



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 571)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

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, 2005 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT For the six months ended 30th June, 2005

		Six months ended	
		30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) (Restated) HK\$'000
Notes			
TURNOVER	4	60,325	43,104
Cost of sales		(53,352)	(43,028)
Gross profit		6,973	76
Other revenue	5	6,824	3,748
Marketing expenses		(7,967)	(5,307)
Administrative expenses		(40,147)	(37,502)
Other operating gains, net		7,627	7,165
LOSS FROM OPERATING ACTIVITIES	6	(26,690)	(31,820)
Finance costs	7	(6,330)	(6,816)
Share of profits and losses of associates		239,285	8,277
Amortisation of goodwill on acquisition of an associate		—	(1,107)
Share of profits and losses of jointly-controlled entities		(1,385)	(1,259)
Provision for amounts due from jointly-controlled entities		(1,133)	(326)
PROFIT/(LOSS) BEFORE TAX		203,747	(33,051)
Tax	8	(786)	(68)
PROFIT/(LOSS) FOR THE PERIOD		202,961	(33,119)
ATTRIBUTABLE TO:			
Equity holders of the parent		202,961	(33,119)
Minority interests		—	—
EARNINGS/(LOSS) PER SHARE	9		
Basic		HK29.47 cents	(HK4.93 cents)
Diluted		N/A	N/A
INTERIM DIVIDEND PER SHARE	10	Nil	Nil
CONDENSED CONSOLIDATED BALANCE SHEET 30th June, 2005			
Notes		30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Restated) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		184,009	166,029
Interests in jointly-controlled entities		505	1,125
Interests in associates	11	1,796,675	1,515,217
Film rights		188,253	190,684
		2,169,442	1,873,055
CURRENT ASSETS			
Short term investments		22	22
Self-produced and purchased programmes		732	795
Properties held for sale		390	2,700
Debtors and deposits	12	76,599	63,242
Inventories		2,973	—
Cash and cash equivalents		90,082	18,472
		170,798	85,231
CURRENT LIABILITIES			
Creditors and accruals	13	102,460	108,714
Tax payable		3,698	2,919
Finance lease payables		22	40
Interest-bearing bank and other borrowings		167,618	170,971
Loan from a director		—	9,659
		273,798	292,303
NET CURRENT LIABILITIES		(103,000)	(207,072)

		30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Restated) HK\$'000
Notes			
TOTAL ASSETS LESS CURRENT LIABILITIES		2,066,442	1,665,983
NON-CURRENT LIABILITIES			
Finance lease payables		—	(2)
Interest-bearing bank and other borrowings		(7,500)	(19,000)
Loan from a related company		—	(13,339)
Loan from a director		(27,266)	—
		(34,766)	(32,341)
		2,031,676	1,633,642
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital	14	372,592	335,592
Reserves		1,658,888	1,297,854
		2,031,480	1,633,446
Minority interests		196	196
		2,031,676	1,633,642

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the six months ended 30th June, 2005

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
At 1st January, 2005	335,592	2,888,269	891,289	—	(2,283,818)	1,831,332	196	1,831,528
As previously reported	—	—	—	—	(197,886)	(197,886)	—	(197,886)
Prior period adjustment: change in accounting policies of an associate — LSD (Note 3a)	—	—	—	—	—	—	—	—
Prior period adjustment: change in accounting policy of an associate — MAEG (Note 3b)	—	—	—	3,914	(3,914)	—	—	—
As restated	335,592	2,888,269	891,289	3,914	(2,485,618)	1,633,446	196	1,633,642
Share of reserved movements of associates	—	—	—	44,633	—	44,633	—	44,633
Exchange realignment	—	—	—	—	(226)	(226)	—	(226)
Net gains and losses directly recognised in equity	—	—	—	44,633	(226)	44,407	—	44,407
Issue of shares	37,000	118,400	—	—	—	155,400	—	155,400
Share issue expenses	—	(4,734)	—	—	—	(4,734)	—	(4,734)
Profit for the period	—	—	—	—	202,961	202,961	—	202,961
At 30th June, 2005 (Unaudited)	372,592	3,001,935	891,289	48,547	(2,282,883)	2,031,480	196	2,031,676
At 1st January, 2004 (Audited)	335,592	2,888,269	891,289	—	(2,336,304)	1,778,846	196	1,779,042
Exchange realignment	—	—	—	—	93	93	—	93
Net gains directly recognised in equity	—	—	—	—	93	93	—	93
Loss for the period	—	—	—	—	(33,119)	(33,119)	—	(33,119)
At 30th June, 2004 (Unaudited)	335,592	2,888,269	891,289	—	(2,369,330)	1,745,820	196	1,746,016

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30th June, 2005

1. Basis of Presentation

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.

As at 30th June, 2005, the Group recorded consolidated net current liabilities of HK\$103 million (31st December, 2004: HK\$207 million), consolidated accumulated losses of HK\$2,283 million (31st December, 2004: HK\$2,486 million (as restated)) and consolidated net assets of HK\$2,032 million (31st December, 2004: HK\$1,634 million (as restated)).

Included in the net current liabilities of HK\$103 million as at 30th June, 2005 were bank loans of HK\$22 million and other loans of HK\$146 million (collectively, the "Financial Creditors").

On 28th April, 2005, the Company and Asset Managers (China) Fund Co., Ltd (the "Subscriber"), an independent third party, entered into a subscription agreement whereby the Company conditionally agreed to issue and allot to the Subscriber and the Subscriber conditionally agreed to subscribe for 74 million new shares of the Company at a subscription price of HK\$2.10 per share. The subscription was completed on 19th May, 2005. The total net proceeds from the issue of new shares amounted to approximately HK\$150 million and are intended to be used as the Group's general working capital.

To further improve the Group's existing working capital position, the Group will continue to seek ongoing support from its Financial Creditors, and to explore opportunities for different sources of financing to strengthen the Group's working capital position.

In addition, the Group is negotiating with Lai Sun Development Company Limited ("LSD") for an early repayment of the term loan of HK\$225 million due from Furama Hotel Enterprises Limited ("FHLE"), a wholly-owned subsidiary of LSD. The feedback from LSD is positive.

On the above bases, the Directors of the Company consider that the Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the Directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

2. Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. 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 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which affect the Group and are adopted for the first time for the current period's unaudited condensed consolidated interim financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 24	Related Party Disclosures
HKAS 36	Impairment of Assets
HKFRS 3	Business Combinations

The impact of adopting the above HKFRSs is summarised as follows:

(a) *HKAS 1 — Presentation of Financial Statements*

HKAS 1 affects certain presentations in the unaudited condensed consolidated interim financial statements, including the following:

- taxes of jointly-controlled entities and associates attributable to the Group, which were previously included in the tax charge on the consolidated profit and loss account, are now included in the share of profits and losses of jointly-controlled entities and associates, respectively; and
- minority interests are now included in the equity section of the consolidated balance sheet.

(b) *HKFRS 3 — Business Combination and HKAS 36 — Impairment of Assets*

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisition is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the consolidated profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st January, 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill.

The new policy in respect of goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated. No amortisation charge for goodwill on acquisition of an associate has been recognised in the consolidated profit and loss account for the six months ended 30th June, 2005. The new policy has resulted in an increase in the Group's profit after tax for the six months ended 30th June, 2005 by HK\$1,107,000.

3. **Prior Period Adjustments**

- (a) LSD, an associate of the Group, resolved to early adopt the new and revised HKFRSs in the preparation of its financial statements for the financial year ending 31st July, 2005. Certain of these new HKFRSs have material impact on the financial statements of LSD.

As a result of the adoption of the new and revised HKFRSs by the LSD Group, the Group's share of the consolidated net assets of LSD as at 1st January, 2005 decreased by HK\$197,886,000 and the accumulated losses of the Group as at 1st January, 2005 increased by HK\$197,886,000.

- (b) Media Asia Entertainment Group Limited ("MAEG"), an associate of the Group, adopted the revised International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" (the "revised IAS 39"), which is effective for the first time for financial statements covering period beginning on or after 1st January, 2005, retrospectively. The revised IAS 39 is comparable to HKAS 39. Due to the adoption of the revised IAS 39 by MAEG during the period, the Group's accumulated losses as at 1st January, 2005 increased by HK\$3,914,000 and the Group's investment revaluation reserve as at 1st January, 2005 increased by HK\$3,914,000.

4. **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		Cosmetic*		Corporate and other*		Consolidated Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30th June, 2005	30th June, 2004	30th June, 2005	30th June, 2004	30th June, 2005	30th June, 2004	30th June, 2005	30th June, 2004	30th June, 2005	30th June, 2004	30th June, 2005	30th June, 2004
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	30,225	17,892	2,781	899	19,628	20,569	7,691	3,744	—	—	60,325	43,104
Other revenue	1,568	1,317	—	850	—	128	—	—	5,072	1,416	6,640	3,711
Total	31,793	19,209	2,781	1,749	19,628	20,697	7,691	3,744	5,072	1,416	66,965	46,815
Segment results	(4,779)	(2,460)	(15,685)	(15,511)	5,874	1,179	2,083	(2,699)	(15,651)	(18,108)	(28,158)	(37,599)
Unallocated interest and other gains											184	37
Unrealised holding loss on short term investments										(9)		(9)
Gain on disposal of properties held for sale								1,284	3,866		1,284	3,866
Write-back of impairment of a long term investment		1,885										1,885
Loss from operating activities											(26,690)	(31,820)
Finance costs											(6,330)	(6,816)
Share of profits and losses of associates	5,679	8,277							233,606	—	239,285	8,277
Amortisation of goodwill on acquisition of an associate		(1,107)										(1,107)
Share of profits and losses of jointly-controlled entities	(1,385)	(1,259)									(1,385)	(1,259)
Provision for amounts due from jointly-controlled entities	(1,133)	(326)									(1,133)	(326)
Profit/(loss) before tax											203,747	(33,051)
Tax											(786)	(68)
Profit/(loss) for the period											202,961	(33,119)

* During the period, the cosmetic 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 cosmetic business segment for the six months ended 30th June, 2004, which were previously included in the "Corporate and other" segment, were separately disclosed as "Cosmetic" segment to conform with the current period's presentation.

(b) *Geographical segments:*

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

	PRC-Hong Kong		PRC-Mainland (including Macau)		Consolidated Total	
	Six months ended		Six months ended		Six months ended	
	30th June, 2005	30th June, 2004	30th June, 2005	30th June, 2004	30th June, 2005	30th June, 2004
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	44,719	25,238	15,606	17,866	60,325	43,104

5. **Other Revenue**

	Six months ended 30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Interest income	5,204	37
Others	1,620	3,711
Total	6,824	3,748

6. **Loss from Operating Activities**

	Six months ended 30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
This is arrived at after charging/(crediting):		
Cost of film rights and license rights	3,497	6,016
Cost of self-produced and purchased programmes	9,396	9,117
Cost of services provided	35,135	25,990
Cost of inventories sold	5,324	1,905
Total cost of sales	53,352	43,028

Six months ended 30th June, 2005 (Unaudited) HK\$'000

	30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Gain on disposal of properties held for sale	(1,284)	(3,866)
Write-back of impairment of a long term investment	—	(1,885)
Write-back of provision for bad and doubtful debts	(2,608)	—
Gain on recovery from third parties in connection with the litigation relating to the disposal of an associate	—	(673)
Depreciation	2,487	2,427
Amortisation of film rights*	2,431	5,513
Unrealised holding loss on short term investments	—	9
Foreign exchange losses/(gains), net	(108)	161

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

7. **Finance Costs**

	Six months ended 30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Interest on bank and other borrowings wholly repayable within five years	5,617	4,348
Interest on loans from directors, an ex-shareholder and a related company	711	2,463
Interest on finance lease payables	2	5
Total	6,330	6,816

8. **Tax**

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the current period. No provision for Hong Kong profits tax had been made in the period ended 30th June, 2004 as there were no assessable profits generated during the prior period. Taxes assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30th June, 2005 (Unaudited) HK\$'000	30th June, 2004 (Unaudited) HK\$'000
Provision for tax for the period:		
Hong Kong	780	—
Elsewhere	6	68
Total tax charge for the period	786	68

Share of net tax charge attributable to associates amounting to HK\$32,189,000 (six months ended 30th June, 2004: net tax credit of HK\$57,000) is included in "Share of profits and losses of associates" on the face of the unaudited condensed consolidated profit and loss account.

9. **Earnings/(Loss) per Share**

The calculation of basic earnings/(loss) per share for the six months ended 30th June, 2005 is based on the profit attributable to equity holders of the parent of HK\$202,961,000 (six months ended 30th June, 2004: loss for the period of HK\$33,119,000), and the weighted average number of 688,765,040 (six months ended 30th June, 2004: 671,184,929) ordinary shares in issue throughout the period.

Diluted earnings/(loss) per share amounts for the six months ended 30th June, 2005 and 2004 have not been shown as no diluting events existed during these periods.

10. **Interim Dividend**

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (six months ended 30th June, 2004: Nil).

11. **Interests in Associates**

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

Interest in LSD

On 28th June, 2004, the Group, FHEL and LSD entered into an agreement (the "Settlement Agreement") concerning the settlement of the debt due by FHEL to the Group of approximately HK\$1,500 million. The principal terms of the Settlement Agreement included (i) cash settlement of HK\$20 million; (ii) the issue of 5,200 million ordinary shares in LSD at an issue price of HK\$0.50 per share, which represented 40.8% of the enlarged issued capital of LSD; and (iii) the extension of a five year interest-bearing term loan of HK\$225,000,000 by the Group to FHEL (the "Term Loan"). Further details of the Settlement Agreement are set out on the Company's circular dated 15th September, 2004. The Settlement Agreement was completed on 7th December, 2004. Since then, a cross holding position has been existing between LSD and the Company and as at 30th June, 2005, the LSD Group held in aggregate 38.31% 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, 2005 was HK\$233,606,000.

12. **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. An aged analysis of the trade debtors as at 30th June, 2005 is as follows:

	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Trade debtors:		
Less than 30 days	5,365	6,141
31-60 days	4,592	2,367
61-90 days	590	1,299
Over 90 days	12,674	9,589
Total	23,221	19,396
Other debtors and deposits	53,378	43,846
Total	76,599	63,242

The above aged analysis, stated net of provision for doubtful debts, was prepared based on the dates when revenue is recognised from the trade transactions.

Included in trade debtors is an amount of HK\$1,468,000 (31st December, 2004: HK\$719,000) due from an associate of the Group, arising from the ordinary course of business of the Group.

13. Creditors and Accruals

An aged analysis of the trade creditors as at 30th June, 2005 is as follows:

	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	2,081	3,256
31-60 days	1,416	2,448
61-90 days	1,570	2,237
Over 90 days	14,221	13,441
	<u>19,288</u>	<u>21,382</u>
Other creditors and accruals	83,172	87,332
	<u>102,460</u>	<u>108,714</u>

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

Included in other creditors and accruals is an amount of HK\$46,000,000 (31st December, 2004: HK\$46,000,000) received from Lai Fung Holdings Limited ("LFH") as earnest money paid for the participation rights in the Group's proposed residential property development project in Macau. Further details of the arrangements are set out in the Company's circular dated 6th December, 2004.

On 29th June, 2005, the Group and LFH entered into a supplemental memorandum of cooperation to extend the time limit of obtaining the relevant approvals for the project from no later than June 2005 as set out under the memorandum dated 15th November, 2004 to no later than December 2005. Further details are set out in the Company's announcement dated 4th July, 2005.

14. Share Capital

	30th June, 2005		31st December, 2004	
	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	<u>2,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	<u>745,185</u>	<u>372,592</u>	<u>671,185</u>	<u>335,592</u>

Movements in the Company's issued ordinary share capital and share premium account are summarised as follows:

	Number of Ordinary Shares '000	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1st January, 2004, 31st December, 2004 and 1st January, 2005 (Audited)	671,185	335,592	2,888,269	3,223,861
Issue of shares (a)	74,000	37,000	118,400	155,400
Share issue expenses	—	—	(4,734)	(4,734)
At 30th June, 2005 (Unaudited)	<u>745,185</u>	<u>372,592</u>	<u>3,001,935</u>	<u>3,374,527</u>

(a) On 28th April, 2005, the Company and Asset Managers (China) Fund Co., Ltd (the "Subscriber"), an independent third party, entered into a subscription agreement whereby the Company conditionally agreed to issue and allot to the Subscriber and the Subscriber conditionally agreed to subscribe for 74 million new shares of the Company at a subscription price of HK\$2.10 per share. The subscription was completed on 19th May, 2005. The total net proceeds from the issue of new shares amounted to approximately HK\$150 million and are intended to be used as the Group's general working capital.

15. Contingent Liabilities

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

	30th June, 2005 (Unaudited) HK\$'000	31st December, 2004 (Audited) HK\$'000
Guarantee given to LSD in connection with the disposal of an associate to LSD	<u>25,000</u>	<u>25,000</u>

16. Comparative Amounts

As further explained in notes 2 and 3 to the unaudited condensed consolidated interim financial statements, due to the adoption of certain new and revised HKFRSs during the current period, the accounting treatment and presentation of certain items and balances in the unaudited condensed consolidated interim financial statements have been revised to comply with the new requirements. Accordingly, certain prior period adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current period's presentation.

During the period, the cosmetic business of the Group constituted a reportable business segment in accordance with HKAS 14. Accordingly, the comparative figures for the cosmetic business segment for the six months ended 30th June, 2004, which were previously included in the "Corporate and other" segment, were separately reclassified as "Cosmetic" segment to conform with the current period's presentation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (six months ended 30th June, 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The Group's unaudited consolidated net profit attributable to equity holders for the half-year ended 30th June, 2005 amounted to HK\$202,961,000, which represents a significant improvement on the net loss of HK\$33,119,000 reported for the corresponding period in the previous year. The loss from operating activities was reduced to HK\$26,690,000 from HK\$31,820,000 in the previous corresponding period, due to improvement in gross profit and other revenue, but offset by increases in marketing expenses and administrative expenses. The share of profits from associates, being Lai Sun Development Company Ltd. ("LSD") and Media Asia Entertainment Group Ltd., ("MAEG") at HK\$239,285,000 represented the most significant positive contribution to the consolidated results of the Group.

Turnover for the half-year increased to HK\$60,325,000, an increase of approximately 40% compared with the previous year. Around 88% of the turnover was generated by entertainment event production, distribution and licensing of films, advertising agency services and sale of cosmetic products.

Total revenue from media and entertainment segment recorded a figure of HK\$31,793,000, an increase of 65.5% over the previous period, with entertainment event production becoming the biggest contributor and reporting a total of HK\$22,568,000 for the period under review. This represents a noticeable increase of 165% compared with the figure for the previous year. Distribution fee income recorded a drop of 57% for the period to HK\$3,411,000. This was mostly compensated for by increases in income from album distribution and licensing and artiste management.

Income derived from the advertising agency business was the second biggest contributor to total revenue, despite a drop of approximately 5.2% for the period. Increases in revenue from sale of cosmetic products, satellite television business and information technology services further contributed to the total income for the period.

On the performance of the different business segments of the Group, both the advertising agency business and cosmetic products segments returned profits for the period. Media and entertainment segment reported a loss of HK\$4,779,000, compared with the loss of HK\$2,460,000 recorded for the previous year. The loss arising from satellite television operation had been contained at HK\$15,685,000 for the half-year, in line with the loss of HK\$15,511,000 reported for the previous corresponding period.

On 28th April, 2005, the Company entered into a subscription agreement with Asset Managers (China) Fund Co., Ltd. pursuant to which the latter subscribed for 74 million new shares of the Company at the subscription price of HK\$2.10 per share. The above-mentioned new shares were duly allotted and issued by the Company on 19th May, 2005.

Following the issue of the additional new shares, the total number of issued shares in the capital of the Company increased to 745,184,929. As a result, LSD, which held a 42.54% interest in the Company prior to the issue of new shares, had its interest in the Company diluted to 38.31%.

East Asia Satellite Television ("EAST") Operations

EAST maintained its focus on cost control and improving programme quality during the period under review. In addition to subscribers of NOW Broadband TV of PCCW Limited in Hong Kong, programmes produced by EAST have been offered to subscribers of Hongkong Broadband Digital TV since May 2005. A healthy growth rate of around 22.7% in subscriptions for EAST programmes on NOW Broadband TV has been recorded for the period from 1st January to 30th June, 2005. The focus of EAST is to raise the overall programme quality to attract a wider viewership base whilst it awaits approval for a satellite television downlink licence from the relevant Mainland authorities.

In May 2005, the Group received conditional approval from the Macau Special Administrative Region ("Macau") Government to the proposed development plans in respect of the EAST Television City situated in Cotai City in Macau. The proposed plans anticipate the construction of a television/film studio, concert hall, convention and exhibition centre and retail complex, two four-to five-star hotels and an all-suite hotel covering a total gross floor area of approximately 340,000 square metres.

In July 2005, the Company entered into a supplemental memorandum of cooperation relating to the residential property project in a section of the above-mentioned Cotai Site with Lai Fung Holdings Limited. Both parties agreed to extend the deadline for obtaining all requisite approvals for developing this specific project.

Film Production and Distribution

Media Asia Entertainment Group Ltd. ("MAEG"), in which the Group holds a 37.33% interest, reported a turnover of HK\$118,185,000 for the half-year ended 30th June, 2005 and a net profit attributable to equity holders of HK\$15,356,000. MAEG did not declare an interim dividend for the period under review.

During the first-half of 2005, MAEG released two films, *Seoul Raiders* in February 2005 and *Initial D* in June 2005. The latter film, MAEG's biggest budget film ever, had been very well received by audiences in Hong Kong, Taiwan, the Mainland, Malaysia and Singapore. MAEG also released two films, *A World Without Thieves* and *Seoul Raiders* in video format.

Entertainment

With improvement in the local economy and greater optimism in the short-term outlook, demand for entertainment and leisure activities which became evident in 2004 has continued into 2005. This trend had benefited East Asia Entertainment Limited ("EAE"). During the period under review, EAE produced three concerts by popular local artistes and participated in six other concerts and entertainment events in joint-venture with other parties, which involved a total of 66 shows.

The music production and distribution arm of the entertainment division of the Group released ten different albums during the period, including titles for Denise Ho, Leon Lai, Janice, Vicky Fung, concerts of Beyond, and the soundtrack of *Seoul Raiders*.

Lai Sun Development Company Limited ("LSD")

Following completion of settlement of the debt due from the LSD group to the Group on 7th December, 2004, a total of 5,200 million new ordinary shares of LSD were allotted and issued to the Group, representing a 40.8% interest in LSD. LSD in turn holds a 38.31% interest in the Company. In view of this cross-holding, and reflecting the results of LSD during the period from 1st January, 2005 to 30th June, 2005, the Company's share of the results of LSD during the aforesaid period amounted to approximately HK\$233,606,000.

The results of LSD during the aforesaid period have been helped by the gain arising from change in fair value of investment properties, as required under the new Hong Kong Financial Reporting Standards ("HKFRS") which LSD has early adopted for its financial year ended 31st July, 2005.

As disclosed in the interim report of LSD for the six months ended 31st January, 2005, a loss of HK\$1,483,527,000 arising from the settlement premium had been charged to the profit and loss account of LSD on completion of the settlement of the indebtedness due to the LSD bondholders and the Group. LSD reported in the above interim report a net loss attributable to shareholders of HK\$1,255,969,000 for the six months ended 31st January, 2005.

LSD announced the sale of its interest in Furama Resort in Danang, Vietnam in April 2005 for a consideration of US\$16,800,000 (approximately HK\$131 million). The transaction was completed in July 2005. Proceeds from the sale were used by LSD for partial repayment of its Series A Bonds, as it was a commitment of LSD to raise funds to reduce or eliminate the indebtedness of approximately HK\$266 million owed by LSD to the holders of its Series A Bonds through the sale of the aforesaid property and two other properties earmarked for this purpose.

LSD subsequently announced on 28th July, 2005 the full repayment of the Series A Bonds, and the partial release by the security trustee of the security interests of the Series A Bondholders in relation LSD's holdings in The Ritz-Carlton Hong Kong and the Company.

Prospects

East Asia Satellite Television ("EAST") Operations

With the approval of the proposed development plans for the EAST Television City, the component and weighting of investments of EAST are expected to undergo significant changes. The projected investment by both local and overseas investors in hospitality, leisure and gaming facilities along the "Cotai Strip" where the EAST Television City project is located should further enhance the potential of the project.

Film Production and Distribution

MAEG has five productions scheduled to be released during the second half of 2005. These include two dramas featuring popular Hong Kong stars Andy Lau and Leon Lai respectively, and a co-produced drama series in the Mainland for video and television exploitation and featuring Edison Chen and Anthony Wong from *Initial D*. MAEG has not less than six projects scheduled to be released in 2006, including two releases in the summer.

MAEG will continue to explore opportunities for growth, one example being collaborating with software developers in the area of ultra micro-disc for use in mobile playstations. *Initial D* will be the first film in such an application and is expected to be released in the second half of 2005.

Entertainment

For the second half of 2005, EAE will be producing four concerts by popular local artistes and will also participate in the production of seven other concerts and entertainment events, which will involve around 70 shows in total.

The music production and distribution operation has a busy schedule for the second half of 2005, as it plans to release around twenty albums by local singers, including movie soundtracks of *Initial D*.

Lai Sun Development Company Limited ("LSD")

Because of the upturn in asset value in the local property market, it is anticipated that LSD's results will benefit from the gain arising from the change in fair value of investment properties as required under the new and revised Hong Kong Financial Reporting Standards.

The improvement in the property market has also made possible the successful marketing and sale of the apartments and commercial podium of Kimberley 26 in Tsimshatsui, and the residential property project, Rolling Hills, in Yuen Long. Both Kimberley 26 and Rolling Hills are joint-venture projects of LSD with other partners.

The full repayment of LSD's Series A Bonds and proceeds from the sale of development properties have strengthened its balance sheet.

Liquidity, Financial Resources, Charge on Assets, Gearing and Capital Commitments

As at 30th June, 2005, cash and cash equivalents held by the Group amounted to HK\$90,082,000, of which over 90% were denominated in Hong Kong dollar currency.

As at 30th June, 2005, the bank borrowings of HK\$22,000,000 which are due for renewal within one year, are secured by fixed charges over the Group's land and buildings with an aggregate net book value of HK\$67,259,000. The unsecured other borrowings of HK\$15,000,000 and HK\$7,500,000 are due for repayment within one year and the second year, respectively. The unsecured other borrowings from an ex-shareholder of the Company of HK\$130,618,000 is interest-bearing at the HSBC prime rate and have no fixed terms of repayment. The loan from a director of HK\$27,266,000 is unsecured, bearing interest at HSBC prime rate and is not repayable within one year.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 10%. 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.

Future capital expenditures comprise mainly further land premium and construction costs payments for the EAST-TV City development project at the COTAI Cite in Macau. As at 30th June, 2005, capital commitments contracted for in respect of this project amounted to HK\$29,860,000.

The Group is negotiating with the LSD Group for an early repayment of the term loan of HK\$225 million due from Furama Hotel Enterprises Limited, a wholly-owned subsidiary of LSD. The feedback from the LSD Group is positive.

The Group believes that there will be sufficient resources to fund its capital expenditure and other working capital requirements.

Contingent Liabilities

Details of contingent liabilities of the Group at the balance sheet date are set out in note 15 to the unaudited condensed consolidated interim financial statements.

Employees and Remuneration Policies

The Group employed a total of approximately 200 employees as at 30th June, 2005. The total staff costs including pension contributions for the six months ended 30th June, 2005 were approximately HK\$23,210,000 (excluding directors' remuneration). 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 25th November, 1996.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 of the Listing Rules of the Stock Exchange throughout the accounting period covered by the Interim Report save for the following deviations from code provisions A.4.1, A.4.2 and B.1.1:—

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 bye law 87 of the bye-laws of the Company ("Bye-law 87") which provides that one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting and a retiring Director shall be eligible for re-election.

Code Provision A.4.2

Under code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under Bye-law 87, the chairman of the Board and/or the managing director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

The Company will consider appropriate amendments to the bye-laws to comply with the relevant code provision for all directors to retire by rotation once every 3 years.

Code Provision B.1.1

Code provision B.1.1 requires listed issuers to establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.

The remuneration committee of the Company, which has been duly established on 16th September, 2005, was not set up at the commencement of the period under review.

Audit Committee

The Company has established an audit committee (the "Audit Committee") and has adopted written terms of reference in accordance with the provisions set out in the CG Code.

The Interim Report has been reviewed by the Audit Committee.

By Order of the Board
Lien Jown Jing, Vincent
Chairman

Hong Kong, 16th September, 2005

As at the date of this announcement, the executive directors of the Company are Mr Lien Jown Jing, Vincent, Mr Lee Po On, Mr Lam Kin Ngok, Peter, Mr Liu Ngai Wing and Mr. Cheung Wing Sum, Ambrose; the non-executive directors are Mr Lam Kin Ming, Madam Tam Wai Chu, Maria and Madam U Po Chu and the independent non-executive directors are Mr Alfred Donald Yap, Mr Low Chee Keong and Mr Tong Ka Wing, Carl.