eSun Holdings Limited

豐德麗控股有限公司

(Stock Code: 571)

(Incorporated in Bermuda with limited liability)

Interim Report 2011 - 2012

Cover Photo:

Shanghai May Flower Plaza

(one of the property projects of Lai Fung Holdings Limited, an associate of the Company)

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ngok, Peter
Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Cheung Sum, Sam

Non-executive Directors

U Po Chu
Albert Thomas da Rosa, Junior
Andrew Y. Yan

Independent Non-executive Directors

Low Chee Keong *(Chairman)*
Alfred Donald Yap
Ng Lai Man, Carmen
Lo Kwok Kwei, David

AUDIT COMMITTEE

Ng Lai Man, Carmen *(Chairwoman)*
Alfred Donald Yap
Low Chee Keong

REMUNERATION COMMITTEE

Low Chee Keong *(Chairman)*
Ng Lai Man, Carmen
Alfred Donald Yap
Lui Siu Tsuen, Richard

COMPANY SECRETARY

Kwok Siu Man

AUTHORISED REPRESENTATIVES

Lui Siu Tsuen, Richard
Kwok Siu Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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Lai Sun Commercial Centre
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BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE IN BERMUDA

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

SHARES INFORMATION

Place of Listing

The Main Board of The Stock Exchange
of Hong Kong Limited

Stock Code

571

Board Lot

2,000 shares

WEBSITE

www.esun.com

INVESTOR RELATIONS

ir@esun.com

CHAIRMAN'S STATEMENT

Overview of Interim Results

For the six months ended 31 January 2012, the Company and its subsidiaries (together the "**Group**") recorded a turnover of HK$236.1 million (six months ended 31 January 2011: HK$306.3 million), representing a decrease of 22.9% over the corresponding period last year. The Group recorded a loss attributable to shareholders of HK$58.8 million (six months ended 31 January 2011: profit of HK$683.9 million). The results compared to the same period last year was primarily due to the following non-cash/non-recurring items:

– a negative fair value effect from the change in fair value of the forward contract associated with the contractual commitment for issuance of unsecured and unguaranteed 3-year zero coupon convertible notes by Media Asia Group Holdings Limited ("**MAGHL**"), which is a 51.09%-owned subsidiary of the Company, on the first anniversary of 9 June 2011 as part of the acquisition of MAGHL by certain subscribers;

– the absence of one-off gain from the shares swap transactions completed on 30 September 2010 (as explained in Note 8 of Notes to Financial Statements, the "**Reorganisation**"); and

– a decrease in the Group's share of profits and losses of associates which was mainly attributable to contributions from Lai Fung Holdings Limited ("**Lai Fung**").

Interim Dividend

The board of directors of the Company (the "**Board**") does not recommend the payment of an interim dividend for the six months ended 31 January 2012 (six months ended 31 January 2011: Nil).

Business Review and Outlook

The Group delivered an encouraging performance during the six months ended 31 January 2012 compared to the same period last year. The reduction in turnover contribution was mainly due to fewer blockbuster titles and major events. However, the number of live show events which the Group organised or participated in increased to 65 in the period under review compared to 55 in the same period last year. Music production and distribution also demonstrated good momentum with the number of albums released almost doubled to 50 from 26. The Group expects this momentum to continue given an underlying schedule of new releases in movies, events and music albums in the second half of 2012.

MAGHL

Acquisition of MAGHL (in which the Company has a 51.09% shareholding interest) strengthened our media and entertainment businesses and provided a dedicated platform for the Group to better leverage our resources to deliver our China strategy in this segment, including film production, music production, distribution and publishing, artiste management, new media (such as internet content licensing), live entertainment and television program production and distribution, and investment in movie theatres. With the approval by MAGHL's independent shareholders of various continuing connected transactions recently proposed for better alignment of resources between the Group and MAGHL, the Company envisages MAGHL's financial contribution to the Group to improve going forward and deliver the synergy expected.

Lai Fung

Since completion of the Reorganisation, the Group now owns a 40.58% shareholding interest in Lai Fung and no longer has any shareholding interest in Lai Sun Development Company Limited ("**LSD**"). Despite the challenging operating environment in the Mainland of China, Lai Fung was able to deliver a good performance for the six months ended 31 January 2012. Net asset value increased steadily and net profit attributable to shareholders was broadly maintained.

In line with Lai Fung's prudent financial management strategy and given the current challenging operating environment in the property sector of the Mainland of China, Lai Fung has been reviewing different options to shore up working capital. Having considered the credit markets and the interest burden associated with any loan or debt issuance, the directors (excluding those directors who are members of the Independent Board Committee and will form their view after discussion with the independent financial adviser) of Lai Fung believe it would be in the best interests of Lai Fung and its shareholders as a whole to raise long-term equity capital through an Open Offer (as defined in an announcement dated 27 February 2012 and jointly issued by the Company and Lai Fung) which provides all shareholders with an equitable means to participate without suffering from shareholding dilution.

The Open Offer is fully underwritten by the Company with irrevocable undertakings from the Company and CapitaLand LF (Cayman) Holdings Co., Ltd., a substantial shareholder of Lai Fung, to subscribe for their assured entitlements. The Company is confident in the long-term prospects of Lai Fung and the Company's underwriting of the Open Offer will enable the Company to maintain and enhance the long-term value of its investment in Lai Fung. In addition, depending on the level of subscription of the Open Offer and the underwriting obligations of the Company, the Company's shareholding interests in Lai Fung may potentially increase to more than 50% of Lai Fung's issued share capital as enlarged by the Open Offer, in which case Lai Fung will become a subsidiary of the Company.

The Open Offer is expected to complete in June 2012. The Open Offer, subject to approvals from the respective shareholders of the Company and Lai Fung, is expected to raise approximately HK$990 million (net of expenses), which is intended to be used as working capital for applying (i) towards financing the existing property development projects of Lai Fung; and (ii) for identifying and proceeding with property projects that may emerge in the future.

*Creative Culture City Project in Hengqin (the "**Project**")*

Further to the joint announcement on 16 September 2011 whereby the Company and Lai Fung announced the entering into of a Cooperation Agreement with the Hengqin New District Management Committee to jointly invest in and develop the Project in Hengqin New District (in Zhuhai City, Guangdong province, the Mainland of China), the Group has made steady progress towards finalising the master plan for the Project.

The Project is still in its a preliminary stage. The parties will further negotiate the detailed terms of the cooperation and further updates will be made from time to time.

Further expansion through mergers and acquisitions

The Group will continue to look for suitable investment opportunities that have synergies with its existing core businesses in Hong Kong and overseas. In particular, the Group will look for investment opportunities that have good cash yield and potential for long term capital appreciation.

Other matters relating to the Company

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

In December 2008, the Company had sought to raise approximately HK$60 million through a share placement exercise (with the prospect of raising an additional HK$60 million if the placees exercised the accompanying warrants in full). The placing, which was primarily intended to finance the Group’s media and entertainment businesses and otherwise for general working capital purposes, did not ultimately proceed because Passport, at that time a substantial shareholder of the Company, obtained an ex-parte injunction temporarily restraining the Company from proceeding. In essence, Passport alleged that the Company and the directors acted improperly and that there was no good commercial reason for the placement.

On 8 June 2011, the Judge dismissed Passport’s claims against the Company and the directors. Passport then served a notice to appeal the decision. On 19 January 2012, the Judge further ordered Passport to pay the Company’s entire costs of the legal proceedings.

The Company is defending the appeal and challenging a part of the original decision; the hearing of the appeal will take place between 18 and 22 June 2012. On 29 March 2012, the Court of Appeal further ordered Passport to make an additional payment of HK$2.6 million into court by 12 April 2012 as security for the Company’s costs of the appeal.

Passport and its affiliates disposed of their entire shareholdings in the Company on 30 April 2010.

Shareholders and staff

On behalf of the Board, I would like to extend my heartfelt gratitude to the full trust and enormous support of our shareholders, customers and partners, as well as the unrelenting commitment and efforts of all our staff members, which set the Company on course for long-term success.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 29 March 2012

RESULTS

The board of directors (the "**Board**") of eSun Holdings Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 January 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2012

	Notes	**Six months ended 31 January 2012 (Unaudited) HK$'000**	Six months ended 31 January 2011 (Unaudited) HK$'000
TURNOVER	3	**236,147**	306,296
Cost of sales		**(164,017)**	(249,182)
Gross profit		**72,130**	57,114
Other revenue	4	**13,456**	12,452
Marketing expenses		**(24,196)**	(41,651)
Administrative expenses		**(163,583)**	(123,581)
Other operating gains		**8,675**	4,162
Other operating expenses		**(22,540)**	(87,372)
Fair value loss on a forward contract	5	**(112,580)**	—
LOSS FROM OPERATING ACTIVITIES	6	**(228,638)**	(178,876)
Finance costs	7	**(11,407)**	(3,573)
Gain on shares swap transactions	8	**—**	610,007
Share of profits and losses of jointly-controlled entities		**8,398**	(17,910)
Share of profits and losses of associates		**103,974**	269,690
PROFIT/(LOSS) BEFORE TAX		**(127,673)**	679,338
Income tax expense	9	**(861)**	(1,436)
PROFIT/(LOSS) FOR THE PERIOD		**(128,534)**	677,902
Attributable to:			
Owners of the Company		**(58,844)**	683,939
Non-controlling interests		**(69,690)**	(6,037)
		(128,534)	677,902
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
Basic and diluted		**(HK$0.05)**	HK$0.55

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2012

	Six months ended	
	31 January 2012 (Unaudited) HK$'000	31 January 2011 (Unaudited) HK$'000
PROFIT/(LOSS) FOR THE PERIOD	**(128,534)**	677,902
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange realignment on translation of foreign operations	**4,010**	1,913
Fair value loss of an available-for-sale investment	**(4,766)**	(191)
Release of investment revaluation reserve upon realisation of an available-for-sale investment	**–**	(150)
Share of other comprehensive income of jointly-controlled entities	**2**	251
Share of other comprehensive income of associates	**76,423**	115,965
Release of reserves upon disposal of an associate	**–**	(282,717)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**75,669**	(164,929)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(52,865)**	512,973
Attributable to:		
Owners of the Company	**16,825**	519,010
Non-controlling interests	**(69,690)**	(6,037)
	(52,865)	512,973

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2012

	Notes	**31 January 2012 (Unaudited) HK$'000**	31 July 2011 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**78,487**	77,639
Film rights		**49,770**	54,614
Film products		**78,968**	77,277
Music catalogs		**44,746**	48,287
Investments in jointly-controlled entities		**83,289**	74,303
Investments in associates	12	**4,634,245**	4,467,382
Available-for-sale investments		**197,249**	78,969
Held-to-maturity debt investments		**6,672**	—
Deposits, prepayments and other receivables		**86,214**	88,764
Total non-current assets		**5,259,640**	4,967,235
CURRENT ASSETS			
Loan receivable		**11,000**	11,000
Inventories		**6,919**	7,854
Equity investments at fair value through profit or loss		**1,066**	1,474
Films under production		**182,419**	104,090
Debtors	13	**88,169**	97,680
Deposits, prepayments and other receivables		**141,206**	123,647
Forward contract	5	**—**	8,336
Pledged deposit		**19,500**	12,960
Cash and cash equivalents		**2,197,303**	2,311,490
Total current assets		**2,647,582**	2,678,531
CURRENT LIABILITIES			
Creditors and accruals	14	**247,924**	334,561
Tax payable		**4,424**	2,789
Finance lease payables		**119**	125
Interest-bearing bank borrowings		**—**	12,229
Forward contract	5	**104,244**	—
Total current liabilities		**356,711**	349,704
NET CURRENT ASSETS		**2,290,871**	2,328,827
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,550,511**	7,296,062

	Notes	31 January 2012 (Unaudited) HK$'000	31 July 2011 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Finance lease payables		**(188)**	(247)
Interest-bearing other borrowings		**(167,446)**	(164,601)
Convertible notes	15	**(163,770)**	(155,422)
Deferred tax liabilities		**(61)**	(61)
Total non-current liabilities		**(331,465)**	(320,331)
Net assets		**7,219,046**	6,975,731
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	**621,606**	621,606
Reserves		**6,371,129**	6,215,880
		6,992,735	6,837,486
Non-controlling interests		**226,311**	138,245
Total equity		**7,219,046**	6,975,731

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2012

	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY									NON-CONTROLLING INTERESTS			TOTAL EQUITY
	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Share option reserve HK$'000	Share of net assets of subsidiaries HK$'000	Total HK$'000	HK$'000
At 1 August 2011 (Audited)	621,606	4,230,797	891,289	2,145	–	223,458	21,015	847,176	6,837,486	–	138,245	138,245	6,975,731
Loss for the period	–	–	–	–	–	–	–	(58,844)	(58,844)	–	(69,690)	(69,690)	(128,534)
Other comprehensive income/(loss) for the period:													
Exchange realignment on translation of foreign operations	–	–	–	–	–	4,010	–	–	4,010	–	–	–	4,010
Fair value loss of an available-for-sale investment	–	–	–	–	(4,766)	–	–	–	(4,766)	–	–	–	(4,766)
Share of other comprehensive income of jointly-controlled entities	–	–	–	–	–	2	–	–	2	–	–	–	2
Share of other comprehensive income of associates	–	–	–	–	–	76,423	–	–	76,423	–	–	–	76,423
Total comprehensive income/(loss) for the period	–	–	–	–	(4,766)	80,435	–	(58,844)	16,825	–	(69,690)	(69,690)	(52,865)
Equity-settled share option arrangements	–	–	–	314	–	–	–	–	314	1,153	1,104	2,257	2,571
Deemed acquisition of partial interests in subsidiaries arising from conversion of convertible notes and placing of new shares of MAGHL (as defined in note 5)	–	–	–	–	–	–	135,338	–	135,338	–	155,499	155,499	290,837
Share of reserve movements of associates	–	–	–	–	–	–	2,772	–	2,772	–	–	–	2,772
At 31 January 2012 (Unaudited)	**621,606**	**4,230,797**	**891,289**	**2,459**	**(4,766)**	**303,893**	**159,125**	**788,332**	**6,992,735**	**1,153**	**225,158**	**226,311**	**7,219,046**

	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY									NON-CONTROLLING INTERESTS	TOTAL EQUITY
	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 August 2010 (Unaudited)	620,366	4,227,678	891,289	13,764	257,912	28,840	10,351	(387,144)	5,663,056	321,057	5,984,113
Profit/(loss) for the period	–	–	–	–	–	–	–	683,939	683,939	(6,037)	677,902
Other comprehensive income for the period:											
Exchange realignment on translation of foreign operations	–	–	–	–	–	1,913	–	–	1,913	–	1,913
Fair value loss of an available-for-sale investment	–	–	–	–	(191)	–	–	–	(191)	–	(191)
Release of investment revaluation reserve upon realisation of an available-for-sale investment	–	–	–	–	(150)	–	–	–	(150)	–	(150)
Share of other comprehensive income of jointly-controlled entities	–	–	–	–	–	251	–	–	251	–	251
Share of other comprehensive income of associates	–	–	–	93	23,450	91,886	729	(193)	115,965	–	115,965
Release of reserves upon disposal of an associate	–	–	–	(4,715)	(281,021)	(1,696)	(2,100)	6,815	(282,717)	–	(282,717)
Total comprehensive income/(loss) for the period	–	–	–	(4,622)	(257,912)	92,354	(1,371)	690,561	519,010	(6,037)	512,973
Equity-settled share option arrangements	–	–	–	1,069	–	–	–	–	1,069	–	1,069
Release of reserve upon lapse of share options	–	–	–	(7,525)	–	–	–	7,525	–	–	–
Disposal of partial interests in a subsidiary to non-controlling interest	–	–	–	–	–	–	4,774	–	4,774	226	5,000
Shareholder loan from a non-controlling shareholder to a non-wholly-owned subsidiary	–	–	–	–	–	–	–	–	–	26	26
At 31 January 2011 (Unaudited)	620,366	4,227,678	891,289	2,686	–	121,194	13,754	310,942	6,187,909	315,272	6,503,181

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2012

	Six months ended	
	31 January 2012	31 January 2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(279,617)**	(52,849)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(116,873)**	(90,512)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**278,128**	(28,652)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(118,362)**	(172,013)
Cash and cash equivalents at the beginning of period	**2,311,490**	1,268,082
Effect of foreign exchange rate changes, net	**4,175**	3,126
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**2,197,303**	1,099,195
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**344,808**	222,975
Non-pledged time deposits with original maturity of less than three months when acquired	**1,852,495**	876,220
	2,197,303	1,099,195

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2012

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group (the "**Financial Statements**") for the six months ended 31 January 2012 have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee.

The unaudited 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 Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

During the period from 1 January 2011 to 31 July 2011, the Board resolved to change the financial year end date of the Company from 31 December to 31 July effective from 31 July 2011 in order to align the financial year end date of the Company with its other listed affiliates. The Financial Statements presented for the current period therefore covered a six-month period from 1 August 2011 to 31 January 2012. The corresponding comparative amounts presented for the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes, were prepared for the period from 1 August 2010 to 31 January 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of these unaudited Financial Statements for the period under review are the same as those used in the Group's audited consolidated financial statements for the period from 1 January 2011 to 31 July 2011.

In addition, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which also include HKASs and Interpretations) which are applicable to the Group for the first time for the current period's unaudited Financial Statements. The adoption of the above new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, which are applicable to the Group, that have been issued but are not yet effective, in these interim financial statements:

HKAS 1 (Amendments)	Presentation of financial statements — Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendments)	Amendments to HKAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendments)	Amendments to HKAS 32 — Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 (Amendments)	Amendments to HKFRS 7 — Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]

1 Effective for annual periods beginning on or after 1 January 2012
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2015

The amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The adoption of the amendments to HKAS 12 may have a material impact on deferred tax recognised for investment properties held by the Group's associates that are measured using the fair value model. The Group is in the process of assessing the impact from application of these amendments.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

Segment revenue/results:

	Media and entertainment Six months ended		Film production and distribution Six months ended		Cosmetic products Six months ended		Corporate and others Six months ended		Consolidated Six months ended	
	31 January 2012 (Unaudited) HK$'000	31 January 2011 (Unaudited) HK$'000	**31 January 2012 (Unaudited) HK$'000**	31 January 2011 (Unaudited) HK$'000	**31 January 2012 (Unaudited) HK$'000**	31 January 2011 (Unaudited) HK$'000	**31 January 2012 (Unaudited) HK$'000**	31 January 2011 (Unaudited) HK$'000	**31 January 2012 (Unaudited) HK$'000**	31 January 2011 (Unaudited) HK$'000
Segment revenue:										
Sales to external customers	**140,933**	181,392	**58,685**	96,454	**29,751**	20,077	**6,778**	8,373	**236,147**	306,296
Other revenue	**666**	3,112	**2,920**	2,794	**4**	108	**793**	486	**4,383**	6,500
Total	**141,599**	184,504	**61,605**	99,248	**29,755**	20,185	**7,571**	8,859	**240,530**	312,796
Segment results	**(21,990)**	(42,682)	**(12,183)**	(36,393)	**5,166**	1,188	**(101,250)**	(106,932)	**(130,257)**	(184,819)
Unallocated interest and other gains									**9,073**	5,952
Fair value gains/(losses) on unrealised equity investments at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**(408)**	21	**(408)**	21
Fair value gains/(losses) on realised equity investments at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**5,534**	(30)	**5,534**	(30)
Fair value loss on a forward contract									**(112,580)**	–
Loss from operating activities									**(228,638)**	(178,876)
Finance costs									**(11,407)**	(3,573)
Gain on shares swap transactions									**–**	610,007
Share of profits and losses of jointly-controlled entities	**484**	1,490	**7,914**	(4,969)	**–**	–	**–**	(14,431)	**8,398**	(17,910)
Share of profits and losses of associates	**(273)**	(427)	**–**	–	**–**	–	**104,247**	270,117	**103,974**	269,690
Profit/(loss) before tax									**(127,673)**	679,338
Income tax expense									**(861)**	(1,436)
Profit/(loss) for the period									**(128,534)**	677,902

Segment assets:

	Media and entertainment		Film production and distribution		Cosmetic products		Corporate and others		Consolidated	
	31 January 2012 (Unaudited) HK$'000	31 July 2011 (Audited) HK$'000	**31 January 2012 (Unaudited) HK$'000**	31 July 2011 (Audited) HK$'000	**31 January 2012 (Unaudited) HK$'000**	31 July 2011 (Audited) HK$'000	**31 January 2012 (Unaudited) HK$'000**	31 July 2011 (Audited) HK$'000	**31 January 2012 (Unaudited) HK$'000**	31 July 2011 (Audited) HK$'000
Segment assets	**906,689**	759,372	**599,915**	517,033	**23,509**	16,149	**1,454,588**	1,722,748	**2,984,701**	3,015,302
Investments in jointly-controlled entities	**11,034**	9,565	**72,255**	64,738	**–**	–	**–**	–	**83,289**	74,303
Investments in associates	**449**	690	**–**	–	**–**	–	**4,633,796**	4,466,692	**4,634,245**	4,467,382
Unallocated assets									**204,987**	88,779
Total assets									**7,907,222**	7,645,766

Note:

The cosmetic products business of the Group has constituted reportable segment of the Group in accordance with the requirements of HKFRS 8 "Operating Segments" for the six months ended 31 January 2012. Accordingly, the financial information of the business is presented separately and excluded from the 'Corporate and others' segment for the purpose of presentation of segment information in the unaudited Financial Statements. Comparative figures of the business as shown in the unaudited Financial Statements have been reclassified to conform to the current period's presentation.

4. OTHER REVENUE

	Six months ended	
	31 January 2012 (Unaudited) HK$'000	31 January 2011 (Unaudited) HK$'000
Bank interest income	**6,980**	970
Interest income on held-to-maturity debt investments	**453**	473
Interest income from an amount due from a jointly-controlled entity	**1,571**	1,103
Distribution income from an unlisted available-for-sale investment	**—**	2,715
Consultancy service income from a jointly-controlled entity	**2,031**	1,933
Others	**2,421**	5,258
	13,456	12,452

5. FORWARD CONTRACT

Pursuant to a subscription agreement (the "**Subscription Agreement**") entered into between Perfect Sky Holdings Limited ("**Perfect Sky**", a wholly-owned subsidiary of the Company), Sun Great Investments Limited, Next Gen Entertainment Limited, Memestar Limited, On Chance Inc. and Grace Promise Limited (collectively the "**Other Subscriber(s)**") and the Media Asia Group Holdings Limited ("**MAGHL**") on 23 March 2011, among others, MAGHL:

— conditionally agreed to issue, and Perfect Sky and the Other Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$371,386,642 (the "**First Completion Convertible Notes**"); and

— conditionally agreed to issue, and Perfect Sky and the Other Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$224,873,937 (the "**Second Completion Convertible Notes**").

All conditions precedent to the completion of the subscription for the First Completion Convertible Notes were fulfilled on 9 June 2011 (the "**First Completion Date**").

Subject to the fulfilment of certain conditions, completion of the issue of the Second Completion Convertible Notes is expected to take place on the first anniversary of the First Completion Date of 9 June 2011, i.e. 9 June 2012.

MAGHL was contractually obligated to issue the Second Completion Convertible Notes to Perfect Sky and the Other Subscribers. In this regard, before the issue of the Second Completion Convertible Notes, the Subscription Agreement in respect of the issue of the Second Completion Convertible Notes constitutes a forward contract within the scope of HKAS 39 "Financial instruments: Recognition and Measurement", and is recognised at its fair value as an asset or a liability on the commitment date, and is subsequently remeasured at fair value with changes in fair value recognised in the consolidated income statement.

As at 31 January 2012, the Group recognised a derivative financial liability of HK$104,244,000 (31 July 2011: a derivative financial asset of HK$8,336,000) in respect of the forward contract on the Second Completion Convertible Notes, after eliminating the portion with Perfect Sky in the unaudited condensed consolidated statement of financial position. A fair value loss in respect of the forward contract of HK$112,580,000 (six months ended 31 January 2011: Nil) has been recognised in the unaudited condensed consolidated income statement for the six months ended 31 January 2012.

The fair values of the forward contract as at 31 January 2012 and 31 July 2011 were determined with reference to the valuations of the forward contract as at that dates performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuations have taken into account factors including adjusted weighted average market prices of the MAGHL's shares, volatilities and prevailing market interest rates etc.

6. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January 2012 (Unaudited) HK$'000	31 January 2011 (Unaudited) HK$'000
Cost of film rights, licence rights and film products	**38,626**	86,460
Cost of artiste management services, advertising agency services and services for entertainment events provided	**109,916**	150,868
Cost of inventories sold	**15,475**	11,854
Total cost of sales	**164,017**	249,182
Impairment of film rights**	**—**	3,033
Impairment of film products#	**—**	10,065
Impairment of music catalogs**	**—**	33,094
Impairment of films under production#	**80**	1,059
Provision for trade and other receivables**	**1,094**	—
Reversal of provision for advance to an artiste#	**—**	(2,125)
Reversal of provision for inventories#	**(517)**	(131)
Reversal of provision for other receivables#	**—**	(500)
Write-off of bad debts**	**—**	129
Recovery of bad debts*	**—**	(168)
Loss on disposal of items of property, plant and equipment**	**228**	94
Depreciation	**4,944**	4,372
Amortisation of film rights#	**7,880**	8,096
Amortisation of film products#	**26,882**	61,538
Amortisation of music catalogs#	**3,541**	2,336
Fair value gains on unrealised equity investments at fair value through profit or loss*	**—**	(21)
Fair value losses on unrealised equity investments at fair value through profit or loss**	**408**	—
Fair value gains on realised equity investments at fair value through profit or loss*	**(5,534)**	—
Fair value losses on realised equity investments at fair value through profit or loss**	**—**	30
Fair value loss on a put option**	**—**	13,684
Foreign exchange differences, net	**4,995**	(423)

* *These items are included in "Other operating gains" on the face of the unaudited condensed consolidated income statement.*

** *These items are included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement.*

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended	
	31 January 2012 (Unaudited) HK$'000	31 January 2011 (Unaudited) HK$'000
Interest on other borrowings wholly repayable within five years	**2,845**	2,848
Interest on secured bank borrowings wholly repayable within five years	**213**	286
Interest on convertible notes	**8,348**	—
Interest on promissory notes	**—**	438
Interest on finance leases	**1**	1
	11,407	3,573

8. GAIN ON SHARES SWAP TRANSACTIONS

On 26 July 2010, the Company entered into a conditional shares swap agreement (the "**Shares Swap Agreement**") with Lai Sun Garment (International) Limited ("**LSG**"), a company in which a director of the Company (together with his associates) owns a controlling interest, pursuant to which:

(i) LSG transferred its entire shareholding interest in Lai Fung Holdings Limited ("**Lai Fung**"), representing approximately 40.58% of the issued share capital of Lai Fung, to the Company (the "**Lai Fung Transaction**") whereby the Company transferred its entire shareholding interest in Lai Sun Development Company Limited ("**LSD**"), representing approximately 36.72% of the issued share capital of LSD, to LSG (the "**LSD Transaction**" and collectively with the Lai Fung Transaction the "**Shares Swap Transactions**"); and

(ii) cash consideration of approximately HK$178.4 million was paid by the Company to LSG. All the conditions precedent under the Shares Swap Agreement were fulfilled and completion of the Shares Swap Transactions took place on 30 September 2010 (the "**Completion**").

Prior to the Completion, a cross-holding position existed between the Group and LSD whereby the LSD Group's interest in the Company was 36.08% and the Group held 36.72% of the issued share capital of LSD. Upon Completion of the Shares Swap Transactions, the Company no longer holds any interest in LSD whereas LSD continues to hold a 36.08% equity interest in the Company. Accordingly, the cross-holding relationship between the Company and LSD was eliminated.

During the six months ended 31 January 2011, the Group had a recognised gain on the Shares Swap Transactions as shown in the unaudited condensed consolidated income statement below:

	HK$'000
Gain on disposal of 36.72% equity interest in LSD	604,850
Gain on bargain purchase of 40.58% equity interest in Lai Fung	5,157
Gain on the Shares Swap Transactions	610,007

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made during the current period as there were no assessable profits arising in Hong Kong for the six months ended 31 January 2012. Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 31 January 2011. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31 January 2012 (Unaudited) HK$'000	31 January 2011 (Unaudited) HK$'000
Provision for tax for the period:		
Hong Kong	**–**	1,224
Elsewhere	**861**	212
	861	1,436

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company and the weighted average number of ordinary shares of 1,243,212,165 (six months ended 31 January 2011: 1,240,732,165) in issue during the period.

The calculation of basic earnings/(loss) per share is based on:

	Six months ended	
	31 January 2012 (Unaudited) HK$'000	31 January 2011 (Unaudited) HK$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	**(58,844)**	683,939

	Number of shares Six months ended	
	31 January 2012 (Unaudited)	31 January 2011 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**1,243,212,165**	1,240,732,165

The conversion of outstanding convertible notes issued by MAGHL has an anti-dilutive effect on the basic loss per share existed during the six months ended 31 January 2012.

The calculation of diluted loss per share for the six months ended 31 January 2012 has not assumed the exercise of the share options of MAGHL as no diluting events existed during that period.

The calculation of diluted earnings/(loss) per share for the six months ended 31 January 2012 and 31 January 2011 has not assumed the exercise of the share options of the Company as no diluting events existed during these periods.

11. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2012 (six months ended 31 January 2011: nil).

12. INVESTMENTS IN ASSOCIATES

The balance mainly includes the Group's investments in Lai Fung.

Investments in Lai Fung

As at 31 January 2012, the Group's investments in Lai Fung was 40.58% (31 July 2011: 40.58%).

For the six months ended 31 January 2012, the Group's share of the profit of the Lai Fung Group included in the Group's share of profits and losses of associates was HK$104,247,000. The share of profits of associates for the six months ended 31 January 2011 included mainly contributions from LSD of HK$130,457,000 for the period from 1 August 2010 to 30 September 2010 (including the cross-holding effects) and contributions from Lai Fung of HK$139,660,000 for the period from 1 October 2010 to 31 January 2011.

The Group's share of net assets of the Lai Fung Group is included in the Group's investments in associates as at 31 January 2012 and 31 July 2011 respectively.

13. DEBTORS

Trade debtors include receivables for advertising, sales of products, licensing income and distribution commission from music publishing, film products and film rights. Trading terms with customers are largely on credit. Invoices are normally payable within 30 to 90 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at 31 January 2012 and 31 July 2011 is as follows:

	31 January 2012 (Unaudited) HK$'000	31 July 2011 (Audited) HK$'000
Trade debtors:		
Neither past due nor impaired	**23,037**	44,850
1 - 90 days past due	**36,592**	21,608
Over 90 days past due	**28,540**	31,222
	88,169	97,680

Included in trade debtors are amounts due from related companies of HK$123,000 (31 July 2011: HK$7,000). The balances arose from the ordinary course of business of the Group. The balances are unsecured, interest-free and are subject to similar credit terms to those offered to major customers of the Group.

14. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the dates of receipt of the goods and services purchased, as at 31 January 2012 and 31 July 2011 is as follows:

	31 January 2012 (Unaudited) HK$'000	31 July 2011 (Audited) HK$'000
Trade creditors:		
Less than 30 days	**4,028**	7,430
31 - 60 days	**5,970**	946
61 - 90 days	**113**	420
Over 90 days	**1,017**	1,581
	11,128	10,377
Other creditors and accruals	**236,796**	324,184
	247,924	334,561

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

15. CONVERTIBLE NOTES

Pursuant to the Subscription Agreement (note 5), on 9 June 2011, MAGHL issued to the Subscribers and the Subscribers subscribed for the First Completion Convertible Notes in an aggregate principal amount of HK$371,386,642. The First Completion Convertible Notes are convertible, at the option of the holders, into the MAGHL's ordinary shares of HK$0.01 each during the period commencing on the First Completion Date and expiring on the date which is five business days preceding the maturity date.

The note holders may at any time before the maturity date, convert in whole or in part of the First Completion Convertible Notes at their option. The First Completion Convertible Notes with the principal amount of HK$170,000,000 carries the rights to convert the principal amount into 10,625,000,000 ordinary shares of MAGHL at a conversion price of HK$0.016 per share whereas the First Completion Convertible Notes with the principal amount of HK$201,386,642 carries a right to convert the principal amount into 7,231,118,192 ordinary shares of MAGHL at a conversion price of HK$0.02785 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the First Completion Convertible Notes, the First Completion Convertible Notes will be redeemed by MAGHL on the maturity date at the principal amount outstanding.

On initial recognition, the fair value of the liability component was estimated at the issue date using an equivalent market interest rate for a similar convertible note without a conversion option. The residual amount is assigned as the equity component and included in equity.

15. CONVERTIBLE NOTES *(continued)*

The net proceeds received from the issue of the First Completion Convertible Notes after eliminating the subscription for the First Completion Convertible Notes by Perfect Sky, have been split into the liability and equity components, as follows:

	Group HK$'000
Nominal value	208,267
Equity component	(50,419)
Direct transaction costs attributable to the liability component	(4,830)
Liability component at the date of issue	153,018
Interest charged	2,404
Liability component at 31 July 2011	155,422
Interest charged	8,348
Liability component at 31 January 2012	**163,770**

MAGHL and CLSA Limited (the "**Placing Agent**") entered into a conditional placing agreement and a supplemental agreement on 28 July 2011 and 1 August 2011, respectively, pursuant to which the Placing Agent agreed to place up to 2,022,051,522 MAGHL's new shares (the "**Placing Shares**") at a price of HK$0.20 per Share (the "**Placing**"). The Placing was approved by the shareholders of MAGHL at the special general meeting of MAGHL held on 27 August 2011. The Placing was completed on 8 September 2011 and, an aggregate of 1,467,500,000 Placing Shares were issued to three independent placees. The net proceeds from the Placing amounted to approximately HK$290,837,000.

On 8 September 2011 and immediately before the completion of the Placing, Perfect Sky converted the First Completion Convertible Notes in an aggregate principal amount of HK$25,000,000 into 1,562,500,000 new shares of MAGHL (the "**Conversion**"). Immediately following the completion of the Conversion and Placing, MAGHL continues to remain as a subsidiary of the Company and the Company's shareholding interest in MAGHL has been increased from 50.94% to 51.09%.

HKAS 27 (Revised) requires that a change in the parent's ownership interest in a subsidiary without loss of control is accounted for as an equity transaction. The net impact for the change in the Company's shareholding interest in MAGHL from 50.94% to 51.09% as a result of the Conversion and Placing amounted to HK$135,338,000 has been credited directly in equity.

Further details of the Placing are set out in MAGHL's circular dated 11 August 2011 and the joint announcements of the Company and MAGHL dated 28 July 2011, 1 August 2011 and 8 September 2011.

The interest charged for the current period was calculated by applying an effective interest rate of 10.8% per annum to the liability component.

16. SHARE CAPITAL

	31 January 2012		31 July 2011	
	Number of shares (Unaudited) '000	**Nominal value (Unaudited) HK$'000**	Number of shares (Audited) '000	Nominal value (Audited) HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,500,000**	**1,250,000**	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,243,212**	**621,606**	1,243,212	621,606

17. COMMITMENTS

(a) The Group had the following capital commitments, contracted but not provided for, at the end of the reporting periods:

	31 January 2012 (Unaudited) HK$'000	31 July 2011 (Audited) HK$'000
Commitments in respect of:		
Acquisition of furniture, fixtures and equipment	**11,859**	—
Capital contribution payable to joint ventures to be established	**18,177**	15,624
Contribution to an available-for-sale investment	**69**	69
	30,105	15,693

(b) As at 31 January 2012, the Group leased certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the end of the reporting periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 January 2012 (Unaudited) HK$'000	31 July 2011 (Audited) HK$'000
Within one year	**10,242**	10,636
In the second to fifth years, inclusive	**8,091**	11,368
	18,333	22,004

18. LITIGATIONS

Litigation with Passport Special Opportunities Master Fund, LP and Passport Global Master Fund SPC Limited ("Passport")

In December 2008, the Company had sought to raise approximately HK$60 million through a share placement exercise (with the prospect of raising an additional HK$60 million if the placees exercised the accompanying warrants in full). The placing, which was primarily intended to finance the Group's media and entertainment businesses and otherwise for general working capital purposes, did not ultimately proceed because Passport, at that time a substantial shareholder of the Company, obtained an ex-parte injunction temporarily restraining the Company from proceeding. In essence, Passport alleged that the Company and the directors acted improperly and that there was no good commercial reason for the placement.

On 8 June 2011, the Judge dismissed Passport's claims against the Company and the directors. Passport then served a notice to appeal the decision. On 19 January 2012, the Judge further ordered Passport to pay the Company's entire costs of the legal proceedings.

The Company is defending the appeal and challenging a part of the original decision; the hearing of the appeals will take place between 18 and 22 June 2012. On 29 March 2012, the Court of Appeal further ordered Passport to make an additional payment of HK$2.6 million into court by 12 April 2012 as security for the Company's costs of the appeal.

Passport and its affiliates disposed of their entire shareholdings in the Company on 30 April 2010.

19. EVENTS AFTER THE REPORTING PERIOD

On 27 February 2012, the Company and Lai Fung issued a joint announcement (the "**Announcement**") in respect of the proposed Open Offer (as defined below) of Lai Fung and the Underwriting Arrangements in respect of the Open Offer between the Company and Lai Fung.

As stated in the Announcement, Lai Fung proposed to raise approximately HK$1,006 million, before expenses, by issuing 8,047,956,478 offer shares by way of an open offer (the "**Open Offer**") at the subscription price (the "**Subscription Price**") of HK$0.125 per offer share (the "**Offer Share**") on the basis of 1 offer share for every 1 share held by the qualifying shareholders of Lai Fung on the record date (the "**Record Date**", being 9 May 2012 or such other date as may be agreed as defined in the Announcement).

On 27 February 2012, the Company entered into an underwriting agreement with Lai Fung (the "**Underwriting Agreement**") pursuant to which the Company has irrevocably undertaken to Lai Fung to take up (or procure to be taken up) all the Offer Shares (including the CL Undertaken Shares (as defined below)) other than those undertaken to be procured for taking up by the Company. The maximum underwriting obligations to the Company is therefore approximately HK$1,006 million. All sums payable by the Company and its wholly-owned subsidiaries in this connection are intended to be funded by the internal resources of the Group.

CapitaLand LF (Cayman) Holdings Co., Ltd. ("**CL**"), a substantial shareholder of Lai Fung, beneficially owns 1,610,000,000 shares of Lai Fung, representing approximately 20% of the existing issued share capital of Lai Fung as at the date of the Announcement. CL has irrevocably undertaken to each of Lai Fung and the Company that, among other things, (i) it shall procure that all the 1,610,000,000 shares of Lai Fung shall remain beneficially and directly owned by it up to the Record Date; (ii) it shall subscribe and procure that its nominee shall subscribe for its full entitlement of 1,610,000,000 Offer Shares (the "**CL Undertaken Shares**") which will be allotted to it or its nominee; and (iii) it shall procure that acceptances in respect of the 1,610,000,000 Offer Shares.

The Open Offer and the obligations of the Company under the Underwriting Agreement are conditional upon certain conditions being fulfilled. An application has been made by the Company to the Securities and Futures Commissions of Hong Kong (the "**SFC**") for a waiver (the "**Whitewash Waiver**") to waive the obligations of the Company and the parties acting in concert with it to make a mandatory general offer arising from the terms of the Underwriting Agreement to acquire all the shares of Lai Fung not otherwise owned, controlled or agreed to be acquired by them (including the Offer Shares to be issued upon completion of the Open Offer) pursuant to the Hong Kong Code on Takeovers and Mergers. If the Whitewash Waiver is not granted by the SFC or not approved by the independent shareholders of Lai Fung, the Open Offer will not proceed.

19. EVENTS AFTER THE REPORTING PERIOD *(continued)*

The Underwriting Agreement may potentially increase the Company's shareholdings in Lai Fung to more than 50% whereupon Lai Fung will become a subsidiary of the Company. In that case, the Underwriting Agreement will constitute a very substantial acquisition for the Company under the Listing Rules.

A special general meeting of the Company will be convened by the Company to approve the Underwriting Agreement and the transactions contemplated thereunder which constitute a very substantial acquisition in accordance with the Listing Rules. An extraordinary general meeting will be convened by Lai Fung to approve, among others, the Open Offer, the absence of excess application arrangement for the Offer Shares and the Whitewash Waiver.

Further details of the Open Offer and the Underwriting Arrangements are set out in the Announcement dated 27 February 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of results for the six months ended

For the six months ended 31 January 2012, the Group recorded a turnover of HK$236.1 million (six months ended 31 January 2011: HK$306.3 million), representing a decrease of 22.9% over the corresponding period last year. Gross profit increased to HK$72.1 million (six months ended 31 January 2011: HK$57.1 million), representing an increase of 26.3%. Reduction in turnover was essentially due to the release of a smaller number of blockbuster titles and the organisation of fewer major events compared to the same period last year. However, the cost of sales associated with the new releases and events were also lower, which led to an improvement in the gross profit of the Group.

Loss from operating activities was HK$228.6 million (six months ended 31 January 2011: HK$178.9 million), representing an increase of 27.8%. This is primarily due to the change in fair value of the forward contract associated with the contractual commitment for the issuance of unsecured and unguaranteed 3-year zero coupon convertible notes (the "**Second Completion Convertible Notes**") by Media Asia Group Holdings Limited ("**MAGHL**", formerly known as "Rojam Entertainment Holdings Limited") on the first anniversary of 9 June 2011 to certain subscribers (including the Group) as part of the acquisition of MAGHL by the said subscribers. Excluding the fair value loss from the forward contract, loss from operating activities was HK$116.1 million, representing a loss reduction of 35.1% over the same period last year.

The Group recorded a share of profits of associates of HK$104.0 million (six months ended 31 January 2011: HK$269.7 million). Following the completion of the shares swap transactions on 30 September 2010 (as explained in Note 8 of Notes to Financial Statements, the "**Reorganisation**"), the Group ceased to hold any shareholding interests in Lai Sun Development Company Limited ("**LSD**") and Lai Fung Holdings Limited ("**Lai Fung**") has since become an associate of the Company. The Group has been holding approximately 40.58% shareholding interests in Lai Fung since 30 September 2010. Accordingly, the share of profits of associates for the current reporting period was mainly attributable from Lai Fung. The share of profits of associates for the six months ended 31 January 2011 included mainly contributions from LSD of HK$130.5 million for the period from 1 August 2010 to 30 September 2010 (including the cross-holding effects) and contribution from Lai Fung of HK$139.7 million for the period from 1 October 2010 to 31 January 2011.

The Group's share of profits from jointly-controlled entities was HK$8.4 million, as compared to losses of HK$17.9 million for the six months ended 31 January 2011. As a result of the completion of the disposal of the Macao Studio City (the "**MSC**") project in July 2011, there had been no share of losses from the MSC project for the period under review.

For the six months ended 31 January 2011, the Group booked a one-off gain of HK$610.0 million as a result of the completion of the Reorganisation whereby the Company transferred its entire shareholding interests in LSD and acquired 40.58% shareholding interests in Lai Fung.

Finance costs during the six months ended 31 January 2012 amounted to HK$11.4 million (six months ended 31 January 2011: HK$3.6 million). The increase was due to the finance cost associated with the unsecured and unguaranteed 3-year zero coupon convertible notes issued by MAGHL in June 2011 (the "**First Completion Convertible Notes**").

As a result, the Group recorded a loss attributable to shareholders of HK$58.8 million (six months ended 31 January 2011: profit of HK$683.9 million).

Film production and distribution

Turnover was HK$58.7 million (six months ended 31 January 2011: HK$96.5 million). The reduction in turnover was due to the fact that the contribution from the new releases was lower than the contribution from the blockbuster titles in the prior period. During the period under review, the Group principally completed the photography of two films, with two other films in the production pipeline or under development.

The Group has released 2 films during the six months ended 31 January 2012, namely *1911 Revolution* and *Life Without Principle* as compared to 4 films released in the corresponding period in 2011, namely *Frozen, Legend of the Fist: The Return of Chen Zhen, Reign of Assassins* and *Bruce Lee, My Brother*. The Group's current production pipeline includes 14 films which are expected to be released during the course of 2012 and 2013.

Media and entertainment

Turnover was HK$140.9 million (six months ended 31 January 2011: HK$181.4 million). The reduction in turnover was primarily due to the production of fewer anchor live entertainment events even though there were a higher number of events organised.

Live entertainment

The Group's live entertainment division produced and participated in 65 (six months ended 31 January 2011: 55) concerts and entertainment events by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Han Hong (韓紅), Leon Lai, Miriam Yeung, Andy Hui, Denise Ho, Ivana Wong, William So and Ekin Cheng, in Hong Kong, the Mainland of China ("**China**"), Macau, Malaysia, Canada and the United States of America.

Since 31 January 2012 and up to the end of February 2012, the Group has organised and participated in 19 shows. The Group has scheduled a further 45 shows to take place in the financial year ending 31 July 2012.

Music production, distribution and publishing

The Group's music production and distribution division demonstrated robust momentum and released 50 albums (six months ended 31 January 2011: 26), including titles by Andy Lau, Sammi Cheng, Miriam Yeung, Denise Ho, Andy Hui, Ivana Wong, Ekin Cheng, William So and Eason Chan.

Since 31 January 2012, the Group has scheduled to release another 27 albums in the financial year ending 31 July 2012. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Television drama, content production and distribution

The Group has made investments, via content directors, producers and artistes from China, to produce renowned television dramas and content. 60 episodes of television dramas were produced for the six months ended 31 January 2012 (six months ended 31 January 2011: 100 episodes). The Group will continue its production and distribution expansion strategy through mergers and acquisitions.

New media

Goyeah.com is a video community launched by the Company in 2009 that provides not only FREE movies, the most popular Japanese animation, but also high quality content for the young generation.

Cinema operation

The Group through its subsidiary, MAGHL, has entered into an agreement with an independent party from China to establish a joint venture in a cinema project for a total investment of approximately RMB40 million. The cinema project will be located in a property currently under development in Sanlitun, Beijing, China. The cinema is expected to commence operations in 2014.

Cosmetic products

The Group has been engaging in the manufacture and sale of cosmetic products including shampoo, shower gel and lotion, etc under the licensed brandname "Crocobaby" for a number of years with sales focused in Southern China. During the period, sales of this segment has increased by 48.2% to HK$29.8 million as a result of continuing efforts put in by the operation team in expanding the key clientele and other distribution networks. Gross profit for the period has improved due to various cost reduction measures implemented during the period. Albeit the improved results achieved in the interim period, the general market environment for this business segment remains competitive. Performance of this segment for the second half year is expected to be lower than the first half due to its seasonality nature and the overall inflationary pressure on various cost factors.

Change of financial year end date

The financial year end date of the Company has been changed from 31 December to 31 July with effect from 31 July 2011 in order to align the financial year end date of the Company with its other listed affiliates.

By a letter dated 19 April 2011, The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granted to the Company: (i) a waiver from its strict compliance with Rule 13.49(6) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to publish a preliminary interim results announcement for the six months ended 30 June 2011 and (ii) a waiver from its strict compliance with Rule 13.48(1) of the Listing Rules to publish an interim report in respect of the same period.

Accordingly, the Company published the announcement of its final results for the seven months ended 31 July 2011. As there were no preliminary interim results announcement of the Company for the six months ended 30 June 2011, on 24 February 2012, the Stock Exchange agreed that the Company could calculate and present figures covering the six-month period from 1 August 2010 to 31 January 2011 (unaudited) as comparative figures in this Interim Report and its interim results announcement dated 29 March 2012, in order to present more meaningful information to the Company's shareholders for comparison by way of using a set of more recent comparative figures.

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

As at 31 January 2012, cash and cash equivalents held by the Group amounted to HK$2,197,303,000, of which over 95% was denominated in Hong Kong dollar and United States dollar currencies and 5% was denominated in Renminbi ("**RMB**"). As Hong Kong dollars are pegged to United States dollars, the Group considers that the corresponding exposure to exchange rate risk is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned.

As at 31 January 2012, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$112,938,000 which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals was HK$54,508,000 for the said unsecured other borrowings as at 31 January 2012. On 31 January 2012, at the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 January 2012.

As at 31 July 2011, a subsidiary company MAGHL had First Completion Convertible Notes with an aggregate principal amount of approximately HK$371,387,000, comprising approximately HK$163,120,000 and approximately HK$208,267,000 issued to the Group and other subscribers respectively. On 8 September 2011, the Group converted part of the First Completion Convertible Notes in an aggregate principal amount of HK$25,000,000 at a conversion price of HK$0.016 per share and accordingly, MAGHL has issued a total of 1,562,500,000 new shares to the Group. As at 31 January 2012, MAGHL had unsecured and unguaranteed First Completion Convertible Notes with an aggregate principal amount of approximately HK$346,387,000, comprising approximately HK$138,120,000 and HK$208,267,000 issued to the Group and other subscribers respectively. For accounting purposes, after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the convertible notes after adjusting for (i) accrued interest and (ii) intra-group elimination was HK$163,770,000 as at 31 January 2012. MAGHL has conditionally agreed to issue to each of the subscribers (including the Group), and each of the subscribers (including the Group) has conditionally agreed to subscribe for, unsecured and unguaranteed 3-year zero coupon convertible notes with an aggregate principal amount of approximately HK$224,874,000, comprising approximately HK$153,175,000 and approximately HK$71,699,000 to be issued to the Group and other subscribers respectively on the first anniversary of 9 June 2011.

As at 31 January 2012, a revolving term loan facility in the amount of HK$60 million was granted by a bank to the Group. The said loan facility is subject to an annual review by the bank for renewal and is secured by a pledge of the Group's land and buildings with a carrying amount of HK$54.5 million as at 31 January 2012. Such bank loan facility had not been utilised by the Group as at 31 January 2012. As at 31 January 2012, an unsecured revolving loan facility in the amount of HK$20 million was granted by another bank to the Group. The said unsecured loan facility is subject to an annual review by the bank for renewal and such bank loan facility had not been utilised by the Group as at 31 January 2012. During the six months ended 31 January 2012, MAGHL has been granted by a bank with a secured letter of credit facility in the amount of US$5 million (equivalent to approximately HK$39 million) for a film production project. As at 31 January 2012, the available unutilised letter of credit facility to MAGHL was US$1.25 million (equivalent to approximately HK$9,750,000), which was secured by a pledged deposit of US$2.5 million (equivalent to approximately HK$19,500,000) of the MAGHL Group.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENTS *(continued)*

The Group's debt to equity ratio, expressed as a percentage of total borrowings to consolidated net assets attributable to owners of the Company, remained low at approximately 5% as at 31 January 2012. 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.

On 27 February 2012, the Company entered into an underwriting agreement with Lai Fung pursuant to which the Company has irrevocably undertaken to Lai Fung to take up (or procure to be taken up) all the Offer Shares (including the CL Undertaken Shares (as defined in Note 19 of Notes to Financial Statements)) other than those undertaken to be procured for taking up by the Company. The maximum underwriting obligations to the Company is therefore approximately HK$1,006 million. All sums payable by the Company and its wholly-owned subsidiaries in this connection are intended to be funded by the internal resources of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2012, the Group employed a total of around 323 employees. The Group recognises the importance of maintaining a stable staff force for its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option schemes, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are also offered to eligible employees.

SHARE OPTION SCHEMES

(1) The Company

An employee share option scheme (the "**Scheme**") was adopted by the Company on 23 December 2005 (the "**Date of Adoption**") and became effective on 5 January 2006. The Scheme will remain in force for a period of 10 years from the effective date. Pursuant to the terms of the Scheme and in compliance with Chapter 17 of the Listing Rules, the initial maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the total number of the issued shares on the Date of Adoption (the "**Scheme Limit**") without the approval of the Company's shareholders. At a special general meeting of the Company held on 27 May 2011, the refreshment of the Scheme Limit was approved by the Company's shareholders, allowing the Company to grant further options for subscription of up to a total of 124,321,216 shares of the Company, being 10% of the 1,243,212,165 shares in issue at the date of passing the relevant resolution.

SHARE OPTION SCHEMES *(continued)*

(1) The Company *(continued)*

Information on movements of share options under the Scheme during the six months ended 31 January 2012 is set out below:

Category/Name of participant	Date of grant of share options *(Note 1)*	Number of underlying shares comprised in options: As at 1 August 2011	Lapsed during the period	As at 31 January 2012	Exercise period of share options	Exercise price of share options per share HK$ *(Note 2)*
Director						
Leung Churk Yin, Jeanny *(Note 3)*	20/02/2008	1,267,810	(1,267,810)	–	01/01/2011 to 31/12/2011	6.52
		1,267,810	(1,267,810)	–		
Other employee						
In aggregate	22/04/2010	2,480,000	–	2,480,000	01/01/2012 to 31/12/2013	1.70
	22/04/2010	2,480,000	–	2,480,000	01/01/2013 to 31/12/2013	1.90
Total		4,960,000	–	4,960,000		
Grand Total		6,227,810	(1,267,810)	4,960,000		

Notes:

1. *The vesting period of the share options is from the date of grant until the date of commencement of the exercise period.*
2. *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.*
3. *An option comprising in part 1,267,810 shares with the exercise period from 1 January 2011 to 31 December 2011 lapsed on 1 September 2011 upon the resignation of Miss Leung Churk Yin, Jeanny as a Director in accordance with the terms of the Scheme.*

During the period under review, no share options were granted, exercised or cancelled in accordance with the terms of the Scheme.

At 31 January 2012 and the date of this report, the Company had 4,960,000 underlying shares comprised in options outstanding under the Scheme, which represented approximately 0.40% of the Company's shares in issue as at those dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,960,000 additional ordinary shares of HK$0.50 each of the Company, an increase in the issued share capital of HK$2,480,000 and an increase in the share premium of approximately HK$6,448,000 (before issue expenses).

The Company might grant further options to subscribe for a maximum of 124,321,216 shares in the Company, representing 10% of the Company's shares in issue as at 31 January 2012.

SHARE OPTION SCHEMES *(continued)*

(2) MAGHL

MAGHL, a company listed on the Growth Enterprise Market of the Stock Exchange (the "**GEM**") and a subsidiary of the Company since 9 June 2011, adopted a share option scheme (the "**MAGHL Scheme**") on 19 November 2009. The MAGHL Scheme will remain in force for a period of 10 years from 24 November 2009, being the date of the conditional shares listing approval granted by the Stock Exchange. The initial maximum number of shares in respect of which options may be granted under the MAGHL Scheme shall not exceed 10% of the total number of MAGHL shares in issue on 19 November 2009 (the "**MAGHL Scheme Limit**").

In compliance with Chapter 23 of the Rules Governing the Listing of Securities on the GEM (the "**GEM Listing Rules**"), the MAGHL shareholders passed a resolution at the annual general meeting of MAGHL held on 20 August 2011 for approving the refreshment of the MAGHL Scheme Limit, allowing MAGHL to grant further options for subscription of up to a total of 1,011,025,761 MAGHL shares, representing 10% of the total issued shares of MAGHL as at the date of passing the relevant resolution.

The refreshment of the MAGHL Scheme Limit was also approved by the shareholders of the Company at a special general meeting held on 22 October 2011 pursuant to the requirements of Rule 17.01(4) of the Listing Rules and Rule 23.01(4) of the GEM Listing Rules.

SHARE OPTION SCHEMES *(continued)*

(2) MAGHL *(continued)*

Details on movements of share options under the MAGHL Scheme during the period for the six months ended 31 January 2012 are as follows:

Name of grantee	Number of underlying MAGHL shares comprised in options: As at 1 August 2011	Granted during the period	As at 31 January 2012	Date of grant of MAGHL share options	Exercise period of MAGHL share options	Exercise price of share options per MAGHL share HK$ *(Note 2)*
Director of MAGHL						
Mr. Tang Jun *(Note 1)*	–	31,341,666	31,341,666	26/08/2011	06/08/2012 to 05/08/2013	0.2042
	–	31,341,666	31,341,666	26/08/2011	06/08/2013 to 05/08/2014	0.24504
	–	31,341,668	31,341,668	26/08/2011	06/08/2014 to 05/09/2015	0.26546
	–	2,359,192	2,359,192	17/01/2012	06/08/2012 to 05/08/2013	0.1448
	–	2,359,192	2,359,192	17/01/2012	06/08/2013 to 05/08/2014	0.17376
	–	2,359,192	2,359,192	17/01/2012	06/08/2014 to 05/09/2015	0.18824
Total	–	101,102,576	101,102,576			

Notes:

1. (a) *Mr. Tang Jun was appointed an executive director and the chief executive officer of MAGHL with effect from 6 September 2011.*

   (b) *Any part of the share options not exercised in whole in the original exercise period may be carried forward and exercised in the subsequent periods subject to the payment of the appropriate exercise price per share of MAGHL.*

   (c) *For the share options granted on 26 August 2011, the vesting period of the first tranche is from 26 August 2011 to 5 August 2012, the vesting period of the second tranche is from 26 August 2011 to 5 August 2013 and the vesting period of the third tranche is from 26 August 2011 to 5 August 2014.*

   (d) *For the share options granted on 17 January 2012, the vesting period of the first tranche is from 17 January 2012 to 5 August 2012, the vesting period of the second tranche is from 17 January 2012 to 5 August 2013 and the vesting period of the third tranche is from 17 January 2012 to 5 August 2014.*

   (e) *The closing prices of the MAGHL shares immediately before the dates on which the share options were granted (i.e. 26 August 2011 and 17 January 2012) were HK$0.203 and HK$0.138 per MAGHL share respectively. The corresponding fair value of the share options of MAGHL granted on the above dates were HK$8,181,000 and HK$400,000 respectively.*

2. *The exercise price of the share options is subject to adjustment in case of rights issue or other specific changes in the MAGHL's share capital.*

SHARE OPTION SCHEMES *(continued)*

(2) MAGHL *(continued)*

The fair value of equity-settled share options granted during the six months ended 31 January 2012 was estimated as at the date of grant, using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the share options granted during the six months ended 31 January 2012:

	Granted on 17 January 2012	Granted on 26 August 2011
Share Price (HK$)	**0.138**	**0.200**
Risk Free Rate (%)	**0.555**	**0.563**
Contractual Life (Years)	**3.636**	**4.030**
Expected Volatility (%)	**73.085**	**77.116**
Expected Dividend Yield (%)	**—**	**—**
Early Exercise Multiple	**2.2**	**2.2**
Option Type	**Call**	**Call**

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

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

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

At 31 January 2012 and the date of this report, MAGHL had a total number of 101,102,576 share options outstanding under the MAGHL Scheme, which represented approximately 0.77% of the MAGHL shares in issue as at these dates (13,140,257,612 MAGHL shares). The exercise in full of the outstanding share options would, under the present capital structure of MAGHL, result in the issue of 101,102,576 additional MAGHL shares, an increase in the issued share capital of approximately HK$1,011,000 and an increase in the share premium of approximately HK$22,585,000 (before issue expenses).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the six months ended 31 January 2012 save for the deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive Directors (including the independent non-executive Directors ("**INEDs**")) is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Bye-laws of the Company which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including a non-executive Director) will hold office only until the next annual general meeting of the Company and will then be eligible for re-election. Further, each of the Directors appointed to fill a casual vacancy will be subject to election by the shareholders at the first general meeting after his/her appointment in line with the relevant code provision of the CG Code. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

Securities Transactions by Directors and Designated Employees

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiries of all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2012.

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 January 2012 and their respective associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (the "**Register**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Securities Code or (d) as otherwise known by the Directors:

Directors' Interests *(continued)*

(1) The Company

		Long position in the ordinary shares of HK$0.50 each (the "Shares")			
		Number of Shares			Approximate percentage of issued Shares
Name of Director	**Capacity**	**Personal interests**	**Corporate interests**	**Total**	
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	471,604,186 *(Note 1)*	474,398,629	38.16%
Andrew Y. Yan	Owner of Controlled corporations	Nil	125,000,000 *(Note 2)*	125,000,000	10.05%

Notes:

1. *As at 31 January 2012, Dr. Lam Kin Ngok, Peter ("**Dr. Lam**") was deemed to be interested in 471,604,186 Shares (approximately 37.93% of the issued shares of the Company) indirectly owned by Lai Sun Development Company Limited ("**LSD**") by virtue of his personal and deemed controlling shareholding interests of approximately 38.06% in Lai Sun Garment (International) Limited ("**LSG**"). LSD was approximately 47.97% directly and indirectly owned by LSG. LSG was approximately 8.07% owned by Dr. Lam and approximately 29.99% owned by Wisdoman Limited which was in turn 50% beneficially owned by Dr. Lam.*

2. *Mr. Andrew Y. Yan ("**Mr. Yan**") was deemed to be interested in 125,000,000 Shares owned by SAIF Partners IV LP, as the said limited partnership was indirectly controlled by Mr. Yan as a director and the sole shareholder of SAIF IV GP Capital Limited which was the sole general partner of SAIF IV GP LP which in turn is the sole general partner of SAIF Partners IV LP.*

(2) Associated Corporations

(i) Lai Fung — an associate of the Company

(a) By virtue of his deemed controlling shareholding interests in the Company as described in Note 1 of paragraph (1) above, as at 31 January 2012, Dr. Lam was deemed to be interested in:

— 3,265,688,037 shares of HK$0.10 each, representing approximately 40.58% of the issued share capital of Lai Fung, which shares were held by certain wholly-owned subsidiaries of the Company; and

— a principal amount of US$1,025,000 in the 9.125% Senior Notes due 2014 issued by Lai Fung (the "**Senior Notes**"), which was beneficially owned by a wholly-owned subsidiary of the Company.

(b) Mr. Cheung Sum, Sam, an executive Director, was beneficially interested in a principal amount of US$200,000 in the Senior Notes.

Directors' Interests *(continued)*

(2) Associated Corporations *(continued)*

(ii) MAGHL — a subsidiary of the Company

By virtue of his deemed controlling shareholding interests in the Company as described in Note 1 of paragraph (1) above, Dr. Lam was deemed to be interested in the following shares and underlying shares of MAGHL which were held by Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of the Company:

	Capacity/Nature of Interest	Number of underlying MAGHL shares	MAGHL shares	Approximate percentage of MAGHL's issued shares *(Note 1)*
(i)	Owner of controlled corporations	6,712,925,500		51.09%
(ii)	Deemed interest under S. 317 of the SFO *(Note 2)*	1,732,343,209		13.18%
Total		8,445,268,709		64.27%
(iii)	Owner of controlled corporations		14,132,500,000 *(Note 3)*	107.55%
(iv)	Deemed interest under S. 317 of the SFO *(Note 2)*		9,650,479,894	73.44%
Total			23,782,979,894	180.99%

Notes:

1. *The total number of issued shares of MAGHL as at 31 January 2012 (that is, 13,140,257,612 shares) has been used in the calculation of the approximate percentage.*

2. *Pursuant to S.317 of the SFO and by virtue of his controlling shareholding interests in the Company, Dr. Lam was deemed to be interested in the shares and underlying in MAGHL held by the parties (other than MAGHL) to a subscription agreement dated 23 March 2011 (the "**Subscription Agreement**") and entered into amongst Perfect Sky and such parties for the subscription of certain shares in and convertible notes of MAGHL, and their respective ultimate beneficial owners.*

3. *This represents, in aggregate, the 8,632,500,000 underlying shares comprised in the First Completion Convertible Notes issued to Perfect Sky by MAGHL on 9 June 2011 (the "**First Completion Date**") and 5,500,000,000 underlying shares comprised in the Second Completion Convertible Notes to be issued to Perfect Sky by MAGHL on the first anniversary of the First Completion Date pursuant to the Subscription Agreement described in Note 2 just above.*

Save as disclosed above, as at 31 January 2012, none of the Directors or the chief executive of the Company and their respective associates was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations which were required to be notified under the SFO, recorded in the Register as aforesaid, notified under the Securities Code or otherwise known by the Directors.

Substantial Shareholders' and Other Persons' Interests

As at 31 January 2012, so far as it was known by or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) who had 5% or more interests in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

	Long position in the Shares		
Name	**Capacity**	**Number of Shares**	**Approximate percentage of issued share capital**
Substantial Shareholders			
Lai Sun Development Company Limited *(Note 1)*	Owner of controlled corporation	471,604,186	37.93% *(Note 3)*
Lai Sun Garment (International) Limited *(Note 2)*	Owner of controlled corporations	471,604,186	37.93% *(Note 3)*
Dr. Lam Kin Ngok, Peter	Beneficial owner/Owner of controlled corporations	474,398,629	38.16% *(Note 3)*
SAIF Partners IV LP	Beneficial Owner	125,000,000	10.05% *(Note 4)*
SAIF IV GP LP	Owner of controlled corporation	125,000,000	10.05% *(Note 4)*
SAIF IV GP Capital Limited	Owner of controlled corporations	125,000,000	10.05% *(Note 4)*
Mr. Andrew Y. Yan	Owner of controlled corporations	125,000,000	10.05% *(Note 4)*
Other Persons			
Atlantis Capital Holdings Limited	Owner of controlled corporations	120,000,000	9.65% *(Note 5)*
Ms. Liu Yang	Owner of controlled corporations	120,000,000	9.65% *(Note 5)*

Notes:

1. *As at 31 January 2012, Dr. Lam, Mr. Lui Siu Tsuen, Richard ("**Mr. Lui**") and Mr. Cheung Sum, Sam, all Executive Directors, were also executive directors of LSD. Madam U Po Chu ("**Madam U**"), a non-executive Director, was also a non-executive director of LSD.*

2. *As at 31 January 2012, Dr. Lam and Mr. Lui, both Executive Directors, were also executive directors of LSG. Madam U, a non-executive Director, was also a non-executive director of LSG.*

3. *Dr. Lam and LSG were deemed to be interested in the same 471,604,186 Shares held by LSD. Please refer to Note 1 of paragraph (1) in the "Directors' Interests" section above for further details.*

4. *Mr. Yan, a non-executive Director, was deemed to be interested in the same 125,000,000 Shares owned by SAIF Partners IV LP, SAIF IV GP LP and SAIF IV GP Capital Limited. Please refer to Note 2 of paragraph (1) in the "Directors' Interests" section above for further details.*

5. *Ms. Liu Yang was deemed to be interested in the same 120,000,000 Shares owned by Atlantis Capital Holdings Limited by virtue of her directorship/controlling interest in such company.*

Substantial Shareholders' and Other Persons' Interests *(continued)*

Save as disclosed above, the Directors are not aware of any other corporation or person (other than the Directors or the chief executive of the Company) who, as at 31 January 2012, had the Voting Entitlements or 5% or more interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Purchase, Sale or Redemption of Listed Shares

During the six months ended 31 January 2012, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's Annual Report 2011 for the seven months ended 31 July 2011 are set out as follows:

(1) owing to an annual revision and with effect from 1 January 2012:

   (a) the basic salary of Mr. Lui Siu Tsuen, Richard, an executive Director and the Chief Executive Officer of the Company, has been revised from HK$3,564,000 to HK$3,635,280 per annum; and

   (b) the basic salary of Mr. Cheung Sum, Sam, an executive Director, has been revised from HK$1,464,000 to HK$1,507,920 per annum; and

(2) the Company has been informed by the following Directors of their respective changes:

   (a) Mr. Lo Kwok Kwei, David, an INED that he was appointed an independent non-executive director of ENM Holdings Limited (a company listed and traded on the Main Board of the Stock Exchange) on 17 June 2010;

   (b) Mr. Andrew Y. Yan, a non-executive Director that on 20 December 2011, he ceased to be a director of Global Education & Technology Group Limited, the shares of which were withdrawn from listing on the NASDAQ Global Market in December 2011; and

   (c) Dr. Ng Lai Man, Carmen ("**Dr. Ng**"), an INED that the English name of Cosmos Certified Public Accountants Limited (of which Dr. Ng is a director) had been changed to "Cosmos CPA Limited" with effect from 27 March 2012.

REVIEW OF INTERIM REPORT

The audit committee of the Company currently comprises three INEDs, namely Dr. Ng, Mr. Alfred Donald Yap and Mr. Low Chee Keong. Such committee has reviewed the interim report (containing the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2012.