eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

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	30 June
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
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**	—

	Notes	Six months ended **30 June 2008 (Unaudited)** ***HK$'000***	30 June 2007 (Unaudited) *HK$'000*
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**(100,366)**	548,742
DISCOUNTINUED OPERATION			
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION		**(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	*8*		
Basic			
— 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	*9*	**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	*10*	**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 investment at fair value through profit or loss		**16,811**	17,806
Film under production		**89,971**	33,560
Due from a jointly-controlled entity		**42,643**	90,842
Loan receivables		**27,300**	50,607
Debtors	*11*	**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

	Notes	**30 June 2008 (Unaudited)** *HK$'000*	31 December 2007 (Audited) *HK$'000*
CURRENT LIABILITIES			
Creditors, accruals and provision	*12*	**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	*13*	**620,366**	413,577
Reserves		**5,006,447**	4,255,641
		5,626,813	4,669,218
Minority interests		**351,207**	326,135
Total equity		**5,978,020**	4,995,353

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.

3. SEGMENT INFORMATION

(a) Business segments:

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

	Continuing operations												Discontinued operation			
	Media and entertainment Six months ended		Film production and distribution Six months ended		Advertising agency Six months ended		Cosmetics Six months ended		Corporate and others Six months ended		Total Six months ended		Satellite television Six months ended		Consolidated Six months ended	
	30 June 2008 (Unaudited) *HK$'000*	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited) *HK$'000***	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited) *HK$'000***	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited) *HK$'000***	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited) *HK$'000***	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited) *HK$'000***	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited) *HK$'000***	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited) *HK$'000***	30 June 2007 (Unaudited) *HK$'000*
Segment revenue:																
Sales to external customers	**65,705**	60,614	**41,551**	10,805	**7,517**	12,326	**8,806**	9,111	**—**	—	**123,579**	92,856	**53**	984	**123,632**	93,840
Other revenue	**2,897**	683	**421**	6	**—**	—	**2**	2	**66**	9	**3,386**	700	**22**	—	**3,408**	700
Total	**68,602**	61,297	**41,972**	10,811	**7,517**	12,326	**8,808**	9,113	**66**	9	**126,965**	93,556	**75**	984	**127,040**	94,540
Segment results	**(21,264)**	673	**(2,129)**	(15,868)	**(425)**	(1,048)	**(2,268)**	(3,158)	**(83,914)**	(102,708)	**(110,000)**	(122,109)	**(1,394)**	(16,621)	**(111,394)**	(138,730)
Unallocated interest and other gains															**9,855**	30,940
Gain on disposal of partial interests in a subsidiary	**—**	—	**—**	—	**—**	—	**—**	—	**—**	499,969	**—**	499,969	**—**	—	**—**	499,969
Gain on sale of equity investments at fair value through profit or loss	**—**	—	**—**	—	**—**	—	**—**	—	**12**	160	**12**	160	**—**	—	**12**	160
Gain on sale of available-for-sale investments	**—**	—	**—**	—	**—**	—	**—**	—	**—**	1,834	**—**	1,834	**—**	—	**—**	1,834
Fair value losses on equity investments at fair value through profit or loss	**—**	—	**—**	—	**—**	—	**—**	—	**(944)**	—	**(944)**	—	**—**	—	**(944)**	—
Profit/(loss) from operating activities															**(102,471)**	394,173
Finance costs															**(3,673)**	(4,352)
Share of profits and losses of jointly-controlled entities	**(2,338)**	635	**(34,593)**	—	**—**	—	**—**	—	**(41,312)**	(9,684)	**(78,243)**	(9,049)	**—**	—	**(78,243)**	(9,049)
Share of profits and losses of associates	**(5)**	—	**—**	(5,299)	**—**	—	**—**	—	**82,220**	156,648	**82,215**	151,349	**—**	—	**82,215**	151,349
Profit/(loss) before tax															**(102,172)**	532,121
Tax															**412**	—
Profit/(loss) for the period															**(101,760)**	532,121

(b) Geographical segments:

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

	Hong Kong Six months ended		Mainland China (including Macau) Six months ended		Others Six months ended		Consolidated Six months ended	
	30 June 2008 (Unaudited) ***HK$'000***	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited)** ***HK$'000***	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited)** ***HK$'000***	30 June 2007 (Unaudited) *HK$'000*	**30 June 2008 (Unaudited)** ***HK$'000***	30 June 2007 (Unaudited) *HK$'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 2008 (Unaudited) ***HK$'000***	30 June 2007 (Unaudited) *HK$'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)

* 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.

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
	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)	30 June 2007 (Unaudited)
	HK$'000	*HK$'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. 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)	30 June 2007 (Unaudited)
	HK$'000	*HK$'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.

9. 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).

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 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).

11. 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.

12. 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.

13. SHARE CAPITAL

	30 June 2008		31 December 2007	
	Number of shares (Unaudited)	**Nominal value (Unaudited)**	Number of shares (Audited)	Nominal value (Audited)
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.50 each	**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	**Issued share capital**	**Share premium account**	**Total**
	'000	*HK$'000*	*HK$'000*	*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.

14. 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.

15. 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.

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^{TM} (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^{TM}", 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 announcement, foundation work for Phase I of the project has been completed.

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 announcement, 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 announcement, 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.

As at the date of this announcement, 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 Hunghom 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.

For the six months ended 30 June 2008, LSD continued to benefit from reversionary rental income and the investment properties revaluation surplus. However, 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.

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

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.

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.

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.

REVIEW OF INTERIM RESULTS

The Interim Results of the Company for the six months ended 30 June 2008 have 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

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 and Madam U Po Chu and the independent non-executive directors are Mr. Alfred Donald Yap, Mr. Low Chee Keong and Mr. Tong Ka Wing, Carl.