LLC ("New Cotai") and CapitaLand Integrated Resorts.

Construction-in-progress

Following the completion of the disposal of a 40% and a 20% effective interest in the Macao Studio City project to New Cotai in December 2006 and CapitaLand Integrated Resorts in March 2007 respectively, foundation and related site protection work for Phase I of the project had commenced. As at the date of this report, foundation work for Phase I of the project has been completed.

20

Construction for superstructure work of Phase I of the project will commence once the debt financing exercise is finalised. Construction schedule and formal opening of Phase I will now depend on the timing of the conclusion of the debt financing exercise.

Financing/funding

Although the Group is still targeting to have Macao Studio City JV complete the debt financing exercise as soon as practicable, the current poor sentiments of global capital markets make it difficult for the Group to ascertain the exact timing when such financing may be realised.

As envisaged by the Memorandum of Understanding dated 9 November 2007, shareholders of Macao Studio City JV agreed to increase shareholders' contribution to the Macao Studio City project, on a several basis, to US\$500 million, subject to the approval of the shareholders of the Company and further negotiation of the definitive documents to reflect and expand upon matters agreed in the Memorandum of Understanding.

As at the date of this report, the shareholders of Macao Studio City JV have already contributed US\$200 million in additional capital towards the Macao Studio City project, while the parties have yet to finalise the long form documentation envisaged by the Memorandum of Understanding. As a result of the delay in agreeing on the long form documentation, it is now permissible for either party to terminate the Memorandum of Understanding. However, as at the date of this report, neither party has taken this step. The Company remains committed to negotiate in good faith to reach agreement on the long form documentation.

Until the definitive documents can be agreed, the obligation on the Company's subsidiary, East Asia Satellite Television (Holdings) Limited, to make the additional funding contributions of US\$180 million (i.e. 60% of the US\$300 million) to Macao Studio City JV as envisaged by the Memorandum of Understanding, has yet to become legally-binding. As such, the Company's obligation to make its pro-rata contribution towards this US\$180 million (i.e. US\$120 million, being two-thirds thereof) has not yet materialised.

With the completion of the rights issue in May 2008 raising net proceeds of approximately HK\$1,015 million, the Group is prepared to further fund the Macao Studio City project however it evolves (and whether on terms envisaged by the Memorandum of Understanding or otherwise) and to use the proceeds otherwise for its general working capital purposes.

Media and Entertainment

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

During the six months ended 30 June 2008, MAEG has completed principal photography of 3 films and 8 films are still in the pipeline of production or developing.

Since the release of *The Warlords and Assembly* between December 2007 and January 2008, due to limited time slots suitable and/or available for any film promotional campaigns prior to the Beijing 2008 Olympic Games in August 2008, newly produced films of MAEG (like many other films) have to re-schedule or delay their respective launch campaigns and dates. As a result, turnover generated from the film production and distribution business for the six months ended 30 June 2008 was by and large related to the consolidation of the financial results of MAEG following the delisting of MAEG on the Singapore Stock Exchange since the privatisation of MAEG became unconditional by the end of June 2007.

21

As at the date of this report, the newly produced films of MAEG are expected to be released closer to the end of 2008 or early 2009.

Live entertainment

For the six months ended 30 June 2008, the Group's live entertainment division produced and participated in 101 concerts and entertainment events by popular local, Asian and internationally renowned artistes including *Jay Chou, Richie Jen, Jan Lamb, Harry Connick Jr., Maroon 5*, in Hong Kong, Mainland of China, Macau and South East Asia.

With effect from July 2008, The Coliseum at Hung Hom Hong Kong, a major pop concert venue in Hong Kong was closed for renovation till March 2009. Meanwhile, the Group continues to organise and/or participate in the promotion of various pop concerts and entertainment events in other venues in Hong Kong with the objective to maintain its dominant market leader position in Hong Kong.

Music production, distribution and publishing

For the six months ended 30 June 2008, the Group's music production, distribution and publishing division released 15 albums, including titles by *Andy Lau, Denise Ho, Ivana Wong, Chet Lam and Wilfred Lau*.

During this period, the Group has also recruited several new singers (some of whom are the top performers in a singing/performance contest organised by, inter alia, Macao Studio City and East Asia Music in Macau in November 2007), as well as renowned composers and lyricists.

Following the acquisition of a music library containing over 600 songs and 250 music videos in late 2007, the Group has, during the period under review, greatly enhanced its position to expand into the new media distribution business.

Television drama and content production

During the half-year under review, the Group has either continued discussions or commenced co-operation with renowned directors, producers and artistes in Mainland of China to produce television dramas and content.

Lai Sun Development Company Limited ("LSD")

Through the disposal of LSD's interest in Majestic Hotel Kowloon and the redevelopment of The Ritz-Carlton Hong Kong, LSD had realised most of its hotel assets in 2007. As a result, LSD intended to increase its investment in development properties.

22

During the six months ended 30 June 2008, LSD continued to benefit from reversionary rental income and the investment properties revaluation surplus. The share of the Company in the LSD Group's profit during the period under review remained relatively stable compared with the previous corresponding period.

For the period under review, the Company reported an operating loss (before taking into account the Company's share of LSD Group's profit as mentioned above) of approximately HK\$170 million (six months ended 30 June 2007: profit of approximately HK\$377 million). Since LSD holds a 36.08% equity interest in the Company, LSD is required to equity account for the operating loss of the Company. As the Company also holds a 36.72% equity interest in LSD, the Company is required to further take up LSD's share of the Company's operating results. The effect of such recurring process will lead to the Company taking up a further loss of HK\$25 million (six months ended 30 June 2007: profit of HK\$55 million) and such amount is included in the Company's share of profits and losses of associates. Consequently, there is a significant decrease in the Company's share of profits and losses of associates for the period under review.

PROSPECTS

Macao Studio City

Given the scale of the Macao Studio City project and its unique positioning in Macau, we expect Macao Studio City will stand as the major entertainment destination for visitors from Greater China and other parts of the world. It is anticipated to become an important platform for the Group to expand and monetarise 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. Accordingly, the Group remains firmly committed to this project.

Media and Entertainment

Film production and distribution

Due to the reason mentioned above, performance of the film production and distribution business in the near future depends on the timing and the receptiveness of the new releases, which may have a material impact on the contribution to be made by this business operation, and in turn, affect the overall performance of the Group.

Live entertainment

Given the closure of the major performance venue in Hong Kong till March 2009, the Group has diversified, and will continue to diversify, its performance events from major pop concerts to various mini-concerts in different venues and/or participation in other types of shows, including but not limited to, musical performances and dramas. However, the contributions to be generated from such kind of relatively small scale performance (in terms of seating and show days) may or may not be able to fully off-set the temporary loss of contribution from a major venue in the near future. On the other hand, the Group is increasing its effort to expand into live entertainment promotion business on the Mainland of China. With the successful completion of the Beijing 2008 Olympic Games and the upcoming Shanghai 2010 Expo, the Group expects a lot more venues available for performances in the Mainland, which in turn could increase the demand for our business. However, due to the keen domestic competition and various regulatory compliance matters in the Mainland, the Group will cautiously and steadily develop this business in the Mainland.

Music production, distribution and publishing

23

Despite continued challenge in dwindling physical music sales, the Group is cautiously optimistic with the outlook as the shift in consumer pattern from physical to digital music sales offer unique opportunities to extract new revenue streams from digital sales. Since entering into the music publishing business in late 2007, the Group is steadily gaining its position in the market and expecting to generate a stable and recurring cash flow.

Television drama and content production

In view of the potential of television drama business in Mainland of China, the Group intends to continue to place more focus to develop and groom this business.

LSD

According to LSD, it will continue to improve its tenant mix in its investment properties so as to strengthen its rental income base. Other than its current development projects, LSD is also actively looking for new development projects in Hong Kong and overseas which offer good investment returns.

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

As at 30 June 2008, cash and cash equivalents held by the Group amounted to HK\$1,882,514,000 of which over 96% were denominated in Hong Kong dollar currency.

As at 30 June 2008, the Group has unsecured promissory notes payables of HK\$10,000,000 falling due within one year, HK\$20,000,000 falling due within the second year and HK\$30,741,000 falling due within the third to fifth years, respectively. 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 2008, 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\$34,148,000 for the other borrowings as at 30 June 2008. In addition, certain land and buildings of the Group with a carrying amount of HK\$61,453,000 were pledged to a bank to secure general banking facilities granted to the Group. As at 30 June 2008, the general banking facilities were not utilised by the Group. Also, the Group has finance lease payables of HK\$66,000 falling due within one year, HK\$69,000 falling due within the second year and HK\$91,000 falling due within the third to fifth years, as at 30 June 2008.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 3.5% as at 30 June 2008. 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.

24

EMPLOYEES AND REMUNERATION POLICIES

The Group employed a total of approximately 240 employees as at 30 June 2008. The total staff costs including share-based payment and pension contributions for the six months ended 30 June 2008 were approximately HK\$56,125,000. Pay rates for employees are maintained at competitive level, salary and bonuses are rewarded on a performance related basis. Other staff benefits include free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes. The Company adopted a share option scheme for its directors and employees on 23 December 2005.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 23 December 2005 and the Share Option Scheme became effective on 5 January 2006 (the "Commencement Date") for the purpose of giving any eligible employee, any director of the Company or any of its subsidiaries, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "Participants") an opportunity to have a personal stake in the Company and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Company. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Commencement Date.

The following share options were outstanding under the Share Option Scheme during the six months ended 30 June 2008:

Name or category of participant	Date of grant of share options*	Number of share options			At 30 June 2008	Exercise period of share options	Adjusted exercise price of share options** HK\$ per share
		At 1 January 2008	Granted during the period [†]	Adjusted during the period**			
Directors							
Lam Kin Ngok, Peter	24/02/2006	1,862,962	—	26,544	1,889,506	01/01/2008 to 31/12/2008	HK\$4.19
	24/02/2006	1,862,962	—	26,544	1,889,506	01/01/2009 to 31/12/2009	HK\$4.43
	24/02/2006	1,862,963	—	26,544	1,889,507	01/01/2010 to 31/12/2010	HK\$4.68
		5,588,887	—	79,632	5,668,519		
Cheung Wing Sum, Ambrose	24/02/2006	1,862,962	—	26,544	1,889,506	01/01/2008 to 31/12/2008	HK\$4.19
	24/02/2006	1,862,962	—	26,544	1,889,506	01/01/2009 to 31/12/2009	HK\$4.43
	24/02/2006	1,862,963	—	26,544	1,889,507	01/01/2010 to 31/12/2010	HK\$4.68
		5,588,887	—	79,632	5,668,519		
Leung Churk Yin, Jeanny	20/02/2008	—	1,250,000	17,810	1,267,810	01/05/2008 to 30/04/2009	HK\$5.54
	20/02/2008	—	1,250,000	17,810	1,267,810	01/01/2009 to 31/12/2009	HK\$5.83
	20/02/2008	—	1,250,000	17,810	1,267,810	01/01/2010 to 31/12/2010	HK\$6.18
	20/02/2008	—	1,250,000	17,810	1,267,810	01/01/2011 to 31/12/2011	HK\$6.52
		—	5,000,000	71,240	5,071,240		
Low Kit Leong	20/02/2008	—	1,600,000	22,797	1,622,797	31/05/2008 to 30/05/2009	HK\$5.54
	20/02/2008	—	1,600,000	22,797	1,622,797	31/05/2009 to 30/05/2010	HK\$5.83
	20/02/2008	—	1,600,000	22,797	1,622,797	31/05/2010 to 30/05/2011	HK\$6.18
		—	4,800,000	68,391	4,868,391		
Others							
In aggregate	14/02/2006	1,862,962	—	26,544	1,889,506	01/01/2008 to 31/12/2008	HK\$4.43
	14/02/2006	1,862,962	—	26,544	1,889,506	01/01/2009 to 31/12/2009	HK\$4.92
	14/02/2006	1,862,963	—	26,544	1,889,507	01/01/2010 to 31/12/2010	HK\$5.42
	24/02/2006	1,862,962	—	26,544	1,889,506	01/01/2008 to 31/12/2008	HK\$4.19
	24/02/2006	1,862,962	—	26,544	1,889,506	01/01/2009 to 31/12/2009	HK\$4.43
	24/02/2006	1,862,963	—	26,544	1,889,507	01/01/2010 to 31/12/2010	HK\$4.68
		11,177,774	—	159,264	11,337,038		
	22,355,548	9,800,000	458,159	32,613,707			

Notes to the reconciliation of share options outstanding during the period:

- * The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- ** The number of the outstanding share options of the Company had been adjusted following completion of the rights issue of the Company in May 2008.
- *** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. The exercise prices had been adjusted following completion of the rights issue of the Company in May 2008.
- † The closing price of the Company's shares immediately before the date of grant during the period was HK\$3.50 per share.

The fair value of the share options granted during the period was HK\$6,922,000.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the share options granted during the period ended 30 June 2008:

Dividend yield	—
Expected volatility	50.9%
Historical Volatility	50.9%
Risk-free interest rate	1.45% - 1.72%
Expected life of options	1.36 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

During the period under review, no options were exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme.

At 30 June 2008 and the date of this report, the Company had 32,613,707 share options outstanding under the Share Option Scheme which represented approximately 2.63% of the Company's shares in issue as at the respective dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 32,613,707 additional ordinary shares of the Company and additional share capital of HK\$16,306,854 and share premium of approximately HK\$145,989,000 (before issue expenses).

26

DIRECTORS' INTERESTS

As at 30 June 2008, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under the provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) **The Company**

Name of Director	Long positions in the shares				Capacity	Total	Percentage
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Lien Jown Jing, Vincent	1,397,700	Nil	Nil	Nil	Beneficial owner	1,397,700	0.11%
Lam Kin Ngok, Peter	2,794,443	Nil	Nil	5,668,519 (under share options)	Beneficial owner	8,462,962	0.68%
Cheung Wing Sum, Ambrose	2,794,443	Nil	Nil	5,668,519 (under share options)	Beneficial owner	8,462,962	0.68%
Leung Churk Yin, Jeanny	Nil	Nil	Nil	5,071,240 (under share options)	Beneficial owner	5,071,240	0.41%
Low Kit Leong	Nil	Nil	Nil	4,868,391 (under share options)	Beneficial owner	4,868,391	0.39%

(2) **Associated Corporation**

Lai Sun Development Company Limited ("LSD")

27

Name of Director	Long positions in the shares of LSD				Capacity	Total	Percentage
	Personal Interests	Family Interests	Corporate Interests				
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 (Note)	Beneficial owner	1,592,968,777	11.25%	
U Po Chu	633,400	Nil	Nil	Beneficial owner	633,400	0.004%	

Note:

Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares in LSD representing approximately 11.18% of the issued ordinary share capital of LSD. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.

Save as disclosed above, as at 30 June 2008, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 30 June 2008, the following persons had an interest in the following long positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	Long positions in the shares		Percentage
		Nature	Number of Shares	
Lai Sun Development Company Limited ("LSD")	Beneficial owner	Corporate interest	447,604,186	36.08%
Passport Global Master Fund SPC Ltd for and on behalf of portfolio A — global strategy	Investment manager	Corporate interest	126,743,261 <i>(Note 1)</i>	10.22%
Burbank, John H.	Owner of controlled corporation	Corporate interest	125,856,999 <i>(Notes 1 & 2)</i>	10.14%
Passport Capital, LLC	Investment manager	Corporate interest	125,856,999 <i>(Notes 1 & 3)</i>	10.14%
Passport Management, LLC	Investment manager	Corporate interest	125,856,999 <i>(Note 1)</i>	10.14%
Semler, Eric	Owner of controlled corporation	Corporate interest	107,349,000 <i>(Notes 1 & 4)</i>	8.65%
TCS Capital GP, LLC	Investment manager	Corporate interest	104,849,000 <i>(Note 1)</i>	8.45%
Och, Daniel Saul	Owner of controlled corporation	Corporate interest	86,279,500 <i>(Notes 1 & 5)</i>	6.95%
Och-Ziff Capital Management Group LLC	Owner of controlled corporation	Corporate interest	86,279,500 <i>(Notes 1 & 6)</i>	6.95%
OZ Management L. P.	Investment manager	Corporate interest	86,279,500 <i>(Note 1)</i>	6.95%

Notes:

1. Persons falling into the category of "Other Persons" in Paragraph 3.5 of Practice Note 5 of the Listing Rules.
2. Burbank, John H. was taken to be interested in 125,856,999 shares in the Company due to his beneficial interests in Passport Capital, LLC.
3. Passport Capital, LLC was taken to be interested in 125,856,999 shares in the Company due to its beneficial interests in Passport Management, LLC.
4. Semler, Eric was taken to be interested in 107,349,000 shares in the Company due to his beneficial interests in TCS Capital GP, LLC and another controlled corporation.
5. Och, Daniel Saul was taken to be interested in 86,279,500 shares in the Company due to his beneficial interests in Och-Ziff Capital Management Group LLC.
6. Och-Ziff Capital Management Group LLC was taken to be interested in 86,279,500 shares in the Company due to its beneficial interests in OZ Management, L. P..

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of equity derivatives and debentures of the Company as at 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

29

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 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code") on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules of the Stock Exchange. The Company has made specific enquiry of all the Directors who have confirmed their compliance with the required standard set out in the Code during the accounting period covered by the Interim Report.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 30 June 2008 has been reviewed by the Audit Committee of the Company. The Audit 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, 12 September 2008