



**eSun Holdings Limited**

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Interim Report 2007  
(Stock code: 571)

## PLACE OF INCORPORATION

Bermuda

## BOARD OF DIRECTORS

Lien Jown Jing, Vincent (*Chairman*)  
Leung Churk Yin, Jeanny (*Chief Executive Officer*) (appointed on 1st September, 2007)  
Lam Kin Ngok, Peter  
Liu Ngai Wing  
Cheung Wing Sum, Ambrose  
Low Kit Leong (appointed on 1st June, 2007)  
Lam Kin Ming  
Tam Wai Chu, Maria  
U Po Chu  
Alfred Donald Yap\*  
Low Chee Keong\*  
Tong Ka Wing, Carl\*

\* *Independent non-executive Directors*

## COMPANY SECRETARY

Yeung Kam Hoi

### **eSun Holdings Limited**

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*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 30th June, 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

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

## CONDENSED CONSOLIDATED BALANCE SHEET

30th June, 2007

	Notes	30th June, 2007 (Unaudited) HK\$'000	31st December, 2006 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		90,407	77,310
Goodwill		34,609	—
Interests in jointly-controlled entities		648,886	654,534
Interests in associates	12	2,087,252	1,992,165
Available-for-sale investments		28,228	34,704
Film products		85,930	—
Film rights		144,571	133,745
Deposits	13	4,667	10,048
Deferred tax assets		434	—
<b>Total non-current assets</b>		<b>3,124,984</b>	<b>2,902,506</b>
<b>CURRENT ASSETS</b>			
Inventories		4,900	3,338
Equity investment at fair value through profit or loss		16,865	20
Film products		691	—
Film under production		29,053	—
Self-produced and purchased programmes		372	269
Loan receivable		40,689	128,151
Debtors and deposits	13	260,419	117,577
Due from a jointly-controlled entity		88,834	—
Cash and cash equivalents		1,463,263	861,454
<b>Total current assets</b>		<b>1,905,086</b>	<b>1,110,809</b>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	14	424,026	250,252
Tax payable		7,758	2,642
Finance lease payables		64	31
<b>Total current liabilities</b>		<b>431,848</b>	<b>252,925</b>
<b>NET CURRENT ASSETS</b>		<b>1,473,238</b>	<b>857,884</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,598,222</b>	<b>3,760,390</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		(44)	—
Finance lease payables		(224)	(102)
Interest-bearing other borrowings		(139,739)	(135,399)
<b>Total non-current liabilities</b>		<b>(140,007)</b>	<b>(135,501)</b>
<b>Net assets</b>		<b>4,458,215</b>	<b>3,624,889</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	15	410,783	409,851
Reserves		3,828,290	3,214,842
<b>Minority interests</b>		<b>4,239,073</b>	<b>3,624,693</b>
		<b>219,142</b>	<b>196</b>
<b>Total equity</b>		<b>4,458,215</b>	<b>3,624,889</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

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

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	Six months ended	
	30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(216,931)	(132,208)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	811,105	(30,230)
NET CASH INFLOW FROM FINANCING ACTIVITIES	7,426	421,365
NET INCREASE IN CASH AND CASH EQUIVALENTS	601,600	258,927
Cash and cash equivalents at beginning of period	861,454	177,080
Effect of foreign exchange rate changes, net	209	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,463,263	436,007

### ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	50,248	16,009
Time deposits	1,413,015	419,998
	1,463,263	436,007

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30th June, 2007

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

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

### 2. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements for the period under review are the same as those used in the annual financial statements for the year ended 31st December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are applicable to the Group and are adopted for the first time for the current period's unaudited condensed consolidated interim financial statements:

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

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

### 3. SEGMENT INFORMATION

#### (a) Business segments:

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

	Media and entertainment*		Satellite television		Advertising agency		Cosmetics		Film production and distribution*		Corporate and others		Consolidated		
	Six months ended 30th June, 2007 (Unaudited) HK\$'000	Six months ended 30th June, 2006 (Unaudited) HK\$'000	Six months ended 30th June, 2007 (Unaudited) HK\$'000	Six months ended 30th June, 2006 (Unaudited) HK\$'000	Six months ended 30th June, 2007 (Unaudited) HK\$'000	Six months ended 30th June, 2006 (Unaudited) HK\$'000	Six months ended 30th June, 2007 (Unaudited) HK\$'000	Six months ended 30th June, 2006 (Unaudited) HK\$'000	Six months ended 30th June, 2007 (Unaudited) HK\$'000	Six months ended 30th June, 2006 (Unaudited) HK\$'000	Six months ended 30th June, 2007 (Unaudited) HK\$'000	Six months ended 30th June, 2006 (Unaudited) HK\$'000	Six months ended 30th June, 2007 (Unaudited) HK\$'000	Six months ended 30th June, 2006 (Unaudited) HK\$'000	Six months ended 30th June, 2007 (Unaudited) HK\$'000
Segment revenue:															
Sales to external customers	60,614	29,181	984	586	12,326	15,527	9,111	6,955	10,805	11,419	—	—	—	93,840	63,668
Other revenue	683	1,262	—	—	—	675	2	2	6	—	9	1,006	700	700	2,945
<b>Total</b>	<b>61,297</b>	<b>30,443</b>	<b>984</b>	<b>586</b>	<b>12,326</b>	<b>16,202</b>	<b>9,113</b>	<b>6,957</b>	<b>10,811</b>	<b>11,419</b>	<b>9</b>	<b>1,006</b>	<b>94,540</b>	<b>94,540</b>	<b>66,613</b>
<b>Segment results</b>	<b>673</b>	<b>(1,344)</b>	<b>(16,621)</b>	<b>(15,997)</b>	<b>(1,048)</b>	<b>1,315</b>	<b>(3,158)</b>	<b>(3,225)</b>	<b>(15,868)</b>	<b>302</b>	<b>(102,708)</b>	<b>(42,613)</b>	<b>(138,730)</b>	<b>(138,730)</b>	<b>(61,562)</b>
Unallocated interest and other gains														30,940	5,783
Gain on disposal of partial interests in a subsidiary											499,969	—	—	499,969	—
Gain on sale of equity investments at fair value through profit or loss										160	160	—	160	160	—
Gain on sale of an available-for-sale investment										1,834	1,834	—	1,834	1,834	—
Profit/(loss) from operating activities														394,173	(65,779)
Finance costs														(4,352)	(4,518)
Share of profits and losses of jointly-controlled entities	635	(1,369)									(9,684)	—		(9,049)	(1,369)
Share of profits and losses of associates									(5,299)	6,174	156,648	109,506		151,349	115,680
Profit before tax														532,121	54,014
Tax														—	—
Profit for the period														532,121	54,014

\* During the period, the film production and distribution business of the Group constituted a reportable business segment in accordance with the requirements of HKAS 14 "Segment Reporting" ("HKAS 14"). Accordingly, the comparative figures for the film production and distribution business segment for the six months ended 30th June, 2006, which were previously included in the "Media and entertainment" segment, were separately disclosed as "Film production and distribution" segment to conform to the current period's presentation.

(b) **Geographical segments:**

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

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

4. **OTHER REVENUE**

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

5. **PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

	Note	Six months ended	
		30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000
The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):			
Cost of film products		1,942	—
Cost of film rights and license rights		5,810	9,410
Cost of self-produced and purchased programmes		9,451	11,611
Cost of services provided		54,391	32,326
Cost of inventories sold		5,044	5,629
Total cost of sales		<b>76,638</b>	<b>58,976</b>
Write-back of provision for bad and doubtful debts		(124)	—
Provision for bad and doubtful debts		—	417
Depreciation		4,402	3,065
Amortisation of prepaid land lease payment*		—	644
Amortisation of film rights**		5,307	8,148
Foreign exchange gains		(1,840)	(51)
Provision for indemnity	17	25,000	—

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

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

## 6. FINANCE COSTS

	Six months ended	
	30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000
Interest on bank and other borrowings wholly repayable within five years	4,346	4,510
Interest on finance leases	6	8
	<b>4,352</b>	<b>4,518</b>

## 7. TAX

No provision for Hong Kong profits tax has been made during the current period as there are no assessable profits generated during the current period (six months ended 30th June, 2006: Nil).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

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

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

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

## 9. INTERIM DIVIDEND

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

## 10. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period.

		Six months ended	
		30th June, 2007 (Unaudited) HK\$'000	30th June, 2006 (Unaudited) HK\$'000
Associates:			
Artiste management fee income	(i)	372	—
Distribution commission expense	(ii)	1,191	1,697
Rental expense	(iii)	693	782
Jointly-controlled entities:			
Consultancy and production service fee expense	(iv)	1,089	1,440
Related companies:			
Advertising income (a)	(v)	648	7,372

- (a) The related companies are (I) associates of Lai Sun Development Company Limited (“LSD”), (II) subsidiaries of Lai Fung Holdings Limited (“Lai Fung”), of which certain directors of the Company are also directors and key management personnel of Lai Fung.

### Notes:

- (i) The artiste management fee income was charged on a basis mutually agreed by the respective parties.
- (ii) The distribution commission expense was charged at a rate of 5% or 15% on the gross licence fee income.
- (iii) The rental expense was charged with reference to market rates.
- (iv) The consultancy and production service fee expense was charged on a basis mutually agreed by the respective parties.
- (v) The advertising income received from the related companies was charged with reference to market rates.

## 11. BUSINESS COMBINATION

On 30th April, 2007, the Group made a voluntary cash offer (the “Offer”) to acquire all the issued ordinary shares of HK\$0.10 each in the capital of Media Asia Entertainment Group Limited (“MAEG”), other than those already owned, controlled or agreed to be acquired directly or indirectly by the Group, for a consideration of S\$0.265 in cash for each offer share.

On 11th June, 2007, the Group announced that the Offer had closed. Upon closing, valid acceptances under the Offer had been received in respect of 146,652,848 offer shares, which when taken together with 89,591,568 shares already held by the Group, represent approximately 98.44% of the entire issued share capital of MAEG. The purchase consideration for the acquisition was in the form of cash of HK\$198,820,000.

On 28th June, 2007, notice is given by the Group for a compulsory acquisition to acquire all the shares of the remaining shareholders of MAEG at a price of S\$0.265 per share in cash. Upon completion in August 2007, the Group completed the privatization and delisting of MAEG on the Singapore Exchange and MAEG became a wholly-owned subsidiary of the Group.

MAEG is engaged in (i) the production of, and investment in, Chinese language films, the sale and distribution of such films and the provision of related consultancy and agency services; (ii) the provision of distribution services in relation to films owned by third parties; and (iii) the distribution of video format products (such as VCD and DVD) derived from films and made-for-video programmes produced by it, as well as from films owned by third parties, which have been licensed-in by it for distribution in video format.

The fair values and the carrying amounts of the identifiable assets and liabilities of MAEG as at the date of acquisition immediately before the acquisition were as follows:

	<b>Fair values and carrying amounts HK\$'000</b>
Property, plant and equipment	581
Interests in jointly-controlled entities	88,824
Other non-current assets	86,364
Cash and bank balances	113,652
Trade receivables	27,210
Other current assets	70,978
Trade payables	(413)
Other current liabilities	(97,457)
Other non-current liabilities	(44)
	<hr/>
	289,695
Minority interests	631
	<hr/>
	290,326
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Percentage of MAEG interests acquired in the Offer up to 30th June, 2007	61.11%
Fair values of assets acquired thereon	177,405
Goodwill on acquisition	21,415
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Satisfied by cash	198,820
	<hr/> <hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries as follows:

	<b>HK\$'000</b>
Cash consideration	(198,820)
Cash and bank balances acquired	113,652
	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(85,168)
	<hr/> <hr/>

Since its acquisition, MAEG contributed HK\$3,377,000 to the Group's turnover and HK\$2,412,000 loss to the consolidated profit for the period ended 30 June 2007.

Had the combination taken place at the beginning of the period, the turnover from continuing operations of the Group and the profit of the Group for the period would have been HK\$135,720,000 and HK\$522,907,000, respectively.

## 12. INTERESTS IN ASSOCIATES

The balance mainly includes the Group's interests in LSD.

### Interests in LSD

A cross holding position has been existing between LSD and the Company since 7th December, 2004. As at 30th June, 2007, the Group's interest in LSD was 36.72% and the LSD Group held in aggregate 34.75% in the issued share capital of the Company.

The Group's share of net assets of the LSD Group is included in the Group's interests in associates. The Group's share of profits and losses of the LSD Group included in the Group's share of profits and losses of associates, after taking into account the cross-holding effect between the Group and the LSD Group, for the six months ended 30th June, 2007 was HK\$156,648,000 (six months ended 30th June, 2006: HK\$109,506,000).

## 13. DEBTORS AND DEPOSITS

Trading terms with customers are largely on credit. Invoices are normally payable within 30 to 60 days of issuance, except for certain well established customers, where the terms are extended to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade debtors as at 30th June, 2007 and 31st December, 2006 is as follows:

	<b>30th June, 2007 (Unaudited) HK\$'000</b>	31st December, 2006 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	<b>29,468</b>	13,787
31-60 days	<b>7,676</b>	7,022
61-90 days	<b>2,236</b>	2,806
Over 90 days	<b>6,105</b>	3,367
	<b>45,485</b>	26,982
Other receivables, prepayments and deposits	<b>219,601</b>	100,643
	<b>265,086</b>	127,625
Portion classified as current portion	<b>(260,419)</b>	(117,577)
Non-current portion	<b>4,667</b>	10,048

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

Included in trade debtors and other receivables are amounts due from related companies of HK\$670,000 (31st December, 2006: HK\$929,000). At 31st December, 2006, included in trade debtors and other receivables were amounts due from the Group's associates of HK\$3,631,000. These balances arose from the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable on similar credit terms to those offered to major customers of the Group.

#### 14. CREDITORS AND ACCRUALS

An aged analysis of the trade creditors as at 30th June, 2007 and 31st December, 2006 is as follows:

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

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

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

#### 15. SHARE CAPITAL

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	<b>30th June, 2007</b>		31st December, 2006	
	<b>Number of shares (Unaudited) '000</b>	<b>Nominal value (Unaudited) HK\$'000</b>	Number of shares (Audited) '000	Nominal value (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	<b>2,000,000</b>	<b>1,000,000</b>	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	<b>821,566</b>	<b>410,783</b>	819,703	409,851

Movements in the Company's issued share capital are summarised as follows:

	<b>Number of ordinary shares '000</b>	<b>Issued share capital HK\$'000</b>	<b>Share premium account HK\$'000</b>	<b>Total HK\$'000</b>
At 1st January, 2006 (Audited)	745,185	372,592	3,001,935	3,374,527
Issue of shares (a)	74,518	37,259	394,945	432,204
Share issue expenses (a)	—	—	(6,711)	(6,711)
At 31st December, 2006 and 1st January, 2007 (Audited)	819,703	409,851	3,390,169	3,800,020
Issue of shares on exercise of share options (b)	1,863	932	7,168	8,100
At 30th June, 2007 (Unaudited)	821,566	410,783	3,397,337	3,808,120

- (a) On 15th March, 2006, the Company entered into a placing agreement with placing agents pursuant to which a total of 74,518,000 new ordinary shares of the Company were issued and allotted to not less than six institutional investors for cash at a subscription price of HK\$5.80 per share (the "Placement"). The Placement was completed on 29th March, 2006. Proceeds of approximately HK\$425 million, after deduction of share issue expenses of HK\$6.7 million, were used to finance the development project in Macau and as general working capital of the Group.
- (b) During the period, share options granted under a share option scheme (the "Share Option Scheme") were exercised to subscribe for 1,862,962 ordinary shares of HK\$0.50 each at a subscription price of HK\$4.00 per share. Total cash consideration of approximately HK\$7,452,000 was received.

## 16. COMMITMENTS

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

	<b>30th June, 2007 (Unaudited) HK\$'000</b>	31st December, 2006 (Audited) HK\$'000
Commitments in respect of:		
Acquisition of land and buildings	9,457	12,159
Acquisition of leasehold improvements and equipment	136	3,084
	<b>9,593</b>	15,243
Commitments in respect of capital contributions payable to a jointly-controlled entity		
	<b>468,708</b>	466,338
	<b>478,301</b>	481,581

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

	<b>30th June, 2007 (Unaudited) HK\$'000</b>	31st December, 2006 (Audited) HK\$'000
Contracted, but not provided for	<b>510,835</b>	397,433

- (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:

	<b>30th June, 2007 (Unaudited) HK\$'000</b>	31st December, 2006 (Audited) HK\$'000
Within one year	<b>3,473</b>	2,847
In the second to fifth years, inclusive	<b>510</b>	877
	<b>3,983</b>	3,724

## 17. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the unaudited condensed consolidated interim financial statements at the balance sheet date were as follows:

	<b>30th June, 2007 (Unaudited) HK\$'000</b>	31st December, 2006 (Audited) HK\$'000
Guarantee given to LSD in connection with the disposal of an associate to LSD	—	25,000

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

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

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

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

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## 18. COMPARATIVE AMOUNTS

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

## INTERIM DIVIDEND

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview of Interim Results

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

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

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

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

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

## BUSINESS REVIEW

### Macao Studio City

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

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

#### *Joint venture arrangements*

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

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

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

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

#### *Component partnerships*

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

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

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

#### *Project progress*

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

### **Media and Entertainment**

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

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

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

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

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

#### *Live Entertainment*

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

### *Music Production and Distribution*

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

### *Satellite Television*

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

### **Lai Sun Development Company Limited**

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

## **PROSPECTS**

### **Overall**

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

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### **Macao Studio City**

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

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

## **Media and entertainment**

### *Film production and distribution*

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

### *Entertainment and music production*

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

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

## **Lai Sun Development Company Limited**

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

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

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

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

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

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

As at 30th June, 2007, the unsecured other borrowings from a former shareholder of the Company with the principal amount of HK\$112,938,000 is interest-bearing at the HSBC prime rate per annum, and is not repayable within one year. The Group recorded interest accruals of HK\$26,801,000 for the other borrowings as at 30th June, 2007. In addition, certain land and buildings of the Group with a carrying amount of HK\$63,389,000 were pledged to a bank to secure general banking facilities granted to the Group. As at 30th June, 2007, the general banking facilities were not utilized by the Group. Also, the Group has finance lease payables of HK\$64,000 falling due within one year, HK\$66,000 falling due within the second year and HK\$158,000 falling due within the third to fifth years, as at 30th June, 2007.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 3% as at 30th June, 2007. All of the Group's borrowings are denominated in Hong Kong dollars and the majority of which are floating rate debts. No financial instruments for hedging purposes were employed by the Group during the period under review.

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

#### **CONTINGENT LIABILITIES**

Details of contingent liabilities of the Group at the balance sheet date are set out in note 17 to the unaudited condensed consolidated interim financial statements.

#### **EMPLOYEES AND REMUNERATION POLICIES**

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The Group employed a total of approximately 280 employees as at 30th June, 2007. The total staff costs for the six months ended 30th June, 2007 were approximately HK\$60,940,000. 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 23rd December, 2005.

## SHARE OPTION SCHEME

The Company operates the Share Option Scheme 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. The Share Option Scheme was adopted by the Company on 23rd December, 2005 (the "Adoption Date") and became effective on 5th January, 2006 and unless otherwise cancelled or amended, will remain in force for 10 years from the latter date. The principal terms of the Share Option Scheme are:

- (a) The total number of Shares in respect of which Options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the total number of Shares in issue on the Adoption Date unless the 10% limit has been refreshed on shareholders' approval. The maximum number of shares issuable under share options granted to each Participant in the Share Option Scheme within any 12-month period must not exceed to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.
- (b) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (base on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.
- (c) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK\$1 in total by the grantee. The exercise period of the share options granted (the "Option Period") is determinable by the board of directors in its absolute discretion.
- (d) The subscription (or exercise) price of any share option is determinable by the directors, but shall not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the six months ended 30th June, 2007:

Name or category of participant	Number of share options					At 30th June, 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Closing share price at date of grant HK\$ per share
	At 1st January, 2007	Granted during the period	Exercised during the period <sup>‡</sup>	Lapsed during the period	Cancelled during the period					
<b>Directors</b>										
Lam Kin Ngok, Peter	1,862,962	—	—	—	—	1,862,962	24/2/2006	1/1/2007 to 31/12/2007	4.00	3.60
	1,862,962	—	—	—	—	1,862,962	24/2/2006	1/1/2008 to 31/12/2008	4.25	3.60
	1,862,962	—	—	—	—	1,862,962	24/2/2006	1/1/2009 to 31/12/2009	4.50	3.60
	1,862,963	—	—	—	—	1,862,963	24/2/2006	1/1/2010 to 31/12/2010	4.75	3.60
	7,451,849	—	—	—	—	7,451,849				
Cheung Wing Sum, Ambrose	1,862,962	—	—	—	—	1,862,962	24/2/2006	1/1/2007 to 31/12/2007	4.00	3.60
	1,862,962	—	—	—	—	1,862,962	24/2/2006	1/1/2008 to 31/12/2008	4.25	3.60
	1,862,962	—	—	—	—	1,862,962	24/2/2006	1/1/2009 to 31/12/2009	4.50	3.60
	1,862,963	—	—	—	—	1,862,963	24/2/2006	1/1/2010 to 31/12/2010	4.75	3.60
	7,451,849	—	—	—	—	7,451,849				
<b>Other employees</b> (In aggregate)										
	1,862,962	—	(1,862,962)	—	—	—	14/2/2006	1/1/2007 to 31/12/2007	4.00	3.20
	1,862,962	—	—	—	—	1,862,962	14/2/2006	1/1/2008 to 31/12/2008	4.50	3.20
	1,862,962	—	—	—	—	1,862,962	14/2/2006	1/1/2009 to 31/12/2009	5.00	3.20
	1,862,963	—	—	—	—	1,862,963	14/2/2006	1/1/2010 to 31/12/2010	5.50	3.20
	1,862,962	—	—	—	—	1,862,962	24/2/2006	1/1/2007 to 31/12/2007	4.00	3.60
	1,862,962	—	—	—	—	1,862,962	24/2/2006	1/1/2008 to 31/12/2008	4.25	3.60
	1,862,962	—	—	—	—	1,862,962	24/2/2006	1/1/2009 to 31/12/2009	4.50	3.60
	1,862,963	—	—	—	—	1,862,963	24/2/2006	1/1/2010 to 31/12/2010	4.75	3.60
	14,903,698	—	(1,862,962)	—	—	13,040,736				
	29,807,396	—	(1,862,962)	—	—	27,944,434				

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

- # The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$6.15 per share.
- \* The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- \*\* 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.

At 30th June, 2007 and at the date of this report, the Company has 27,944,434 share options outstanding under the Share Option Scheme representing approximately 3.4% of the Company's shares in issue as at the respective dates. Exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 27,944,434 additional ordinary shares of the Company and an increase in issued share capital of HK\$13,972,217 and share premium of HK\$111,777,738 (before issue expenses).

## DIRECTORS' INTERESTS

As at 30th June, 2007, 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; 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:

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### (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	931,800	Nil	Nil	Nil	Beneficial owner	931,800	0.11%
Lam Kin Ngok, Peter	Nil	Nil	Nil	7,451,849 (under share options)	Beneficial owner	7,451,849	0.91%
Cheung Wing Sum, Ambrose	Nil	Nil	Nil	7,451,849 (under share options)	Beneficial owner	7,451,849	0.91%

(2) **Associated Corporation**

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

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 <i>(Note)</i>	Beneficial owner	1,592,968,777	11.25%	
Liu Ngai Wing	800	Nil	Nil	Beneficial owner	800	0.000006%	
U Po Chu	633,400	Nil	Nil	Beneficial owner	633,400	0.005%	

*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% in 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 30th June, 2007, 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 30th June, 2007, 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		
		Nature	Number of Shares	Percentage
Lai Sun Development Company Limited ("LSD")	Beneficial owner	Corporate interest	285,512,791	34.75%
Semler, Eric	Owner of controlled corporation	Corporate interest	75,031,000 (Note 1 & 2)	9.15%
TCS Capital GP, LLC	Investment manager	Corporate interest	74,161,000 (Note 1)	9.05%
OZ Management, L.L.C.	Investment manager	Corporate interest	65,590,000 (Note 1)	8.00%
Jarvis, David R.	Owner of controlled corporation	Corporate interest	49,622,000 (Note 1 & 3)	6.05%
Maclean, Malcolm F.	Owner of controlled corporation	Corporate interest	49,622,000 (Note 1 & 4)	6.05%
Mercury Real Estate Advisors, LLC	Investment manager	Corporate interest	49,622,000 (Note 1)	6.05%

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### Notes:

1. Persons falling into the category of "Other Persons" in Practice Note 5 of the Listing Rules.
2. Semler, Eric was taken to be interested in 75,031,000 shares in the Company due to his beneficial interests in TCS Capital GP, LLC and another controlled corporation.
3. Jarvis, David R. was taken to be interested in 49,622,000 shares in the Company due to his beneficial interests in Mercury Real Estate Advisors, LLC.
4. Maclean, Malcolm F. was taken to be interested in 49,622,000 shares in the Company due to his beneficial interests in Mercury Real Estate Advisors, LLC.

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 30th June, 2007.

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

During the six months ended 30th June, 2007, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") of the Stock Exchange throughout the accounting period covered by the Interim Report save for a deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive directors of the Company is appointed for a specific term. However, all directors of the Company are subject to the retirement provisions under the bye-laws of the Company which provides that the directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring director shall be eligible for re-election.

## **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.

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## **REVIEW OF INTERIM REPORT**

The Interim Report of the Company for the six months ended 30th June, 2007 has been reviewed by the audit committee of the Company. The committee comprises the three independent non-executive directors of the Company, namely Messrs. Alfred Donald Yap, Low Chee Keong and Tong Ka Wing, Carl.

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

Hong Kong, 14th September, 2007