eSun Holdings Limited

Annual Report 2009

(Stock code: 571)

Contents

eSun Holdings Limited
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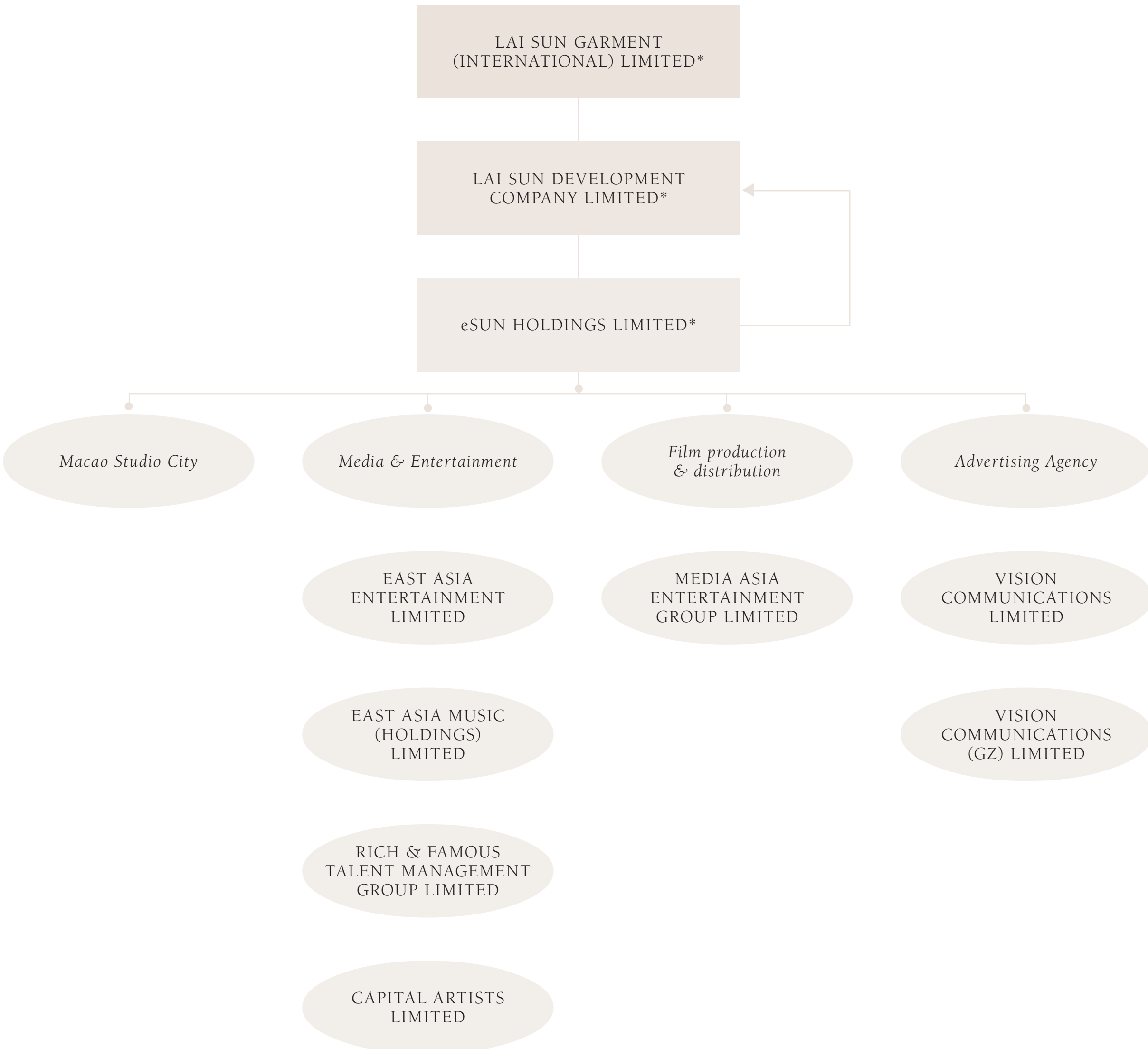
Stock code on Hong Kong Stock Exchange: ***571***

Corporate Profile

eSun Holdings Limited is a member of the Lai Sun Group which has been established in Hong Kong since 1947. The principal activities of the eSun Group comprise the development and operation of, and investment in, media and entertainment, production and distribution of music and film and video format products, the provision of advertising agency services and development of Macao Studio City, an integrated leisure resort combining theatre, concert and live entertainment, retail and gaming facilities and hotels in Cotai, Macau Special Administrative Region of the People's Republic of China.



* *Listed on the Main Board of The Stock Exchange of Hong Kong Limited*

Corporate Information

Place of Incorporation
Bermuda

Directors
Executive Directors
Leung Churk Yin, Jeanny *(Chief Executive Officer)*
Lam Kin Ngok, Peter
Cheung Wing Sum, Ambrose

Non-Executive Directors
Lien Jown Jing, Vincent *(Chairman)*
Tong Ka Wing, Carl* *(Deputy Chairman)*
U Po Chu
Lo Kwok Kwei, David
Alfred Donald Yap*
Low Chee Keong*
Ng Lai Man, Carmen*

* *Independent non-executive director*

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Hamilton HM 11
Bermuda

Secretary and Principal Office
Yeung Kam Hoi
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Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

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

Auditors
Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Solicitors
As to Hong Kong Law:
Vincent T. K. Cheung, Yap & Co.
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Hong Kong

Richards Butler
in association with Reed Smith LLP
20th Floor
Alexandra House
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Central
Hong Kong

As to Bermuda Law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

Bankers
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

Chairman's Statement

Chairman LIEN Jown Jing, Vincent

OVERVIEW OF RESULTS

For the year ended 31 December 2009, the Group recorded a turnover of HK$359,455,000 (2008: HK$270,131,000), representing an increase of approximately 33% from the previous year. For the year 2009, there were increases in revenue with respect to certain business operations (namely film production and distribution, music production and distribution and live entertainment), but off-set by a reduction in revenue from other business operations (namely sale of products, artiste management, film library licensing and advertising). The year-on-year increase in revenue for film production and distribution was largely due to the successful release of several films in 2009 as compared to a backlog created by, and as a result of the limited time slot suitable and/or available for any film promotional campaigns prior to, the Beijing 2008 Olympic Games in August 2008. The year-on-year increase in revenue for music production and distribution was largely due to the expansion into new media distribution and karaoke income. The year-on-year increase in revenue for live entertainment was mainly due to the re-opening after renovation of the Hong Kong Coliseum, a major local pop concert venue in Hong Kong, in early 2009 after its renovation since late 2008 which allowed the Group to produce larger scale live entertainment events as compared to those produced in other venues in 2008 when the Hong Kong Coliseum was under renovation.

OVERVIEW OF RESULTS (continued)

For the year ended 31 December 2009, the Group recorded a loss from operating activities of HK$422,013,000 (2008: HK$233,574,000). The increase in loss from operating activities was mainly due to the increase in other operating expenses by approximately 63% to HK$140,453,000. Such increase related principally to the impairment of goodwill arising out of the acquisition of Media Asia Entertainment Group Limited, which was completed in 2007, and the increase in the impairment of film rights of the Group's film library. In addition, marketing expenses increased to HK$92,274,000 in conjunction with the increase in revenue from certain business operations, in particular, the film production and distribution operations. In addition, the Group recognised a fair value loss on a put option of HK$118,328,000 in 2009 (further details of the put option are set out in the below Business Review under the heading of "EAST (Holdings)'s option").

The Group recorded a share of profits of associates of HK$521,276,000 as compared to a share of losses of associates of HK$71,256,000 for the previous year. The share of profits of associates was mainly attributable to Lai Sun Development Company Limited ("LSD"), an associate of the Company. The Group currently holds a 36.72% interest in LSD, which in turn holds a 36.08% interest in the Group. The Group's share of the losses of jointly-controlled entities, at HK$43,313,000, was significantly lower than the loss of HK$92,308,000 for the previous year. The principal explanation for this is that (i) no provision was made in 2009 for the film production and distribution business undertaken by a jointly-controlled entity (as contrasted with 2008) and (ii) there was a substantial increase in profit arising out of the investment in television drama and content production business of a jointly-controlled entity.

For the year ended 31 December 2009, the Group recorded a consolidated profit attributable to owners of the parent of HK$68,553,000 (2008: loss of HK$385,476,000). The changes in the results in 2009 were largely due to the reasons explained above.

Shareholders' equity as at 31 December 2009 amounted to HK$5,490,662,000, as compared to HK$5,321,231,000 as at 31 December 2008. Net asset value per share as at 31 December 2009 was HK$4.43, as compared to HK$4.29 as at 31 December 2008.

Chairman's Statement

BUSINESS REVIEW

Macao Studio City

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

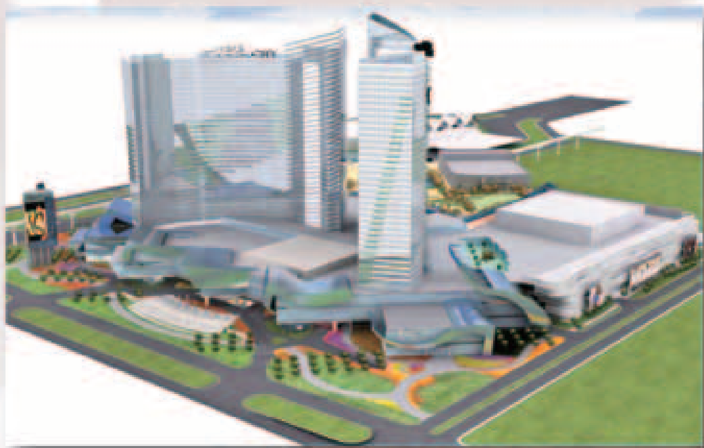
Project progress

The Macao Studio City project has not progressed over the year under review, essentially because of the continuing dispute between East Asia Satellite Television (Holdings) Limited ("EAST (Holdings)") and New Cotai, LLC ("New Cotai").

EAST (Holdings) is the holding company of a 60% interest in Cyber One Agents Limited ("Cyber One"), of which 66.7% is held indirectly by the Company and 33.3% is held by CapitaLand Integrated Resorts Pte. Ltd. ("CapitaLand"), a wholly-owned subsidiary of CapitaLand Limited (one of the largest listed real estate companies in Asia). New Cotai is the US joint venture partner holding a 40% interest in Cyber One.

Cyber One, the jointly-controlled joint venture company responsible for the project, has yet to receive approval from the Macau government in relation to its application for a land grant modification on land use and to increase the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. In connection with that application, the Macau government requested, and has repeated its request for, further particulars from the joint venture concerning plans for the project, in respect of which EAST (Holdings) and New Cotai have yet to formulate an agreed response.

Film production and distribution



Macao Studio City
(artist impression)

Music and entertainment production

BUSINESS REVIEW (continued)

Macao Studio City (continued)

Project progress (continued)

Notwithstanding that Macau has suffered from significant economic volatility since the original project plan was developed in 2006/2007, the Group is confident that the Macao Studio City project is still an attractive business proposition with considerable potential for long-term returns. The Group firmly believes that Cyber One is ready and able to present updated proposals on prospective financing and construction to the Macau government, despite the Group's view that New Cotai has, for its own reasons, refused to approve or allow Cyber One to make any substantive response to the Macau government's request for further particulars required to date.

On 29 October 2009, EAST (Holdings) commenced legal proceedings in the Hong Kong SAR against New Cotai and parties interested in that company, including David Friedman, Silver Point Capital L.P. and Oaktree Capital Management L.P., and others. Amongst other things, EAST (Holdings) is claiming damages of approximately HK$689 million for breach or inducing breaches of contract and, by way of derivative action on behalf of members of the Cyber One group, damages of approximately US$2.385 billion (approximately HK$18.6 billion) for, amongst other things, breaches of fiduciary duties and dishonestly assisting breaches of fiduciary duties owed to such members of the Cyber One group. On 3 February 2010, EAST (Holdings) filed its Statement of Claim with the High Court in Hong Kong SAR setting out the particulars of its claims. The proceedings are being pursued in the context of a desire on the part of the Company to protect EAST (Holdings)'s interests in the development and progress the Macao Studio City project. However, the timing and outcome of all litigation is inherently uncertain and, in this case, is being contested and/or may prompt claims or counterclaims on the part of New Cotai or others. Further, in the event of prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau government would exercise its rights, including but not limited to its rights to re-possess the plot of land.

Cyber One has not appointed a general contractor and has not, to date, progressed the building works beyond foundations for the superstructure. Cyber One presently has only a minimal staff base, so as to contain overheads and expenses.

BUSINESS REVIEW (continued)

Macao Studio City (continued)

Project progress (continued)

Cyber One will need to revisit its plans for the retail and entertainment component of the project. As announced by the Company on 21 August 2009, the various arrangements with Taubman Centres, Inc and its subsidiaries ("Taubman"), which would have seen Taubman take an equity stake in the retail component and take the lead in managing it, have now lapsed. The Company is aware that the retail element of the Macao Studio City will be one of the key components of the project and it is keen to explore, together with the other stakeholders and Taubman, whether it might be possible to revive or reconfigure the arrangements with Taubman in due course. In addition, as announced by the Company on 19 November 2009, the various arrangements with Playboy Enterprises International, Inc. and its subsidiaries in relation to the development of a multi-use entertainment venue on site have also terminated.

Financing

To date, the parties have contributed a total of US$200 million capital to the project (the Company's attributable share being US$80 million). However, Cyber One has yet to secure the necessary project finance for the development. The Directors believe that this will be more readily achievable once consensus is reached between the joint venture partners or the current differences are resolved. The Company continues to hold net proceeds of approximately HK$1,015 million from its rights issue of 2008, substantially all of which was, and is, intended for investment in the project. Indeed, it is ultimately anticipated that, when the project does resume, there will be a requirement for further equity investment in excess of these proceeds.

Chairman's Statement

BUSINESS REVIEW (continued)

Macao Studio City (continued)

EAST (Holdings)'s option

Although the Company and CapitaLand have been in consistent agreement on the development of Macao Studio City, it should be noted that, in the event the land grant modification for the first phase of the project has not been published by the Macau government and the occupation permit for Macao Studio City (in effect, signifying completion of the first phase of the project) is not issued solely due to the failure of the Macau government to publish in its gazette the land grant modification for the first phase of the project, in each case, within 54 months of completion of CapitaLand's investment (i.e. by mid September 2011), then CapitaLand would, subject to the terms and conditions in the sale and purchase agreement, have an option to put back its holding of shares in EAST (Holdings) to the Company. The consideration payable for the shares would be equal to the purchase price paid by CapitaLand for the shares (being approximately HK$659 million to date) and any further sums invested by it (being US$40 million to date, as its project funding contribution) net of any returns or dividends received by CapitaLand. Were the put to become exercisable and be exercised and completed, the Company's attributable interest in Macao Studio City would increase to 60%.

Media and entertainment

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

During the year ended 31 December 2009, MAEG has completed the principal photography of 7 films with 10 films still in the pipeline of production or under development. There were 6 films released in 2009, namely *Look For A Star* in January, *The Sniper* in April, *City Of Life And Death* in May, *Vengeance* in August, *Accident* in September and *The Founding of a Republic* in October as compared to 4 films released in 2008, namely *If You Are The One, Lady Cop & Papa Crook, Marriage Trap* and *Set-Off*. Such difference was largely due to a backlog created by, and as a result of the limited time slot suitable and/or available for any film promotional campaigns prior to the Beijing 2008 Olympic Games in August 2008.

BUSINESS REVIEW (continued)

Media and entertainment (continued)

Film production and distribution — Media Asia Entertainment Group Limited ("MAEG") (continued)

In 2009, various MAEG's films have achieved remarkable results. *The Founding of a Republic* is a film made to mark the 60th anniversary of the establishment of the People's Republic of China (the "PRC") with a cast of over 100 stars in the PRC, Hong Kong and Taiwan, and has recorded box-office receipts of over RMB410 million. *If You Are The One* is a romantic comedy directed by Feng Xiaogang and featured by Ge You and Shu Qi, and the film has broken the box-office record of Chinese language movie with the box-office receipts reached RMB325 million in the PRC. In 2009, MAEG films have recorded a total box-office receipts of over HK$1.26 billion in Asia.

MAEG's films also continue to receive industry recognitions in local and international film festivals in 2009. *City Of Life And Death* was awarded the Best Picture at the San Sebastian Film Festival, the Best Director at the Asia Pacific Screen Awards, and the Best Cinematography at the 46th Golden Horse Awards. In addition, Mr. Lam Kin Ngok, Peter, Chairman of MAEG, was awarded "Producer of the Year" at the CineAsia 2009.

Live entertainment

For the year ended 31 December 2009, the Group's live entertainment division produced and participated in 97 (2008: 146) concerts and entertainment events by popular local, Asian and internationally renowned artistes including Andy Lau, Leon Lai, Sammi Cheng, Denise Ho, Alan Tam, Hacken Lee, Super Band, Kay Tse, Ekin Cheng, Liu Chia Chang, At 17 and George Lam, in Hong Kong, the Mainland of China and Macau. The re-opening after renovation of the Hong Kong Coliseum, a major local pop concert venue in Hong Kong, in early 2009 has allowed the Group to produce larger scale live entertainment events as compared to those produced in other venues in 2008 when the Hong Kong Coliseum was under renovation and hence, revenue generated from live entertainment division in 2009 increased (despite a lower overall number of events produced in 2009 as compared with 2008).

Chairman's Statement

BUSINESS REVIEW (continued)

Media and entertainment (continued)

Live entertainment (continued)

With the addition of new venues including the Venetian and the City of Dreams, the Group's live entertainment division has expanded its coverage in Macau. In 2009, the Group has produced 1 pop concert in Macau performed by popular artiste Andy Lau. In addition, the Group has continued to participate and organise concert tours in the PRC and the rest of the world.

Music production, distribution and publishing

For the year ended 31 December 2009, the Group's music production, distribution and publishing division released 52 albums (2008: 56), including titles by Andy Lau, Sammi Cheng, Miriam Yeung, Andy Hui, Denise Ho, Richie Jen, Ivana Wong, Janice M. Vidal, Bosco Wong, Chet Lam, At 17 and Pong Nan. In 2009, the Group gradually expanded into Mandarin albums with various artistes commencing and/or increasing publication of Mandarin songs during the year. Following the acquisition of music libraries containing over 3,000 songs and 400 music videos in 2007 and 2008, the Group has, by expanding its content offering, enhanced its position to expand into the new media distribution business. During the year under review, the Group steadily grew its position in the market for music publishing and generated a stable and recurring cash flow.

Television drama and content production

The Group has expanded its entertainment offerings to include TV drama business. During the year under review, the Group has made investments, via renowned television dramas and content directors, producers and artistes from the Mainland of China, to produce television dramas and content. For the year ended 31 December 2009, the Group has invested in the production of approximately 150 hours of television dramas and content. Through co-operations with well-known artistes in the PRC, the television dramas which the Group invested in had effectively secured prime broadcasting time via distribution deals with major television networks in the PRC and worldwide. This mode of operation was proven to be successful by the elevated distribution income. During the year under review, the Group also reactivated its distribution network with the intention to expand this part of the operation.

BUSINESS REVIEW (continued)

Media and entertainment (continued)

New media

In view of the rising popularity of the new media, the Group has decided to tap into this business segment to enhance our entertainment platform and to extend the consumer reach of our entertainment products. In the second half of 2009, the Group has launched an artiste driven entertainment community – www.goyeah.com ("Goyeah") in Hong Kong. The Goyeah community is an entertainment platform offering free and legal contents including video, online artiste community and artiste-driven online games. As of 31 December 2009, Goyeah has secured the exclusive online and mobile rights of over 20 leading artistes and models. By the end of 2009, Goyeah has achieved web traffic of over 2 million page views per month.

Lai Sun Development Company Limited ("LSD")

For the year ended 31 December 2009, LSD's results as attributable to the Group were significantly improved by, amongst other things, a gain on fair value change in LSD's investment properties as compared to a loss on fair value change in LSD's investment properties in the previous year.

For the year under review, the Group reported an operating loss (before taking into account the Group's share of LSD's profit) of approximately HK$453,551,000 (2008: HK$314,227,000). Since LSD holds a 36.08% equity interest in the Company, LSD is required to equity account for the operating loss of the Group. As the Group also holds a 36.72% equity interest in LSD, the Group is required to further take up LSD's share of the Group's operating results. The effect of such recurring process leads to the Group taking up a further loss of HK$69,265,000 (2008: HK$46,702,000) and such amount is included in the Group's share of profits and losses of associates. Taking into account the cross-holdings between the Group and LSD, the Group's share of LSD's profits included within the Group's share of profits and losses of associates for the year ended 31 December 2009 was HK$522,104,000 (2008: loss of HK$71,249,000).

Chairman's Statement

OUTLOOK

Macao Studio City

The Company continues to believe that the Macao Studio City will eventually become one of the region's major entertainment destinations and will be an important platform for the Group to expand and monetise its entertainment and media expertise. The Group remains firmly committed, with or without the participation of its US project partners, to the project.

Media and entertainment

Film production and distribution

The success in our various film projects in 2009 reaffirms our beliefs in Chinese language films, MAEG scheduled to release no less than 6 films in 2010 including *Love in A Puff*, *Fire of Conscience, Frozen, Legend of the Fist*: *The Return of Chen Zhen* and *Once A Gangster.*

In light of the enormous yet continuously growing PRC market, MAEG will continue to co-produce films with the leading/renowned PRC companies, producers, directors as well as artistes to enhance our film revenue and expand our market share in the PRC. In addition, the Group has established a film production joint venture with Shanghai Film and "Beijing Guoli Chang Shing Film and TV Cultural Promotion Company Limited" (北京國立常升影視文化傳播有限公司), a company managed by Mr. Zhang Guoli, a well-known artiste in the PRC. Leveraging on the market expertise and recognitions of our joint venture partners, the Group would through this joint venture increase its participation in film projects in the PRC with an aim to strengthen our market position in the PRC.

Live entertainment

For 2010, the live entertainment division of the Group has already scheduled its own production of 6 titled concerts and entertainment events by popular local artistes and participation in the production of no less than 6 other titled events by other promoters, including overseas concert tours already involving some 80 shows in total.

With the increasing venues for performance in Macau, the Group will continue to expand the coverage of its live entertainment business in Macau. In addition, the Group will continue to expand into live entertainment promotions in the Mainland of China and Taiwan.

OUTLOOK (continued)

Media and entertainment (continued)

Music production, distribution and publishing

The traditional physical music record market has been dwindling over the last few years. Confronted with the changing consumers' pattern from physical to digital music sales, the Group will continue to explore new sales channel for our music products.

With the successful debut of East Asia Music's expansion into Mandarin albums and the positive contribution from the exploitation of the music library through new media distribution, the Group will continue its efforts to expand its presence in the Mainland of China.

Television drama and content production, and distribution

In view of the steady returns generated from investments in television drama and other television content, the Group will continue to look for business opportunities in this area in order to boost the quantity of television drama as well as to broaden the television contents to be produced. Given the success of our operation mode, the Group will continue to work with well-known artistes in the PRC to secure broadcasting time via distribution deals with major television networks in the PRC and worldwide so as to enhance the distribution income.

New media

The Group has successfully secured new investors' funds in March 2010 for further development of Goyeah. The Group will continue to enrich the contents of Goyeah with the goal of attracting more netizen and escalating page views. Leveraging on the Group's strong support from various aspects of media and entertainment businesses, and supplemented by the comprehensive entertainment contents, the Group will expand this business to the PRC. We expect that the Goyeah community will be a new revenue stream for the Group.

Chairman's Statement

OUTLOOK (continued)

Media and entertainment (continued)

The PRC artiste management

The PRC entertainment market is enormous with a wealth source of new talents and rising stars. In addition, various well-known PRC artistes have been gaining increasing fame and popularity in Asia and the rest of the world. Riding on the fast growing PRC entertainment industry, the Group intends to expand its business to the PRC artiste management. This new division could provide us with a fresh supply of artistes for entertainment projects to be organised and/or promoted and/or produced by the Group and hence, we expect that this new area of business will complement our other media and entertainment businesses.

LSD

According to LSD, it will target to maintain high occupancy rates and rental cashflows from its investment properties. It is further understood that LSD will monitor the local property market closely and will adopt a balanced approach towards its property development business.

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 shares would have represented approximately 8.82% of the enlarged issued share capital of the Company (and the shares issued on the full exercise of the warrants would have represented approximately 8.10% of the further enlarged issued share capital of the Company). 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 in light of the fact that Passport, a substantial shareholder of the Company, obtained an ex-parte injunction temporarily restraining the Company from proceeding with the placing. Although the long-stop date for the placing was extended once, with the injunction order remaining in place and the conditions to the placing remaining unfulfilled, the placing agreement lapsed on 9 January 2009.

OUTLOOK (continued)

Other matters relating to the Company (continued)

Update in relation to Passport Special Opportunities Master Fund, LP and Passport Global Master Fund SPC Limited ("Passport") (continued)

In essence, Passport alleges that the Company had no good commercial reason for the placement and that its sole or primary purpose was to dilute Passport's shareholding. Whether or not the injunction was validly obtained by Passport remains the subject of on-going legal proceedings in respect of which the Company and its directors are vigorously defending Passport's claims, and are pursuing their own remedies against Passport. The Court granted leave to the placing agent and certain of the placees to join the legal proceedings, as parties who were adversely affected by Passport's injunction. The Court required Passport to put up a bank guarantee in the sum of HK$120 million to fortify its undertaking as to damages. Passport also put up security for the Company's costs. The trial commenced in November 2009 and concluded in January 2010. The judge reserved his decision after the conclusion of the trial and judgement will be handed down in due course.

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

As at 31 December 2009, cash and cash equivalents held by the Group amounted to HK$1,341,437,000 of which over 96% were denominated in Hong Kong dollar currency.

In order to optimise the Group's liquidity and to enhance the yield of the Group's available cash, the Group also invested in short-term bond investments with investment grade rating and short-term securities investments. As at 31 December 2009, the carrying amount of such bond investments and securities investment held by the Group amounted to HK$120,724,000 and HK$2,809,000, respectively.

Chairman's Statement

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

As at 31 December 2009, the Group has unsecured promissory notes payable of HK$30,000,000 falling due within one year. The promissory notes payable bears interest at 3.5% per annum, and the Group recorded interest accruals of HK$2,319,000. As at 31 December 2009, there existed unsecured other borrowings from a former shareholder of the Company in the principal amount of HK$112,938,000 which is interest-bearing at the HSBC prime rate per annum and is repayable on demand. The Group recorded interest accruals of HK$42,735,000 for the other borrowings as at 31 December 2009. As at 31 December 2009, the Group has secured bank borrowings in China of RMB10,000,000 (or HK$11,361,000) falling due within one year which was secured by pledged deposit of HK$12,600,000. The secured bank borrowings bear interest with reference to the People's Bank of China Base Interest Rate. The Group recorded interest accruals of HK$57,000 for the secured bank borrowings as at 31 December 2009. In addition, certain land and buildings of the Group with a carrying amount of HK$58,551,000 were pledged to a bank to secure general banking facilities granted to the Group which were not utilised by the Group as at 31 December 2009. Also, the Group had finance lease payables of HK$92,000 falling due within one year, HK$73,000 falling due within the second year and HK$123,000 falling due within the third to fifth years, as at 31 December 2009.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 3% as at 31 December 2009. All of the Group's borrowings, except for the secured bank borrowings of HK$11,418,000 which are denominated in Renminbi, 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 year under review.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Company as at the end of the reporting periods are set out in note 44 to the financial statements.

Chairman's Statement

EMPLOYEES AND REMUNERATION POLICIES

The Group employed a total of approximately 230 employees as at 31 December 2009. Pay rates for employees are maintained at competitive levels, 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 also adopted a share option scheme for its directors and employees on 23 December 2005.

MANAGEMENT AND STAFF

My colleagues on the Board and I wish to record a vote of thanks to the two Directors who resigned prior to the date of this report, namely Mr. Lam Kin Ming and Mr. Low Kit Leong, for their contribution during their tenure as directors. On behalf of the Board, I would also like to thank all members of staff and management for their hard work and dedication during the year under review. We also owe a debt of gratitude to our shareholders and business associates for their continuing support.

Lien Jown Jing, Vincent
Chairman

Hong Kong
16 April 2010

Report of the Directors

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise the development and operation of and investment in media, entertainment, music production and distribution, investment in and production and distribution of film and video format products, the provision of advertising agency services and sale of cosmetic products.

RESULTS AND DIVIDENDS

Details of the profit of the Group for the year ended 31 December 2009 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 48 to 145.

No interim dividend was paid or declared in respect of the year ended 31 December 2009 (2008: Nil).

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2009 (2008: Nil) at the forthcoming Annual General Meeting.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 38 to the financial statements.

DIRECTORS

The directors of the Company who were in office during the year and those as at the date of this report are as follows:

Lien Jown Jing, Vincent *(Chairman)*	
Tong Ka Wing, Carl* *(Deputy Chairman)*	(appointed Deputy Chairman on 9 April 2009)
Leung Churk Yin, Jeanny *(Chief Executive Officer)*	
Lam Kin Ngok, Peter	
Cheung Wing Sum, Ambrose	
U Po Chu	
Alfred Donald Yap*	
Low Chee Keong*	
Lo Kwok Kwei, David	(appointed on 12 March 2009)
Ng Lai Man, Carmen*	(appointed on 12 March 2009)
Low Kit Leong	(resigned on 9 January 2010)
Lam Kin Ming	(resigned with effect from close of business on 25 September 2009)

* *Independent non-executive director*

DIRECTORS (continued)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Lo Kwok Kwei, David and Dr. Ng Lai Man, Carmen, who were appointed at the special general meeting of the Company held on 12 March 2009, will retire at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. Details of the aforesaid directors required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are set out in the "Biographical Details of Directors" section of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 5 to the financial statements, no Director had a material interest, whether direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in note 5 to the financial statements, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

(1) Playboy Mansion Macao in Macao Studio City

The Company announced on 21 September 2007 that on 21 June 2007, members of Cyber One Agents Limited ("Cyber One") had entered into certain agreements with subsidiaries of Playboy Enterprises International, Inc. ("Playboy") for the development of a 30,000 to 40,000 square-foot multi-use entertainment venue to be called the "Playboy Mansion Macao" (the "Venue"). The arrangements involved the establishment of a new joint venture company (the "Joint Venture Company") owned as to 51% by Cyber One and 49% by Playboy. By way of a licence agreement and a sub-licence agreement, the Joint Venture Company was to be granted a licence, for an initial term of ten years from the opening date of the Venue, to use certain Playboy intellectual property in connection with the Venue. The Joint Venture Company would also grant a sub-licence of the same intellectual property to the New Cotai Holdings, LLC ("New Cotai Holdings", together with its subsidiaries collectively referred to as the "New Cotai Group") in connection with a proposed 5,000 square-foot special entertainment space to be developed by New Cotai Entertainment, LLC, a member of the New Cotai Group, within the Venue (the "New Cotai Entertainment Site").

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

(1) Playboy Mansion Macao in Macao Studio City (continued)

Cyber One is an indirect non wholly-owned subsidiary of the Company (or "eSun") for the purposes of the Listing Rules. Cyber One's subsidiary, East Asia-Televisão Por Satélite, Limitada ("Macau Co"), owns a leasehold interest in the Cotai Site in the Macau SAR, on which it is proposed, subject to the Macau government's approval, that the Macao Studio City Project will be developed.

As New Cotai Holdings is a substantial shareholder of Cyber One, New Cotai Holdings and its associates, including New Cotai, LLC, are treated as connected persons of eSun. Moreover, since Playboy became a substantial shareholder of the Joint Venture Company, itself an indirect non wholly-owned subsidiary of eSun, Playboy and its associates were also treated as connected persons of eSun. The transactions contemplated under both the licence agreement and sub-licence agreement constituted continuing connected transactions for the Company.

Pending the opening of the Venue, no amounts are payable by the Joint Venture Company under the Licence Agreement or the Sub-Licence Agreement.

As referred in the Company's announcement dated 21 September 2007, annual caps would, in due course, be set for each of the Licence Agreement and the Sub-Licence Agreement in accordance with the relevant requirements of the Listing Rules.

The Company further announced on 19 November 2009 that on 10 November 2009, Playboy notified the Joint Venture Company of its intention to terminate the Licence Agreement pursuant to the right to terminate the Licence Agreement if the Joint Venture Company had not, by 15 January 2008, obtained a customary commitment letter for the debt financing necessary to complete the construction of the Venue.

In accordance with the terms of the Licence Agreement, that agreement (and all of the other agreements including the Joint Venture Agreement and the Sub-Licence Agreement), thereupon automatically terminated with immediate effect, with no party owing any further obligations to any other party, save for any arising out of antecedent breaches or as are expressed to survive termination.

(2) Media Asia Group Lease

The Company announced on 9 October 2007 that on 5 October 2007, Media Asia Group Limited ("Media Asia"), a wholly-owned subsidiary of the Company, entered into an offer letter with Gilroy Company Limited ("Gilroy"), a wholly-owned subsidiary of Lai Sun Development Company Limited ("LSD"), a substantial shareholder of the Company, pursuant to which Gilroy agreed to lease to Media Asia the whole 24th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of 3 years from 1 October 2007 to 30 September 2010 at the monthly rental of HK$165,000 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings).

LSD held a 34.75% interest in the Company as at the date of entering into the transaction. Gilroy was therefore an associate of a connected person of the Company under the Listing Rules. Accordingly, the entering into of the offer letter between Media Asia and Gilroy constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (continued)

(3) **eSun Holdings Limited Lease**

The Company announced on 30 October 2008 that on 28 October 2008, the Company entered into an offer letter with Gilroy, pursuant to which Gilroy agreed to lease to the Company Units 1403-1407 on the 14th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of one year commencing from 9 July 2008 to 8 July 2009 at the monthly rental of HK$147,219 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings).

The Company further entered into a tenancy agreement with Gilroy on 13 August 2009, pursuant to which Gilroy agreed to lease to the Company Units 1403-1407 on the 14th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of four months and twenty-seven days commencing from 9 July 2009 to 5 December 2009 at the monthly rental of HK$118,725 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings).

The Company announced on 14 December 2009 that on 11 December 2009, the Company entered into another offer letter with Gilroy, pursuant to which Gilroy agreed to lease to the Company the whole 14th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of 3 years from 6 December 2009 to 5 December 2012 at the monthly rental of HK$187,500 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings).

LSD is a connected person to the Company and Gilroy is therefore an associate of a connected person of the Company under the Listing Rules and the entering into of the offer letters between the Company and Gilroy therefore constituted continuing connected transactions for the Company under the Listing Rules.

(4) **Licensing Agreements with CCTV-6**

eSun has an indirect non wholly-owned subsidiary named China Film Media Asia Audio Video Distribution Co., Ltd. (中影寰亞音像制品有限公司), which is a company incorporated in the Mainland of China ("Distribution Co"). eSun indirectly owns 70% of Distribution Co, with the other 30% being owned by China Film Audio Video Publishing House, a member of the China Film Group Corporation (中國電影集團公司) ("China Film Group").

Prior to June 2007, Distribution Co was a subsidiary of Media Asia Entertainment Group Limited ("MAEG"). Distribution Co became an indirect non wholly-owned subsidiary of eSun when eSun acquired further interest in and completed the privatisation of MAEG in August 2007. China Film Audio Video Publishing House thus became a connected person to eSun for the purposes of Chapter 14A of the Listing Rules.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

(4) Licensing Agreements with CCTV-6 (continued)

Distribution Co had entered into two licensing agreements with the movie channel of China Central Television Network (中國國家廣播電影電視總局電影衛星頻道節目製作中心) ("CCTV-6") on 20 September 2005 and 28 March 2007 respectively (the "Licensing Agreements"). CCTV-6 is understood by the eSun Directors also to be a member of the China Film Group and for the sake of prudence the eSun Directors have assumed that it is an associate of China Film Audio Video Publishing House and, accordingly, since the completion of the privatisation of MAEG, an associate of a connected person to eSun. At the respective times that these agreements were entered into, neither was a continuing connected transaction for eSun. However, following the completion of the privatisation of MAEG in August 2007, both agreements became continuing connected transactions for eSun, on the basis of the relationship mentioned above.

The material terms of the Licensing Agreements are very similar, with the 20 September 2005 agreement relating to all films produced or co-produced by the MAEG group during the three-year period ended 31 December 2006, and the 28 March 2007 agreement relating to all films produced or co-produced by the MAEG group during the three-year period ended 31 December 2009.

Pursuant to each agreement, CCTV-6 is licensed to broadcast any particular film the subject of that agreement for a total period of 10 years from the relevant rights commencement date applicable to that film, provided always that no film may be broadcasted more than 100 times under the agreement. The licence to broadcast is an exclusive right limited to pay television and free to air television in the Mainland of China (excluding Hong Kong, Taiwan and Macau).

The licence fee payable in cash in stages for each film varies according to the relative expenditure incurred in producing the film, and comprises, in each case, a base licence fee and by way of additional licence fee (if applicable) a fixed percentage of the amount by which total income derived from cinematic broadcast of the film in the Mainland of China may have exceeded certain agreed minimum prescribed thresholds, provided always that the total licence fee payable per film is capped at a maximum of RMB2.5 million per film.

During the year ended 31 December 2009, CCTV-6 paid to Distribution Co fees totalling approximately HK$4,204,000.

(5) Joint Venture in respect of Phase I Retail Component of Macao Studio City

Cyber One, an indirect non wholly-owned subsidiary of the Company for the purposes of the Listing Rules, is developing the Macao Studio City project (the "Project") at a site at Cotai, Macau SAR. The leasehold interest in the Cotai site is owned by a subsidiary of Cyber One incorporated in Macau named East Asia-Televisão Por Satélite, Limitada ("Macau Co"). Phase I of the Project will include retail space of approximately 904,000 square feet of gross floor area or 615,000 square feet of gross leasable area (the "Phase I Retail Component").

CONTINUING CONNECTED TRANSACTIONS (continued)

(5) Joint Venture in respect of Phase I Retail Component of Macao Studio City (continued)

The Company announced on 31 January 2008 that members of Cyber One and Taubman Centers, Inc. and its subsidiaries (the "Taubman Group") had entered into certain agreements on 29 January 2008 relating to the formation of a joint venture for the purposes of owning, developing and operating the Phase I Retail Component and to document a right of first offer in respect of the retail component of the second phase of the Project. The aforesaid agreements comprise (i) the Equity Participation Agreement; (ii) the Joint Venture Agreement; (iii) the Agreement for Lease; (iv) the Development Services Agreement between Macau Co and Taubman Macau; and (v) the Management and Leasing Agreement between Macau Sub and Taubman Macau.

By virtue of the fact that the Taubman Group became a substantial shareholder of Retail Holding Company (through which the parties had proposed to conduct the joint venture) and that the Retail Holding Company was treated, for the purposes of the Listing Rules, as an indirect non wholly-owned subsidiary of eSun, the Taubman Group became a connected person of eSun. Both the Development Services Agreement and the Management and Leasing Agreement therefore constituted continuing connected transactions for eSun. The Joint Venture Agreement, Development Services Agreement and Management and Leasing Agreement and all transactions and matters contemplated therein were approved by the independent shareholders of the Company at a special general meeting of the Company held on 18 March 2008.

Pursuant to the terms of the Equity Participation Agreement, the initial cash consideration payable by a subsidiary of Taubman Group to Cyber One for a 25% participation interest in the retail component of the Macao Studio City, being approximately HK$377 million, and the US$6 million reimbursement sum in respect of certain initial build costs, were paid into an escrow account, pending fulfilment of various pre-conditions.

For the purpose of developing the premises for the Phase I Retail Component, Macau Co, as owner of the Project, has appointed Taubman Macau Limited ("Taubman Macau"), a subsidiary of Taubman Centers Inc. under the Development Services Agreement, to provide assistance with respect to the design, development, planning and construction of the Phase I Retail Component. Macau Co is obliged to pay to Taubman Macau a development fee fixed at the total of US$10 million. The fee is payable by Macau Co in equal monthly instalments. Cyber One has calculated that the aggregate amounts payable by Macau Co to Taubman Macau under the Development Services Agreement in any of the 3 financial years ending 31 December 2010 ought not to exceed US$10 million per annum.

The Company further announced on 21 August 2009 that on 13 August 2009, the amount contained in the escrow account was returned to the Taubman Group on the basis that one or more of the pre-conditions, including securing all necessary construction financing for the Project, had not, by then, been fulfilled. In accordance with the terms of the Equity Participation Agreement, that agreement (and all of the other agreements referred to above), thereupon automatically terminated with immediate effect, with no party owing any further obligations to any other party, save for any arising out of antecedent breaches or as are expressed to survive termination.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

The aforesaid continuing connected transactions listed under items 1 to 5 have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditors of the Company have provided a confirmation in accordance with the relevant clauses of the Listing Rules applicable to each of the above continuing connected transactions for the year ended 31 December 2009.

CONNECTED TRANSACTIONS

(1) Co-Investment Agreement

On 27 April 2009, Media Asia Films Limited ("Media Asia Films") entered into a Co-Investment Agreement (the "Co-investment Agreement") with China Film Group Film Production Corporation (中國電影集團公司制片分公司) ("Film Production Corporation"), a wholly-owned subsidiary of China Film Group. Pursuant to the terms of the Co-Investment Agreement, Media Asia Films and Film Production Corporation agreed to co-invest in the production of a film to be produced by Film Production Corporation (the "Film A").

The estimated production budget of the Film A is RMB37 million, determined by the producer taking into account all costs and expenses related to the Film A (including for example, actors' fees and film support services). The investment contribution ratio in the Film A for Film Production Corporation is 90% of the estimated production budget (i.e. RMB33.3 million, or HK$37.8 million), and for Media Asia Films, 10% of the estimated production budget (i.e. RMB3.7 million, or HK$4.2 million) (the "Investment Contribution Ratio"). The profit sharing ratio in the Film A will be on the same basis as the Investment Contribution Ratio. The investment contribution for both parties will be payable in cash in stages, with Media Asia Films's contribution to be funded from internal resources.

The copyrights and other intellectual property rights of the Film A will be owned by Media Asia Films and Film Production Corporation in accordance with the Investment Contribution Ratio.

Pursuant to the Co-Investment Agreement, Media Asia Films shall have the right to distribute and exploit the Film A in Hong Kong and Macau whereas Film Production Corporation shall have the right to distribute and exploit the Film A in the remaining territories of the world. Further, Film Production Corporation shall have the worldwide ancillary rights in the Film A. Notwithstanding the above, revenues (net of distribution fees and expenses) from the exploitation of the ancillary rights relating to the Film A, shall be contributed towards the proceeds of the Film A for profit sharing purposes.

CONNECTED TRANSACTIONS (continued)

(1) Co-Investment Agreement (continued)

Media Asia Films is an indirect wholly-owned subsidiary of the Company. China Film Audio Video Publishing House, a member of the China Film Group, is the substantial shareholder of an indirect subsidiary and a connected person of the Company. As such, both China Film Group and Film Production Corporation are understood by the Directors to be an associate of a connected person to the Company and therefore, the Co-Investment Agreement is a connected transaction for the Company under chapter 14A of the Listing Rules.

The aggregate amount payable under the Co-investment Agreement represents more than 0.1 per cent. but less than 2.5 per cent. of one or more applicable percentage ratios (as defined in the Listing Rules). Accordingly, whilst the Co-Investment Agreement is subject to reporting and announcement requirements under Rule l4A.32 of the Listing Rules, no approval of independent shareholders of the Company is required.

(2) The Distribution Agreements

Reference is made to the announcement of the Company dated 14 April 2008, in relation to, amongst other things, the Co-Production Agreement entered into between Media Asia Films, China Film Group and Xing Mel (Beijing) Film Co., Ltd. (星美(北京)影業有限公司) (“Xing Mei”) (collectively the “Co-Production Parties”). Pursuant to the terms of the Co-Production Agreement, the investment contribution ratio in the film entitled 《*City of Life and Death*》(the “Film B”) for China Film Group and Xing Mei (collectively) is 90% of the estimated production budget and for Media Asia Films, 10% of the estimated production budget (the “Investment Contribution Ratio”).

1. ***The Media Asia Distribution Agreement***

   On 20 October 2009, Media Asia Films entered into a distribution agreement (the “Media Asia Distribution Agreement”) with China Film Group, Xing Mei and Media Asia Distribution Ltd. (“Media Asia Distribution”) pursuant to which Media Asia Distribution would be given the sole and exclusive right to distribute the Film B throughout various territories in Asia, including Hong Kong and Macau.

   Under the Media Asia Distribution Agreement, Media Asia Distribution would be entitled to a commission of 15% of the gross revenue from distributing the Film B in the territories specified in the agreement (“Media Asia Territories”). In addition, Media Asia Distribution would provide a guarantee to the Co-Production Parties that the net income from the Film B in the Media Asia Territories after the 90th day of the first screening of the Film B in the Media Asia Territories will not be less than RMB6,500,000 (the “Media Asia Guarantee Amount”). The amount guaranteed to the Co-Production Parties by Media Asia Distribution pursuant to the above guarantee will be guaranteed to those parties in the ratio of the Investment Contribution Ratio. Consequently, the maximum amount to be guaranteed by the Media Asia Group to China Film Group and Xing Mei will be RMB5,850,000 (i.e. 90% of the Media Asia Guarantee Amount of RMB6,500,000).

CONNECTED TRANSACTIONS (continued)

(2) The Distribution Agreements (continued)

2. ***The China Film Distribution Agreement***

On 20 October 2009, Media Asia Films entered into another distribution agreement (the "China Film Distribution Agreement") with China Film Group, Xing Mei, China Film Group Film Distribution and Exhibition Corporation (中國電影集團公司電影發行放映分公司) ("CGF Distribution") and China Film Group Marketing Corporation (中國電影集團公司電影營銷策劃分公司) ("CFG Marketing") pursuant to which CGF Distribution, CFG Marketing and Xing Mei (the "China Distributors") would be given the sole and exclusive right to distribute the Film B throughout the Mainland of China (excluding Hong Kong, Macau and Taiwan).

Under the China Film Distribution Agreement, the China Distributors would be entitled to a commission of 15% of the gross revenue from distributing the Film B throughout the Mainland of China. In addition, the China Distributors would provide a guarantee to the Co-Production Parties that the net income from the Film B in the Mainland of China after the 60th day of the first screening of the Film B in the Mainland of China will not be less than RMB45,000,000 (the "China Distributors Guarantee Amount"). The amount guaranteed to the Co-Production Parties by the China Distributors pursuant to the above guarantee will be guaranteed to those parties in the ratio of the Investment Contribution Ratio. Consequently, the maximum amount to be guaranteed by the China Distributors to the Media Asia Group will be RMB4,500,000 (i.e., 10% of the China Distributors Guarantee Amount of RMB45,000,000).

Media Asia Films is an indirect wholly-owned subsidiary of the Company. China Film Audio Video Publishing House, a member of the China Film Group, is the substantial shareholder of an indirect subsidiary and a connected person of the Company. As such, China Film Group is understood by the Directors to be an associate of a connected person to the Company. Additionally, CFG Distribution and CFG Marketing are understood to be fully funded subsidiaries of China Film Group. The Distribution Agreements are therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Xing Mei and its respective ultimate beneficial owners are third parties independent of the Company and China Film Group.

The aggregate amount payable under the Media Asia Distribution Agreement and the China Distribution Agreement represent more than 0.1 per cent. but less than 2.5 per cent. of one or more applicable percentage ratios (as defined in the Listing Rules) respectively. Accordingly, whilst the Media Asia Distribution Agreement and the China Distribution Agreement are subject to reporting and announcement requirements under Rule 14A.32 of the Listing Rules, no approval of independent shareholders of the Company is required.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this Report, Mr. Lam Kin Ming, a former director of the Company who resigned with effect from close of business on 25 September 2009, is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Mr. Lam Kin Ming is a director and the controlling shareholder of Big Honor Investment Ltd. ("Big Honor"), a private company incorporated in Hong Kong. The principal activities of Big Honor are the production of pop concerts and management of artistes.

As the board of directors of the Company (the "Board") is independent from the board of Big Honor and the abovementioned former Director does not control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of Big Honor.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Miss Leung Churk Yin, Jeanny, aged 45, was appointed an executive director and chief executive officer of the Company in September 2007. She is also an executive director of Lai Sun Garment (International) Limited ("LSG"), Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited. LSD is the controlling shareholder of the Company and LSG is a substantial shareholder of LSD. She is also an independent non-executive director of Top Form International Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Miss Leung has over 20 years of corporate finance experience in Hong Kong, the Mainland of China and Taiwan.

Mr. Lam Kin Ngok, Peter, aged 52, has been an executive director of the Company since October 1996. He is also a deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited, an executive director of Crocodile Garments Limited and the chairman of Media Asia Entertainment Group Limited. LSD is the controlling shareholder of the Company and LSG is a substantial shareholder of LSD. Mr. Lam has extensive experience in the property development and investment, hospitality and media and entertainment businesses.

Mr. Lam is currently a director of the Real Estate Developers Association of Hong Kong. He is also Chairman of the Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, Honorary Chairman of the Hong Kong Kowloon & New Territories Motion Picture Industry Association Limited, Vice Chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. Mr. Lam is also a Trustee of the Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited. Mr. Lam is the son of Madam U Po Chu and is the younger brother of Mr. Lam Kin Ming.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Executive Directors (continued)

Mr. Cheung Wing Sum, Ambrose, aged 59, was appointed an executive director of the Company in September 2005. He is also an executive director of Lai Sun Development Company Limited ("LSD"), a public company listed on the Main Board of The Stock Exchange of Hong Kong Limited and the controlling shareholder of the Company. Mr. Cheung is a business executive with a legal and banking background. He has over 29 years' experience in mergers and acquisitions, management and development of hotels, hospitality and property industries. He was previously a partner of Woo Kwan Lee & Lo and Philip K H Wong, Kennedy Y H Wong & Co, and an executive director of Sino Land Company Limited. Mr. Cheung is a Justice of the Peace and a recipient of a Medal of Honour awarded by the Hong Kong Special Administrative Region Government in 2009 and over the last 29 years he served on a number of public bodies and committees, which included the Legislative Council, the Urban Council and the Hong Kong Stadium Board of Governors. He is currently an elected member of the Shamshuipo District Council, the Chairman of Insurance Agents Registration Board and a member of The Hong Kong Institute of Certified Public Accountants Council, and Advisory Committee, School of Hotel and Tourism Management, The Chinese University of Hong Kong.

Mr. Low Kit Leong, aged 39, was appointed an executive director of the Company in June 2007. He resigned from the Board of the Company with effect from 9 January 2010. Mr. Low was an executive director at the Goldman Sachs Asia-Pacific Research Entertainment, Media, and Internet team prior to joining the Company. He joined Goldman Sachs in June 2003 as an Associate. Before joining Goldman Sachs, Mr. Low worked as a Program Manager for Johnson Controls Inc., managing Toyota Corolla and Tacoma vehicle interior development in the United States. He subsequently joined Sybase Inc., as a Program Manager in its Global Products Group. Mr. Low received his Bachelor of Science Degree in Industrial Engineering and Motion Picture Production from the University of Wisconsin-Madison, and his MBA from Columbia Business School in the United States.

Non-executive Directors

Mr. Lien Jown Jing, Vincent, Chairman, aged 49, first joined the Board as an independent non-executive director in August 1998 and was later re-designated as non-executive chairman of the Company in May 2007. He has over 13 years' experience in banking and corporate finance in Hong Kong, the Mainland of China, Singapore and South-east Asia, having held various senior positions at several major multinational banking institutions.

Mr. Lam Kin Ming, aged 72, was first appointed to the Board in October 1996 and served as a non-executive director of the Company until he resigned from the Board with effect from close of business on 25 September 2009. Mr. Lam is also chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman and chief executive officer of Crocodile Garments Limited, the deputy chairman of Lai Fung Holdings Limited and a non-executive director of Lai Sun Development Company Limited ("LSD"). LSD is the controlling shareholder of the Company and LSG is a substantial shareholder of LSD. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lam has been involved in the management of garment business since 1958. He is the elder brother of Mr. Lam Kin Ngok, Peter.

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Non-executive Directors (continued)

Madam U Po Chu, aged 85, is a non-executive director of the Company and was first appointed to the Board in October 1996. She is also a non-executive director of Lai Sun Garment (International) Limited ("LSG") and Lai Sun Development Company Limited ("LSD"), and an executive director of Lai Fung Holdings Limited. LSD is the controlling shareholder of the Company and LSG is a substantial shareholder of LSD. All the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Madam U has over 55 years' experience in the garment manufacturing business and has been involved in the printing business since the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing and in the late 1980's also became involved in property development and investment. She is the mother of Mr. Lam Kin Ngok, Peter.

Mr. Lo Kwok Kwei, David, aged 50, was appointed a non-executive director of the Company in March 2009. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from University of New South Wales, Australia. Mr. Lo was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. He has been a member of The Law Society of Hong Kong since 1987. He has been practicing as a solicitor in Hong Kong for over 20 years and is a partner in a law firm, David Lo & Partners. He is an independent non-executive director of Man Yue International Holdings Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company does not have a service contract with Mr. Lo. Pursuant to his appointment letter with the Company, Mr. Lo's appointment is determinable by the employing company within one year without payment of compensation, other than statutory compensation. Mr. Lo will be subject to retirement by rotation once every three years since his last election and will also be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. Mr. Lo is entitled to such remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Mr. Lo does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Lo does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Tong Ka Wing, Carl, aged 59, was appointed an independent non-executive director of the Company in September 2004 and the deputy chairman of the Company in April 2009. Mr. Tong is currently a non-executive director of Crocodile Garments Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, and the managing director and chief executive officer of Creative Master Bermuda Limited, a company listed on the main board of the Singapore Exchange Securities Trading Limited. Mr. Tong is a member of the Hong Kong Institute of Certified Public Accountants and he qualified as a Chartered Accountant of England and Wales in 1981. He has over 20 years' experience in corporate management.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Non-executive Directors (continued)

Mr. Alfred Donald Yap, J.P., aged 71, is an independent non-executive director of the Company and was first appointed to the Board in December 1996. Mr. Yap is presently a consultant of K. C. Ho & Fong, Solicitors and Notaries. Mr. Yap was a former president of The Law Society of Hong Kong and past president of The Law Association for Asia and the Pacific (LAWASIA). Mr. Yap was also a former Hong Kong Affairs Adviser appointed by the Chinese Government. Mr. Yap is an independent non-executive director of Hung Hing Printing Group Limited and Wong's International (Holdings) Limited, which are both listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Low Chee Keong, aged 49, was appointed an independent non-executive director of the Company in August 1999. Mr. Low has been a member of the Chartered Institute of Marketing of the United Kingdom since 1986. He has over 15 years' experience in the property development and maintenance industry in Singapore.

Dr. Ng Lai Man, Carmen, aged 45, was appointed an independent non-executive director of the Company in March 2009. She has over 20 years of experience in professional accounting services and corporate finance in Hong Kong, the Mainland of China, Singapore, the United States, Canada and Europe. Dr. Ng is a practicing certified public accountant in Hong Kong and currently is the practising director of Cosmos Certified Public Accountants Limited in Hong Kong. She is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Certified Chartered Accountants in the United Kingdom, and an associate member of The Institute of Chartered Accountants in England and Wales. She received her Doctor of Business Administration from The Hong Kong Polytechnic University, Master of Laws in Corporate and Financial Laws from The University of Hong Kong, Master of Business Administration from The Chinese University of Hong Kong, and Master of Professional Accounting from The Hong Kong Polytechnic University. Dr. Ng is an independent non-executive director of Goldin Properties Holdings Limited and Cheong Ming Investments Limited, which are both listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company does not have a service contract with Dr. Ng. Pursuant to her appointment letter with the Company, Dr. Ng's appointment is determinable by the employing company within one year without payment of compensation, other than statutory compensation. Dr. Ng will be subject to retirement by rotation once every three years since her last election and will also be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. Dr. Ng is entitled to such remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Dr. Ng does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Dr. Ng does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

SHARE OPTION SCHEME

An employee share option scheme (the "Share Option Scheme") was adopted by the Company on 23 December 2005 and became effective on 5 January 2006. It will remain in force for a period of 10 years from the effective date. Information on movements under the Share Option Scheme during the financial year is set out below:

Category/Name of participant	Date of grant of share options *(Note 1)*	Number of share options: At 1 January 2009	Granted during the year	Lapsed during the year	At 31 December 2009	Exercise period of share options	Exercise price of share options HK$ per share *(Note 2)*
Directors							
Lam Kin Ngok, Peter *(Note 3)*	24/02/2006	1,889,506	—	—	1,889,506	01/01/2009 to 31/12/2009	4.43
	24/02/2006	1,889,507	—	—	1,889,507	01/01/2010 to 31/12/2010	4.68
		3,779,013	—	—	3,779,013		
Cheung Wing Sum, Ambrose *(Note 3)*	24/02/2006	1,889,506	—	—	1,889,506	01/01/2009 to 31/12/2009	4.43
	24/02/2006	1,889,507	—	—	1,889,507	01/01/2010 to 31/12/2010	4.68
		3,779,013	—	—	3,779,013		
Leung Churk Yin, Jeanny *(Note 3)*	20/02/2008	1,267,810	—	(1,267,810)	—	01/05/2008 to 30/04/2009	5.54
	20/02/2008	1,267,810	—	—	1,267,810	01/01/2009 to 31/12/2009	5.83
	20/02/2008	1,267,810	—	—	1,267,810	01/01/2010 to 31/12/2010	6.18
	20/02/2008	1,267,810	—	—	1,267,810	01/01/2011 to 31/12/2011	6.52
		5,071,240	—	(1,267,810)	3,803,430		
Low Kit Leong *(Note 4)*	20/02/2008	1,622,797	—	(1,622,797)	—	31/05/2008 to 30/05/2009	5.54
	20/02/2008	1,622,797	—	—	1,622,797	31/05/2009 to 30/05/2010	5.83
	20/02/2008	1,622,797	—	—	1,622,797	31/05/2010 to 30/05/2011	6.18
		4,868,391	—	(1,622,797)	3,245,594		
Other employees							
In aggregate *(Note 3)*	14/02/2006	1,889,506	—	—	1,889,506	01/01/2009 to 31/12/2009	4.92
	14/02/2006	1,889,507	—	—	1,889,507	01/01/2010 to 31/12/2010	5.42
	24/02/2006	1,889,506	—	—	1,889,506	01/01/2009 to 31/12/2009	4.43
	24/02/2006	1,889,507	—	—	1,889,507	01/01/2010 to 31/12/2010	4.68
		7,558,026	—	—	7,558,026		
		25,055,683	—	(2,890,607)	22,165,076		

Notes:

1. The vesting period of the share options is from the date of grant until the 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.

SHARE OPTION SCHEME (continued)

Notes: (continued)

3. A total of 8,825,834 share options lapsed on expiration of the exercise period from 1 January 2009 to 31 December 2009 in accordance with the terms of the Share Option Scheme.

4. 1,622,797 share options with the exercise period of 31 May 2009 to 30 May 2010 and 1,622,797 share options with the exercise period of 31 May 2010 to 30 May 2011 lapsed on 9 January 2010 on cessation of employment of the Participant in accordance with the terms of the Share Option Scheme.

5. A total of 7,558,024 share options lapsed on expiration of the exercise period from 1 January 2008 to 31 December 2008 in accordance with the terms of the Share Option Scheme.

During the financial year, no share options were exercised or cancelled in accordance with the terms of the Share Option Scheme.

Further details of the Share Option Scheme are included in note 39 to the financial statements.

DIRECTORS' INTERESTS

As at 31 December 2009, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

	Long position in the shares of the Company						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lien Jown Jing, Vincent	1,397,700	Nil	Nil	Nil	Beneficial owner	1,397,700	0.11%
Lam Kin Ngok, Peter	2,794,443	Nil	Nil	3,779,013 *(Note 1)*	Beneficial owner	6,573,456	0.53%
Cheung Wing Sum, Ambrose	2,194,443	Nil	Nil	3,779,013 *(Note 1)*	Beneficial owner	5,973,456	0.48%
Leung Churk Yin, Jeanny	Nil	Nil	Nil	3,803,430 *(Note 1)*	Beneficial owner	3,803,430	0.31%
Low Kit Leung *(Note 2)*	Nil	Nil	Nil	3,245,594 *(Note 1)*	Beneficial owner	3,245,594	0.26%

Notes:

1. Options granted to the above directors of the Company under the share option scheme of the Company are shown in the section "Share Option Scheme" of this report.

2. Mr. Low resigned from the Board of the Company with effect from 9 January 2010.

DIRECTORS' INTERESTS (continued)

(2) Associated Corporation

Lai Sun Development Company Limited ("LSD")

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

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

Save as disclosed above, as at 31 December 2009, none of the directors or chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section above and in note 39 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 December 2009, the following person, had an interest in the following long positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO:

	Long position in shares of Company			
Name	**Capacity**	**Nature**	**Number of Ordinary Shares**	**Percentage of Issued Share Capital**
Lai Sun Development Company Limited	Owner of controlled corporation	Corporate Interest	447,604,186	36.08%
Passport Global Master Fund SPC Ltd for and on behalf of portfolio A — global strategy	Investment manager	Corporate Interest	126,743,261	10.22%
Passport Special Opportunities Master Fund, LP	Beneficial owner	Corporate Interest	224,408,401	18.09%
Burbank, John H.	Owner of controlled corporation	Corporate Interest	351,253,400 *(Note 1)*	28.31%
Passport Capital, LLC	Investment manager	Corporate Interest	351,253,400 *(Note 2)*	28.31%
Passport Management, LLC	Investment manager	Corporate Interest	351,253,400	28.31%

Notes:

1. Burbank, John H. was taken to be interested in 351,253,400 shares in the Company due to his beneficial interests in Passport Capital, LLC.

2. Passport Capital, LLC. was taken to be interested in 351,253,400 shares in the Company due to its beneficial interests in Passport Management, LLC.

Save as disclosed above, no other person was recorded in the register required to be kept under the provisions of Divisions 2 and 3 of Part XV of the SFO as having an interest or short position in the shares and underlying shares of equity derivatives and debentures of the Company as at 31 December 2009.

Report of the Directors

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has complied with the sufficiency of public float requirement under the Listing Rules during the year ended 31 December 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2009, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 40 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda (as amended). However, the Company's share premium account, in the amount of HK$4,227,678,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements of the Group and restated/reclassified as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
TURNOVER	**359,455**	270,131	289,780	148,938	136,633
PROFIT/(LOSS) BEFORE TAX	**49,192**	(404,321)	924,369	1,180,613	239,933
Income tax	**(154)**	560	(18)	379	(717)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**49,038**	(403,761)	924,351	1,180,992	239,216
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**—**	(1,068)	(35,827)	(30,924)	(28,748)
PROFIT/(LOSS) FOR THE YEAR	**49,038**	(404,829)	888,524	1,150,068	210,468
Attributable to:					
Owners of the parent	**68,553**	(385,476)	895,710	1,150,068	210,468
Minority interests	**(19,515)**	(19,353)	(7,186)	—	—
	49,038	(404,829)	888,524	1,150,068	210,468

SUMMARY OF FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**84,761**	77,206	80,180	77,310	207,713
Goodwill	**—**	35,202	35,202	—	—
Film rights	**72,568**	110,934	139,059	133,745	187,187
Film products	**68,538**	60,430	59,545	—	—
Music catalogs	**115,249**	108,556	61,645	—	—
Interests in jointly-controlled entities	**1,044,869**	1,076,802	972,146	654,534	223
Interests in associates	**3,152,538**	2,557,469	2,620,179	1,992,165	1,632,930
Available-for-sale investments	**90,338**	65,006	51,631	34,704	—
Long term loan receivables	**—**	63,445	—	—	—
Long term deposits, prepayments and other receivables	**102,362**	110,369	83,408	10,048	—
Deferred tax assets	**423**	753	434	—	—
Current assets	**1,817,388**	2,004,480	1,538,724	1,110,809	258,757
TOTAL ASSETS	**6,549,034**	6,270,652	5,642,153	4,013,315	2,286,810
Current liabilities	**(613,619)**	(422,125)	(452,404)	(252,925)	(115,953)
Long term promissory notes, put option, bank and other borrowings	**(118,524)**	(181,514)	(194,352)	(135,501)	(126,607)
Deferred tax liabilities	**—**	—	(44)	—	—
TOTAL LIABILITIES	**(732,143)**	(603,639)	(646,800)	(388,426)	(242,560)
MINORITY INTERESTS	**(326,229)**	(345,782)	(326,135)	(196)	(196)
	5,490,662	5,321,231	4,669,218	3,624,693	2,044,054

Report of the Directors

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 41 to 45 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

AUDITORS

Ernst & Young retire at the forthcoming Annual General Meeting and a resolution for their reappointment as auditors of the Company will be proposed at the said Meeting.

On Behalf of the Board

Lien Jown Jing, Vincent
Chairman

Hong Kong
16 April 2010

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from time to time.

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this Annual Report save for the following deviation from code provision A.4.1.

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

(2) DIRECTORS' SECURITIES TRANSACTIONS

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 in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31 December 2009.

(3) BOARD OF DIRECTORS

(3.1) The board of directors of the Company (the "Board") supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely Executive Committee, Audit Committee and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) During the year under review, the Board comprises four executive Directors, namely Mr. Lam Kin Ngok, Peter, Miss Leung Churk Yin, Jeanny (Chief Executive Officer), Mr. Cheung Wing Sum, Ambrose and Mr. Low Kit Leong (who resigned on 9 January 2010); four non-executive Directors, namely Mr. Lien Jown Jing, Vincent (Chairman), Mr. Lam Kin Ming (who resigned with effect from close of business on 25 September 2009), Madam U Po Chu and Mr. Lo Kwok Kwei, David; and four independent non-executive Directors, namely Mr. Tong Ka Wing, Carl (appointed Deputy Chairman on 9 April 2009), Mr. Alfred Donald Yap, Mr. Low Chee Keong and Dr. Ng Lai Man, Carmen.

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

(3.3) The Board met 12 times during the year ended 31 December 2009. The attendance record of individual Directors at these board meetings is set out in the following table:

Directors	Board Meetings Held	Board Meetings Attended
Executive Directors		
Leung Churk Yin, Jeanny *(Chief Executive Officer)*	12	12
Lam Kin Ngok, Peter	12	11
Cheung Wing Sum, Ambrose	12	11
Low Kit Leong *	12	11
Non-executive Directors		
Lien Jown Jing, Vincent *(Chairman)*	12	11
Lam Kin Ming ^	8	0
U Po Chu	12	0
Lo Kwok Kwei, David#	9	8
Independent Non-executive Directors		
Alfred Donald Yap	12	9
Low Chee Keong	12	12
Tong Ka Wing, Carl *(Deputy Chairman)*	12	12
Ng Lai Man, Carmen#	9	9

* resigned on 9 January 2010

^ resigned with effect from close of business on 25 September 2009

appointed on 12 March 2009

(3.4) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.5) Mr. Lam Kin Ngok, Peter, an executive Director, is the son of Madam U Po Chu, a non-executive director of the Company, and the younger brother of Mr. Lam Kin Ming, a former non-executive director of the Company who resigned with effect from close of business on 25 September 2009.

Save as disclosed above and in the "Biographical Details of Directors" section of this Annual Report, none of the directors of the Company has any financial, business, family or other material/relevant relationships with one another.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer be separated and not performed by the same individual.

During the year under review, Mr. Lien Jown Jing, Vincent was the Chairman of the Company while Miss Leung Churk Yin, Jeanny acted as the Chief Executive Officer of the Company.

(5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing non-executive directors of the Company is appointed for a specific term.

(6) REMUNERATION COMMITTEE

(6.1) The Board established a Remuneration Committee on 16 September 2005, which currently comprises three independent non-executive Directors, namely Messrs. Low Chee Keong (Chairman) (who was appointed Chairman on 29 October 2009), Tong Ka Wing, Carl and Alfred Donald Yap, and the Chief Executive Officer, Miss Leung Churk Yin, Jeanny.

(6.2) The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all Directors and senior management, including but not limited to directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

(6.3) The Remuneration Committee held three meetings during the year under review to discuss remuneration-related matters. The attendance record of individual members at these Remuneration Committee Meetings is set out in the following table:

	Remuneration Committee Meetings	
Committee Members	**Held**	**Attended**
Tong Ka Wing, Carl	3	3
Alfred Donald Yap	3	3
Leung Churk Yin, Jeanny	3	3
Low Chee Keong	1	1

All members of the Remuneration Committee had also been requested to deliberate on matters relating to the directors' fee of the Company on occasion by way of circular resolution.

(7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new directors will be recruited based on their skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the executive directors of the Company.

(8) AUDITORS' REMUNERATION

The auditors of the Company, Messrs. Ernst & Young, received audit fees amounting to HK$3,295,000 for the year under review. Messrs. Ernst & Young also received fees amounting to HK$558,000 for providing non-audit services to the Company and its subsidiaries during the year.

(9) AUDIT COMMITTEE

(9.1) The Board established an Audit Committee on 29 April 1999, which currently comprises four independent non-executive Directors, namely Messrs. Alfred Donald Yap, Low Chee Keong and Tong Ka Wing, Carl and Dr. Ng Lai Man, Carmen (who was appointed Chairwoman on 29 October 2009).

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company, the review of significant financial reporting judgements contained in them before submission to the Board for approval, and the review and monitoring of the auditor's independence and objectivity and effectiveness of the audit process.

The Company has complied with Rule 3.21 of the Listing Rules in that one of the members of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. The attendance record of individual members at these Audit Committee Meetings is set out in the following table:

	Audit Committee Meetings	
Committee Members	**Held**	**Attended**
Alfred Donald Yap	2	2
Low Chee Keong	2	2
Tong Ka Wing, Carl	2	2
Ng Lai Man, Carmen	2	2

(9.3) The Audit Committee reviewed the half-yearly and annual results of the Company, and other matters related to the financial and accounting policies and practices of the Company.

(10) FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this Annual Report.

(11) INTERNAL CONTROLS

During the year, the Board has engaged BDO Financial Services Limited to perform internal audit functions and to assist the Board in reviewing the effectiveness of the internal control system of the Group. The periodic review will cover all material controls, including financial, operational and compliance controls and risk management functions of the Group.

Independent Auditors' Report

ERNST & YOUNG
安永

To the shareholders of eSun Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of eSun Holdings Limited set out on pages 48 to 145, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst and Young
Certified Public Accountants
Hong Kong

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

16 April 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CONTINUING OPERATIONS			
TURNOVER	6	**359,455**	270,131
Cost of sales	7	**(237,513)**	(207,932)
Gross profit		**121,942**	62,199
Other revenue	6	**24,461**	33,602
Marketing expenses		**(92,274)**	(42,075)
Administrative expenses		**(233,421)**	(203,768)
Other operating gains		**16,060**	2,779
Other operating expenses		**(140,453)**	(86,311)
Fair value loss on a put option	36	**(118,328)**	—
LOSS FROM OPERATING ACTIVITIES		**(422,013)**	(233,574)
Finance costs	8	**(6,758)**	(7,183)
Share of profits and losses of jointly-controlled entities		**(43,313)**	(92,308)
Share of profits and losses of associates		**521,276**	(71,256)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	7	**49,192**	(404,321)
Income tax	10	**(154)**	560
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**49,038**	(403,761)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**—**	(1,068)
PROFIT/(LOSS) FOR THE YEAR		**49,038**	(404,829)
Attributable to:			
Owners of the parent	11	**68,553**	(385,476)
Minority interests		**(19,515)**	(19,353)
		49,038	(404,829)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	13		
Basic and diluted			
— For profit/(loss) for the year		**HK$0.06**	(HK$0.35)
— For profit/(loss) from continuing operations		**HK$0.06**	(HK$0.35)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**49,038**	(404,829)
OTHER COMPREHENSIVE INCOME		
Exchange realignment on translation of foreign operations	**(248)**	4,763
Fair value gain of an available-for-sale investment	**25,355**	—
Share of other comprehensive income of jointly-controlled entities	**6**	—
Share of other comprehensive income of associates	**72,071**	10,246
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**97,184**	15,009
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**146,222**	(389,820)
Attributable to:		
Owners of the parent	**165,737**	(370,467)
Minority interests	**(19,515)**	(19,353)
	146,222	(389,820)

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**84,761**	77,206
Goodwill	15	**—**	35,202
Film rights	17	**72,568**	110,934
Film products	18	**68,538**	60,430
Music catalogs	19	**115,249**	108,556
Interests in jointly-controlled entities	20	**1,044,869**	1,076,802
Interests in associates	21	**3,152,538**	2,557,469
Available-for-sale investments	22	**90,338**	65,006
Loan receivables	23	**—**	63,445
Deposits, prepayments and other receivables	29	**102,362**	110,369
Deferred tax assets	37	**423**	753
Total non-current assets		**4,731,646**	4,266,172
CURRENT ASSETS			
Due from a jointly-controlled entity	20	**1,844**	3,608
Loan receivables	23	**11,000**	17,000
Inventories	24	**3,769**	4,693
Equity investments at fair value through profit or loss	25	**2,809**	9,592
Held-to-maturity debt investments	26	**120,724**	—
Films under production	27	**130,823**	93,714
Debtors	28	**89,096**	64,447
Deposits, prepayments and other receivables	29	**103,286**	158,446
Pledged deposit	30	**12,600**	—
Cash and cash equivalents	30	**1,341,437**	1,652,980
Total current assets		**1,817,388**	2,004,480
CURRENT LIABILITIES			
Creditors and accruals	31	**411,683**	398,834
Tax payable		**2,434**	3,199
Finance lease payables	32	**92**	92
Promissory notes	33	**32,319**	20,000
Interest-bearing bank borrowings	34	**11,418**	—
Interest-bearing other borrowings	35	**155,673**	—
Total current liabilities		**613,619**	422,125
NET CURRENT ASSETS		**1,203,769**	1,582,355
TOTAL ASSETS LESS CURRENT LIABILITIES — page 51		**5,935,415**	5,848,527

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES — page 50		**5,935,415**	5,848,527
NON-CURRENT LIABILITIES			
Finance lease payables	32	**(196)**	(218)
Promissory notes	33	**—**	(31,269)
Interest-bearing other borrowings	35	**—**	(150,027)
Put option	36	**(118,328)**	—
Total non-current liabilities		**(118,524)**	(181,514)
Net assets		**5,816,891**	5,667,013
EQUITY			
Equity attributable to owners of the parent			
Issued capital	38	**620,366**	620,366
Reserves	40	**4,870,296**	4,700,865
		5,490,662	5,321,231
Minority interests		**326,229**	345,782
Total equity		**5,816,891**	5,667,013

Lien Jown Jing, Vincent
Director

Leung Churk Yin, Jeanny
Director

Consolidated Summary Statement of Changes in Equity

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Equity attributable to owners of the parent at 1 January		**5,321,231**	4,669,218
Total comprehensive income/(loss) for the year		**165,737**	(370,467)
Issue of shares, including share premium	38	—	1,033,944
Share issue expenses	38	—	(19,320)
Equity-settled share option arrangements	40	**3,694**	7,856
Equity attributable to owners of the parent at 31 December		**5,490,662**	5,321,231
Minority interests at 1 January		**345,782**	326,135
Total comprehensive loss for the year		**(19,515)**	(19,353)
Repayment of shareholder's loan from a minority shareholder		**(38)**	—
Shareholder's loan from a minority shareholder to a non-wholly-owned subsidiary		—	39,000
Minority interests at 31 December		**326,229**	345,782
Total equity at 31 December		**5,816,891**	5,667,013

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**49,192**	(404,321)
From a discontinued operation		**—**	(1,068)
Adjustments for:			
Finance costs	8	**6,758**	7,183
Share of profits and losses of jointly-controlled entities		**43,313**	92,308
Share of profits and losses of associates		**(521,276)**	71,256
Interest income	6	**(11,275)**	(27,720)
Distribution income from unlisted available-for-sale investments	6	**(4,873)**	(160)
Dividend income from listed investments	6	**(237)**	(164)
Fair value gains on realised equity investments at fair value through profit or loss	7	**(13,154)**	(12)
Fair value losses on unrealised equity investments at fair value through profit or loss	7	**433**	8,163
Fair value loss on a put option	36	**118,328**	—
Depreciation	7	**7,956**	7,250
Amortisation of film rights	7	**5,526**	20,363
Amortisation of film products	7	**77,626**	41,729
Amortisation of music catalogs	7	**4,507**	3,923
Impairment of film rights	7	**39,628**	14,000
Impairment of films under production	7	**779**	241
Impairment of goodwill arising from acquisition of subsidiaries	7	**35,202**	880
Impairment of available-for-sale investments	7	**—**	12,400
Reversal of impairment of items of property, plant and equipment	7	**—**	(1,257)
Loss on disposal of items of property, plant and equipment	7	**65**	44
Loss on disposal of an available-for-sale investment	7	**234**	—
Write-off of bad debts	7	**3**	168
Recovery of bad debts	7	**(168)**	(168)
Provision for doubtful debts	7	**71**	729
Provision for other receivables	7	**—**	1,431
Provision for advances to artistes	7	**597**	15,000
Reversal of provision for doubtful debts	7	**(2)**	(316)
Reversal of provision for other receivables	7	**(182)**	—
Reversal of provision for advances to artistes	7	**(273)**	(1,718)
Provision for inventories	7	**889**	1,221
Equity-settled share option expense	7	**3,694**	7,856
		(156,639)	(130,759)
Decrease/(increase) in inventories		**35**	(1,279)
Additions of films under production	27	**(122,427)**	(101,826)
Increase in debtors		**(24,721)**	(13,820)
Decrease/(increase) in deposits, prepayments and other receivables		**48,219**	(40,751)
Increase/(decrease) in creditors and accruals		**11,130**	(40,131)
Additions of film products	18	**(1,195)**	(1,183)
Cash used in operations		**(245,598)**	(329,749)
Overseas taxes paid		**(589)**	(75)
Hong Kong taxes paid		**—**	(4,738)
Net cash flows used in operating activities — page 54		**(246,187)**	(334,562)

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Net cash flows used in operating activities — page 53		**(246,187)**	(334,562)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,918**	23,865
Additions to film rights	17	**(6,788)**	(6,238)
Proceeds from redemption of held-to-maturity debt investments		**125,452**	—
Proceeds from the sale of equity investments at fair value through profit or loss		**43,406**	63
Distribution income from unlisted available-for-sale investments		**4,873**	—
Dividend income from listed investments		**237**	—
Proceeds from disposal of items of property, plant and equipment		**327**	1,281
Purchases of items of property, plant and equipment		**(11,537)**	(4,131)
Purchases of held-to-maturity debt investments		**(241,578)**	—
Purchases of equity investments at fair value through profit or loss		**(23,902)**	—
Proceeds from disposal of an available-for sale investment		**762**	—
Acquisition of subsidiaries	41	**—**	(49,197)
Capital injection to a jointly-controlled entity		**(4,538)**	(5)
Advances to jointly-controlled entities		**(9,105)**	(153,768)
Repayment from jointly-controlled entities		**4,033**	52,042
Advances to associates		**(1,936)**	(74)
Repayment from associates		**525**	2,672
Addition of a loan receivable		**—**	(60,000)
Repayment of loan receivables		**73,260**	33,607
Additions to available-for-sale investments		**(973)**	(25,775)
Increase in pledged deposit		**(12,600)**	—
Net cash flows used in investing activities		**(56,164)**	(185,658)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	38	**—**	1,033,944
Share issue expenses	38	**—**	(19,320)
New bank borrowings		**11,361**	—
Repayment of shareholder's loan from a minority shareholder		**(38)**	—
Shareholder's loan from a minority shareholder to a non-wholly-owned subsidiary		**—**	39,000
Repayment of a promissory note		**(20,000)**	(10,000)
Capital element of finance lease rental payments		**(261)**	(78)
Interest paid		**(5)**	(38)
Net cash flows from/(used in) financing activities		**(8,943)**	1,043,508
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(311,294)**	523,288
Cash and cash equivalents at beginning of year		**1,652,980**	1,126,017
Effect of foreign exchange rate changes, net		**(249)**	3,675
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	**1,341,437**	1,652,980
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	30	**1,341,437**	1,652,980

Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**642**	741
Interests in subsidiaries	16	**3,126,554**	2,849,027
Deposits, prepayments and other receivables	29	**9,858**	9,858
Total non-current assets		**3,137,054**	2,859,626
CURRENT ASSETS			
Deposits, prepayments and other receivables	29	**701**	1,849
Cash and cash equivalents	30	**1,003,558**	1,433,034
Total current assets		**1,004,259**	1,434,883
CURRENT LIABILITIES			
Creditors and accruals		**1,991**	1,984
Tax payable		**—**	412
Promissory notes	33	**32,319**	20,000
Interest-bearing other borrowings	35	**155,673**	—
Total current liabilities		**189,983**	22,396
NET CURRENT ASSETS		**814,276**	1,412,487
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,951,330**	4,272,113
NON-CURRENT LIABILITIES			
Promissory notes	33	**—**	(31,269)
Interest-bearing other borrowings	35	**—**	(150,027)
Total non-current liabilities		**—**	(181,296)
Net assets		**3,951,330**	4,090,817
EQUITY			
Issued capital	38	**620,366**	620,366
Reserves	40	**3,330,964**	3,470,451
Total equity		**3,951,330**	4,090,817

Lien Jown Jing, Vincent
Director

Leung Churk Yin, Jeanny
Director

Notes to Financial Statements

31 December 2009

1. CORPORATE INFORMATION

eSun Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively, the "Group") were involved in the following principal activities:

- development and operation of and investment in, media, entertainment, music production and distribution;
- investment in, and production and distribution of films and video format products;
- provision of advertising agency services;
- sale of cosmetic products; and
- investment holding.

Details of the principal activities of the principal subsidiaries, jointly-controlled entities and associates are set out in notes 16, 20 and 21 to the financial statements, respectively.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments at fair value through profit or loss, an available-for-sale investment and a put option, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. Adjustments are made to bring into line any dissimilar accountancy policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from significant intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The acquisition of subsidiaries during the prior year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs, applicable to these financial statements, for the first time for the current year's financial statements.

HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 1 and HKAS 27	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement — Embedded Derivatives
Improvements to HKFRSs (October 2008) *	Amendments to a number of HKFRSs

* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary, which is effective for annual periods beginning on or after 1 July 2009.

The adoption of these new and revised HKFRSs, other than HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) as described below, has had no significant financial effect on these financial statements.

Notes to Financial Statements

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE (continued)

Amendments to HKFRS 7 Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 46 to the financial statements while the revised liquidity risk disclosures are presented in note 47 to the financial statements.

HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Company concluded that the operating segments determined in accordance with HKFRS 8 are principally the same as the business segments previously identified under HKAS 14. The adoption of this standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain changes in the presentation and disclosure of financial statements. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 — First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 disclosures for First-time Adopters[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues[3]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary[1]
HK Interpretation 4 (Revised in December 2009)	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 36, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

There is a crossholding between the Group and Lai Sun Development Company Limited ("LSD"), an associate of the Group. Therefore, the Group's share of the results of LSD for the year and subsequent accounting periods also includes the results of the Group which are shared by LSD while LSD is equity accounting for the Group's results.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the unexpired lease terms
Buildings	2.5% — 5.0%
Leasehold improvements	Over the terms of the related leases
Furniture, fixtures and equipment	20.0%
Motor vehicles	10.0% — 20.0%
Computers	18.0% — 20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each financial year.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Music catalogs

Music catalogs represent song catalogs, music video recording rights and publishing rights of songs acquired from outsiders. They are stated at cost less accumulated amortisation and impairment losses.

The costs of music catalogs less accumulated impairment loss are amortised to the income statement in proportion to the estimated projected revenue when realised over their economic beneficial period subject to a maximum of 15 years. Additional amortisation/impairment loss is made if estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

Film rights, film products and films under production

Film rights are rights acquired or licensed from outsiders for exhibition and other exploitation of the films. Film products are completed films produced by the Group.

Film rights are stated at cost less accumulated amortisation and impairment losses. Film rights, less estimated residual value and accumulated impairment loss, are amortised in proportion to the estimated projected revenues over their economic beneficial period subject to a maximum of 10 years. Additional amortisation/impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

Film products are stated at the lower of cost and net realisable value. Film products pending or under theatrical release are included in current assets whereas film products for markets other than theatrical release are included in non-current assets. Cost of film products, accounted for on a film-by-film basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film. Film products, less estimated residual value and accumulated amortisation, are amortised in proportion to the estimated projected revenues over their economic beneficial period subject to a maximum of 10 years.

Films under production includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film. Upon completion, these films under production are reclassified as film products. Films under production are accounted for on a film-by-film basis and are stated at cost less any impairment losses.

An impairment loss is made if there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, pledged deposit, debtors, other receivables, loan receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with accounting policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other revenue in the income statement. The loss arising from impairment is recognised in the income statement as other operating expenses.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other revenue in the income statement. The loss arising from impairment is recognised in the income statement as other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other revenue, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the investment revaluation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other revenue in accordance with the accounting policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In the case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowing, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include creditors, promissory notes, interest-bearing bank borrowings, interest-bearing other borrowings and a put option.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities designated upon initial recognition as at fair value through profit or loss and financial liabilities held for trading.

For accounting purpose, put option of the Group is classified as a derivative financial instrument which is categorised as financial liabilities held for trading under HKAS 39. Gains or losses on financial liabilities at fair value through profit or loss are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis and option pricing models.

Inventories

Inventories comprise cosmetics and video products and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following bases:

(a) turnover from entertainment events organised by the Group, when the events are completed;

(b) net income from entertainment events organised by other co-investors, when the events are completed and in proportion as agreed with co-investors;

(c) income from films licensed to movie theatres, when the films are exhibited;

(d) licence income from films licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract, where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees. Revenue recognised is limited to the amount of consideration received and subject to due allowance for contingencies;

(e) licence income from films licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period and when the films are available for showing or telecast;

(f) sale of products and albums, when significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the products and albums sold;

(g) distribution commission income, when the album or film materials have been delivered to the wholesalers and distributors;

(h) albums licence income and music publishing income, on an accrual basis in accordance with the terms of the relevant agreements;

(i) advertising agency, artiste management fee and television subscription fee income, in the period in which the relevant services are rendered;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(j) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(k) dividend and distribution income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black-Scholes model, further details of which are given in note 39 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

The employees of the Group's subsidiaries which operate in the Mainland of China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to Financial Statements

31 December 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the accumulated losses. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

— where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

— where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with investments in subsidiaries, and interests in associates and in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or the events previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Accounting for film rights and film products

The costs of film rights and film products, less residual values, are amortised in proportion to the estimated projected revenues over the economic beneficial period subject to a maximum of 10 years. Additional amortisation is made if estimated projected revenues are materially different from the previous estimation.

Management bases its estimates of total projected revenues of each film on the historical performance of similar films, incorporating factors such as the past box office record of the leading actors and actresses, the genre of the film, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales.

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations. The carrying amounts of film rights and film products at 31 December 2009 were HK$72,568,000 (2008: HK$110,934,000) and HK$68,538,000 (2008: HK$60,430,000), respectively.

Accounting for music catalogs

The cost of music catalogs is amortised in proportion to the estimated projected revenues over the economic beneficial period subject to a maximum of 15 years. Additional amortisation is made if estimated projected revenues are materially different from the previous estimation.

Management bases its estimates of the total projected revenues of each music catalog based on the current and past popularity of the artistes or song writers, the initial or expected commercial acceptability of the products, the current and past popularity of the genre of music/songs that the products are designed to appeal to, and agreements for future sales.

Based on this information, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projection or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations. The carrying amount of music catalogs at 31 December 2009 was HK$115,249,000 (2008: HK$108,556,000).

Notes to Financial Statements

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Fair value of financial instruments

Where fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment test of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill arising on acquisition of subsidiaries and a jointly-controlled entity at 31 December 2009 were nil (2008: HK$35,202,000) and HK$2,359,000 (2008: HK$2,359,000), respectively. Further details are included in notes 15 and 20 to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has the following reportable segments:

Continuing operations

(a) the media and entertainment segment engages in the investment in, and the production of, entertainment events, the provision of artiste management services, album sales and distribution and license of music;

(b) the film production and distribution segment engages in the investment in, production of, sale and distribution of films as well as the distribution of video format products derived from these films and films licensed-in by the Group; and

(c) the corporate and others segment comprises, principally, the Group's interests in Cyber One Agents Limited ("Cyber One") (note 20) and Lai Sun Development Company Limited ("LSD") (note 21), advertising agency services and sales of cosmetic products, together with corporate income and expense items.

4. OPERATING SEGMENT INFORMATION (continued)

Discontinued operation

(d) The satellite television segment engaged in the television broadcasting business, including the production of television programmes, the operation of a satellite television channel and the provision of other related services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income, finance costs, dividend income and distribution income are excluded from such measurement.

Segment assets exclude deferred tax assets, available-for-sale investments, equity investments at fair value through profit or loss and held-to-maturity debt investments as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, promissory notes and finance lease payables as these liabilities are managed on a group basis.

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

There were no material intersegmental sales and transfers during the year (2008: nil).

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue/results:

	Continuing operations								Discontinued operation			
	Media and entertainment		Film production and distribution		Corporate and others		Total		Satellite television		Consolidated	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Segment revenue:												
Sales to external customers	154,952	112,890	161,464	107,529	43,039	49,712	359,455	270,131	—	564	359,455	270,695
Other revenue	2,079	4,525	4,918	754	65	3	7,062	5,282	—	—	7,062	5,282
Total	157,031	117,415	166,382	108,283	43,104	49,715	366,517	275,413	—	564	366,517	275,977
Segment results	(27,674)	(38,349)	(105,673)	(35,921)	(200,224)	(167,073)	(333,571)	(241,343)	—	(1,068)	(333,571)	(242,411)
Unallocated interest and other gains							17,399	28,320	—	—	17,399	28,320
Fair value gains on realised equity investments at fair value through profit or loss	—	—	—	—	13,154	12	13,154	12	—	—	13,154	12
Loss on disposal of an available-for-sale investment	(234)	—	—	—	—	—	(234)	—	—	—	(234)	—
Fair value losses on unrealised equity investments at fair value through profit or loss	—	—	—	—	(433)	(8,163)	(433)	(8,163)	—	—	(433)	(8,163)
Fair value loss on a put option	—	—	—	—	(118,328)	—	(118,328)	—	—	—	(118,328)	—
Impairment of available-for-sale investments	—	(1,000)	—	—	—	(11,400)	—	(12,400)	—	—	—	(12,400)
Loss from operating activities							(422,013)	(233,574)	—	(1,068)	(422,013)	(234,642)
Finance costs							(6,758)	(7,183)	—	—	(6,758)	(7,183)
Share of profits and losses of jointly-controlled entities	(116)	(6,085)	13,640	(28,766)	(56,837)	(57,457)	(43,313)	(92,308)	—	—	(43,313)	(92,308)
Share of profits and losses of associates	(828)	(7)	—	—	522,104	(71,249)	521,276	(71,256)	—	—	521,276	(71,256)
Profit/(loss) before tax							49,192	(404,321)	—	(1,068)	49,192	(405,389)
Income tax							(154)	560	—	—	(154)	560
Profit/(loss) for the year							49,038	(403,761)	—	(1,068)	49,038	(404,829)

4. OPERATING SEGMENT INFORMATION (continued)

Segment assets/liabilities:

	Continuing operations								Discontinued operation			
	Media and entertainment		Film production and distribution		Corporate and others		Total		Satellite television		Consolidated	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Segment assets	272,260	246,424	521,254	583,315	1,339,960	1,723,400	2,133,474	2,553,139	—	3,034	2,133,474	2,556,173
Interests in jointly-controlled entities	3,759	(1,912)	60,666	42,733	982,288	1,039,589	1,046,713	1,080,410	—	—	1,046,713	1,080,410
Interests in associates	(220)	121	—	—	3,152,758	2,557,348	3,152,538	2,557,469	—	—	3,152,538	2,557,469
Unallocated assets							216,309	76,600	—	—	216,309	76,600
Total assets							6,549,034	6,267,618	—	3,034	6,549,034	6,270,652
Segment liabilities	50,896	38,842	87,747	80,190	391,368	251,592	530,011	370,624	—	670	530,011	371,294
Unallocated liabilities							202,132	232,345	—	—	202,132	232,345
Total liabilities							732,143	602,969	—	670	732,143	603,639
Other segment information:												
Depreciation	3,120	2,823	272	262	4,564	4,165	7,956	7,250	—	—	7,956	7,250
Impairment of film rights	—	—	39,628	14,000	—	—	39,628	14,000	—	—	39,628	14,000
Amortisation of film rights	—	—	5,526	20,363	—	—	5,526	20,363	—	—	5,526	20,363
Amortisation of film products	—	—	77,626	41,729	—	—	77,626	41,729	—	—	77,626	41,729
Amortisation of music catalogs	4,507	3,923	—	—	—	—	4,507	3,923	—	—	4,507	3,923
Write-off of bad debts	—	166	—	—	3	—	3	166	—	2	3	168
Recovery of bad debts	—	—	—	—	168	168	168	168	—	—	168	168
Provision for doubtful debts	—	573	71	156	—	—	71	729	—	—	71	729
Provision for advances to artistes	597	15,000	—	—	—	—	597	15,000	—	—	597	15,000
Provision for other receivables	—	600	—	831	—	—	—	1,431	—	—	—	1,431
Reversal of provision for doubtful debts	1	—	1	290	—	26	2	316	—	—	2	316
Reversal of provision for other receivables	—	—	182	—	—	—	182	—	—	—	182	—
Reversal of provision for advances to artistes	273	1,718	—	—	—	—	273	1,718	—	—	273	1,718
Provision for inventories	—	5	593	610	296	606	889	1,221	—	—	889	1,221
Impairment of films under production	—	—	779	241	—	—	779	241	—	—	779	241
Reversal of impairment of items of property, plant and equipment	—	—	—	—	—	—	—	—	—	1,257	—	1,257
Impairment of goodwill arising from acquisition of subsidiaries	—	880	35,202	—	—	—	35,202	880	—	—	35,202	880
Additions of property, plant and equipment	868	1,636	268	286	14,766	2,331	15,902	4,253	—	—	15,902	4,253
Additions of film rights	—	—	6,788	6,238	—	—	6,788	6,238	—	—	6,788	6,238
Additions of film products	—	—	1,195	1,183	—	—	1,195	1,183	—	—	1,195	1,183
Additions of films under production	—	—	122,427	101,826	—	—	122,427	101,826	—	—	122,427	101,826
Additions of music catalogs	11,200	50,834	—	—	—	—	11,200	50,834	—	—	11,200	50,834

Notes to Financial Statements

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information:

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue:								
Sales to external customers	166,397	146,081	168,142	93,940	24,916	30,674	359,455	270,695
Attributable to a discontinued operation	—	(564)	—	—	—	—	—	(564)
Revenue from continuing operations	166,397	145,517	168,142	93,940	24,916	30,674	359,455	270,131
Assets:								
Segment assets								
— non-current assets	3,554,398	3,084,399	1,086,487	1,116,014	—	—	4,640,885	4,200,413
— current assets	1,612,793	1,937,191	73,110	54,592	5,937	1,856	1,691,840	1,993,639
Unallocated assets							216,309	76,600
Total assets							6,549,034	6,270,652
Other information:								
Additions of property, plant and equipment	1,792	4,109	14,110	144	—	—	15,902	4,253
Additions of film rights	6,788	6,238	—	—	—	—	6,788	6,238
Additions of film products	1,195	1,183	—	—	—	—	1,195	1,183
Additions of films under production	122,427	101,826	—	—	—	—	122,427	101,826
Additions of music catalogs	11,200	50,834	—	—	—	—	11,200	50,834

Information about a major customer:

For the year ended 31 December 2009, revenue of approximately HK$71,719,000 was derived from a single customer of the film production and distribution segment. For the year ended 31 December 2008, there was no revenue derived from a single customer which contributed for 10% or more of the Group's revenue for that year.

5. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year.

(a) Transactions with related parties

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
Associates:			
Rental expense and building management fee paid	(i)	**6,677**	5,831
Jointly-controlled entities:			
Distribution and licence fee income	(ii)	**258**	358
Consultancy and production service fee paid	(iii)	**1,329**	1,211
Consultancy service income	(iii)	**4,539**	2,295
Interest income received	(iv)	**1,546**	1,204
Related companies:			
Rental expense and building management fee paid*	(i)	**120**	223
Advertising agency income *	(v)	**4,360**	7,919

* Certain directors of the Company are also directors and key management personnel of these related companies.

Notes:

(i) The rental expense and building management fee were charged with reference to market rates.

(ii) The distribution and licence fee income was charged to jointly-controlled entities on contract terms.

(iii) The consultancy and production service fee, and consultancy service income were charged on basis mutually agreed by the respective parties.

(iv) The interest income was charged with reference to the People's Bank of China's base rate per annum.

(v) The advertising agency income from the related companies was charged with reference to market rates.

5. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Pursuant to the respective lease agreements, the rental expenses paid or payable by the Group to associates constituted continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The details of these continuing connected transactions, which were subject to the reporting requirement set out in Chapter 14A of the Listing Rules, were disclosed under the section of continuing connected transactions of the Report of the Directors.

(b) Compensation of key management personnel of the Group:

	Group	
	2009	2008
	HK$'000	HK$'000
Short term employee benefits	**24,229**	25,121
Post-employment benefits	**313**	343
Equity-settled share option expense	**3,131**	6,642
Total compensation paid to key management personnel	**27,673**	32,106

Further details of directors' emoluments are included in note 9 to the financial statements.

6. TURNOVER AND OTHER REVENUE

An analysis of the Group's turnover and other revenue is as follows:

	Note	Group 2009 HK$'000	Group 2008 HK$'000
Turnover			
Entertainment event income		**100,366**	80,085
Distribution commission income and licence fee income from film products and film rights		**151,736**	90,383
Album sales, licence income and distribution commission income from music publishing and licensing		**45,135**	20,503
Artiste management fee income		**8,001**	10,341
Advertising agency income		**15,736**	26,229
Sale of products		**38,481**	42,590
Attributable to continuing operations reported in the consolidated income statement		**359,455**	270,131
Television subscription fee income attributable to a discontinued operation	12	**—**	564
		359,455	270,695
Other revenue			
Bank interest income		**1,741**	23,391
Interest income on loan receivables		**3,815**	4,329
Interest income on held-to-maturity debt investments		**4,173**	—
Interest income from an amount due from a jointly-controlled entity		**1,546**	—
Consultancy service income from a jointly-controlled entity		**4,539**	—
Distribution income from unlisted available-for-sale investments		**4,873**	160
Dividend income from listed investments		**237**	164
Others		**3,537**	5,558
Attributable to continuing operations reported in the consolidated income statement		**24,461**	33,602
		383,916	304,297

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7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	Group 2009 HK$'000	Group 2008 HK$'000
Cost of film rights, licence rights and film products		**82,995**	66,347
Cost of artiste management services, advertising agency services, and services for entertainment events provided		**128,783**	120,434
Cost of inventories sold		**25,735**	21,151
Total cost of sales		**237,513**	207,932
Employee benefit expense (including directors' emoluments (note 9)):			
Wages and salaries ***@		**118,018**	106,456
Equity-settled share option expense		**3,694**	7,856
Pension scheme contributions ###		**2,284**	2,357
		123,996	116,669
Auditors' remuneration		**3,295**	3,350
Depreciation	14	**7,956**	7,250
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events ##		**14,877**	5,206
Others		**13,026**	11,666
Contingent rents incurred for entertainment events ##		**3,361**	7,170
Total operating lease payments		**31,264**	24,042
Impairment of film rights **	17	**39,628**	14,000
Impairment of films under production #	27	**779**	241
Impairment of goodwill arising from acquisition of subsidiaries **	15	**35,202**	880
Impairment of available-for-sale investments **		**—**	12,400
Reversal of impairment of items of property, plant and equipment @	14	**—**	(1,257)
Share of net income from entertainment event organised by co-investors *		**(2,256)**	(1,409)
Fair value gains on realised equity investments at fair value through profit or loss *		**(13,154)**	(12)
Fair value losses on unrealised equity investments at fair value through profit or loss **		**433**	8,163
Amortisation of film rights #	17	**5,526**	20,363
Amortisation of film products #	18	**77,626**	41,729
Amortisation of music catalogs #	19	**4,507**	3,923
Provision for doubtful debts **	28	**71**	729
Reversal of provision for doubtful debts *	28	**(2)**	(316)
Provision for other receivables #		**—**	1,431
Reversal of provision for other receivables#		**(182)**	—
Provision for advances to artistes#		**597**	15,000
Reversal of provision for advances to artistes#		**(273)**	(1,718)
Loss on disposal of items of property, plant and equipment **		**65**	44
Loss on disposal of an available-for-sale investment**		**234**	—
Write-off of bad debts **		**3**	168
Recovery of bad debts *		**(168)**	(168)
Provision for inventories #		**889**	1,221
Foreign exchange losses, net		**347**	726

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

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

*** Wages and salaries of HK$553,000 for the year ended 31 December 2008 were included in "Cost of Sales" of the discounted operation, further detail of which are set out in note 12 to the financial statements.

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

\#\# These items are included in "Cost of sales" on the face of the consolidated income statement. The contingent rents are charged based on certain percentages of the gross ticket proceeds collected in respect of the entertainment events.

\#\#\# As at 31 December 2009 and 2008, the Group had no forfeited contributions from the pension scheme available to reduce its contributions to the pension scheme in future years.

@ The disclosure presented in this note includes the amounts charged/credited in respect of the discontinued operation, further details of which are set out in note 12 to the financial statements.

8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Interest on other borrowings wholly repayable within five years	**5,646**	6,088
Interest on secured bank borrowings wholly repayable within five years	**57**	—
Interest on promissory notes	**1,050**	1,050
Interest on finance leases	**5**	7
Others	**—**	38
	6,758	7,183

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and the disclosure requirement of Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Fees	**1,280**	880
Other emoluments:		
Basic salaries, housing and other allowances, and benefits in kind	**22,949**	24,241
Equity-settled share option benefits	**3,131**	6,642
Pension scheme contributions	**313**	343
	26,393	31,226
	27,673	32,106

During the year ended 31 December 2008, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant, and the amounts included in the financial statements for the years ended 31 December 2009 and 2008 have been included in the above directors' remuneration disclosures.

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009					
Executive directors:					
Lam Kin Ngok, Peter	—	10,000	563	—	10,563
Leung Churk Yin, Jeanny	—	3,272	987	12	4,271
Cheung Wing Sum, Ambrose	—	6,167	563	277	7,007
Low Kit Leong (resigned on 9 January 2010)	—	2,500	1,018	12	3,530
	—	21,939	3,131	301	25,371
Non-executive directors:					
Lam Kin Ming (resigned with effect from close of business on 25 September 2009)	—	—	—	—	—
U Po Chu	—	—	—	—	—
Lien Jown Jing, Vincent	—	650	—	12	662
Lo Kwok Kwei, David (appointed on 12 March 2009)	193	45	—	—	238
	193	695	—	12	900
Independent non-executive directors:					
Alfred Donald Yap	240	80	—	—	320
Low Chee Keong	249	85	—	—	334
Tong Ka Wing, Carl	388	90	—	—	478
Ng Lai Man, Carmen (appointed on 12 March 2009)	210	60	—	—	270
	1,087	315	—	—	1,402
	1,280	22,949	3,131	313	27,673

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Lam Kin Ngok, Peter	—	12,000	1,215	—	13,215
Leung Churk Yin, Jeanny	—	3,020	2,136	12	5,168
Cheung Wing Sum, Ambrose	—	5,292	1,215	265	6,772
Low Kit Leong	—	2,500	2,076	12	4,588
Liu Ngai Wing (retired on 22 May 2008)	—	779	—	39	818
	—	23,591	6,642	328	30,561
Non-executive directors:					
Lam Kin Ming	—	—	—	—	—
U Po Chu	—	—	—	—	—
Lien Jown Jing, Vincent	—	600	—	12	612
Tam Wai Chu, Maria (resigned on 29 January 2008)	—	50	—	3	53
	—	650	—	15	665
Independent non-executive directors:					
Alfred Donald Yap	240	—	—	—	240
Low Chee Keong	240	—	—	—	240
Tong Ka Wing, Carl	400	—	—	—	400
	880	—	—	—	880
	880	24,241	6,642	343	32,106

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: nil).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid employees during the year included four (2008: four) directors, details of whose emoluments are set out above. Details of the remuneration of the remaining one (2008: one) non-director, highest paid employee for the year are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,804**	4,963
Equity-settled share option expense	**—**	—
Pension scheme contributions	**12**	12
	4,816	4,975

The number of non-director, highest paid employee whose remuneration fell within the following band is as follows:

	Group Number of employees	
	2009	2008
HK$4,500,001 — HK$5,000,000	**1**	1

10. INCOME TAX

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong for both years. 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.

	Group	
	2009	2008
	HK$'000	HK$'000
Attributable to continuing operations:		
Provision for tax for the year:		
Elsewhere	**(557)**	(12)
Prior years' overprovision:		
Hong Kong	**733**	76
Elsewhere	**—**	133
	733	209
	176	197
Deferred tax credit/(charge) (note 37)	**(330)**	363
Total tax credit/(charge) for the year	**(154)**	560

10. INCOME TAX (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2009		2008	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax	**49,192**		**(405,389)**	
Tax at the statutory tax rate	**8,117**	**16.5**	(66,889)	(16.5)
Adjustments for tax rates for other jurisdictions	**(201)**	**(0.4)**	—	—
Adjustments in respect of current tax of previous periods	**(733)**	**(1.5)**	(209)	—
Effect of change in tax rate on opening deferred tax	**—**	**—**	22	—
Profits and losses attributable to jointly-controlled entities and associates	**(78,864)**	**(160.3)**	26,988	6.7
Income not subject to tax	**(2,189)**	**(4.5)**	(8,842)	(2.2)
Expenses not deductible for tax	**37,488**	**76.2**	20,205	5.0
Estimated tax losses utilised from previous periods	**(3,358)**	**(6.8)**	(787)	(0.2)
Estimated tax losses not recognised	**39,894**	**81.1**	28,952	7.1
Tax charge/(credit) at the Group's effective rate	**154**	**0.3**	(560)	(0.1)

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 December 2009 includes a loss of HK$143,181,000 (2008: HK$226,848,000) which has been dealt with in the financial statements of the Company (note 40).

12. DISCONTINUED OPERATION

During the year ended 31 December 2007, the Group ceased the satellite television business in order to align the Group's business strategy and to focus resources on the continuing businesses.

The results of the satellite television business for year ended 31 December 2008 are presented below:

	2009 **HK$'000**	2008 HK$'000
Turnover	—	564
Cost of sales	—	(677)
Reversal of impairment of items of property, plant and equipment	—	1,257
Other expenses	—	(2,212)
Loss before tax from the discontinued operation	—	(1,068)
Income tax	—	—
Loss for the year from the discontinued operation	—	(1,068)

The net cash flows incurred by the discontinued operation for the year ended 31 December 2008 are as follows:

	2009 **HK$'000**	2008 HK$'000
Operating activities	—	(3,913)
Investing activities	—	1,257
Financing activities	—	3,040
Net cash inflow	—	384
Loss per share:		
Basic and diluted, from the discontinued operation	—	HK0.10 cents

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

	2009	2008
Loss attributable to owners of the parent from the discontinued operation	—	HK$1,068,000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,240,732,165**	1,093,323,240

Diluted loss per share amount for the year ended 31 December 2008 from the discontinued operation has not been disclosed as no diluting events existed during that year.

Notes to Financial Statements

31 December 2009

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the parent and the weighted average number of ordinary shares of 1,240,732,165 (2008: 1,093,323,240) in issue during the year.

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

	2009	2008
	HK$'000	HK$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the parent, used in the basic earnings/(loss) per share calculation:		
From continuing operations	**68,553**	(384,408)
From a discontinued operation	**—**	(1,068)
	68,553	(385,476)

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,240,732,165**	1,093,323,240

The calculation of diluted earnings/(loss) per share for the years ended 31 December 2009 and 2008 has not assumed the exercise of share options as no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Broadcast operations and engineering equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost:								
At 1 January 2008		75,000	38,365	8,370	25,606	7,875	16,877	172,093
Additions		—	1,596	428	—	—	2,229	4,253
Acquisition of subsidiaries	41	—	—	20	—	—	7	27
Disposals		—	—	(72)	(14,473)	—	(4)	(14,549)
Exchange realignment		—	14	79	—	17	59	169
At 31 December 2008 and 1 January 2009		75,000	39,975	8,825	11,133	7,892	19,168	161,993
Additions		13,588	158	756	—	149	1,251	15,902
Disposals		—	(185)	(279)	—	(314)	(98)	(876)
Write-off		—	—	—	(11,133)	—	—	(11,133)
Exchange realignment		—	—	2	—	1	2	5
At 31 December 2009		**88,588**	**39,948**	**9,304**	**—**	**7,728**	**20,323**	**165,891**
Accumulated depreciation and impairment:								
At 1 January 2008		12,578	30,330	5,408	25,606	2,349	15,642	91,913
Provided during the year	7	1,935	2,460	859	—	1,478	518	7,250
Disposals		—	—	(6)	(13,216)	—	(2)	(13,224)
Reversal of impairment	7	—	—	—	(1,257)	—	—	(1,257)
Exchange realignment		—	4	49	—	15	37	105
At 31 December 2008 and 1 January 2009		14,513	32,794	6,310	11,133	3,842	16,195	84,787
Provided during the year	7	2,162	2,540	952	—	1,387	915	7,956
Disposals		—	(89)	(81)	—	(282)	(32)	(484)
Write-off		—	—	—	(11,133)	—	—	(11,133)
Exchange realignment		—	—	1	—	1	2	4
At 31 December 2009		**16,675**	**35,245**	**7,182**	**—**	**4,948**	**17,080**	**81,130**
Net book value:								
At 31 December 2009		**71,913**	**4,703**	**2,122**	**—**	**2,780**	**3,243**	**84,761**
At 31 December 2008		60,487	7,181	2,515	—	4,050	2,973	77,206

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Computers HK$'000
Cost:	
At 1 January 2008	—
Additions	762
At 31 December 2008 and 1 January 2009	762
Additions	62
At 31 December 2009	**824**
Accumulated depreciation:	
At 1 January 2008	—
Provided during the year	21
At 31 December 2008 and 1 January 2009	21
Provided during the year	161
At 31 December 2009	**182**
Net book value:	
At 31 December 2009	**642**
At 31 December 2008	741

The Group's land and buildings are held under medium-term leases and are situated in:

	2009 **HK$'000**	2008 HK$'000
At net book value:		
Hong Kong	**58,551**	60,487
Macau	**13,362**	—
	71,913	60,487

At 31 December 2009, the Group's land and buildings in Hong Kong with a net book value of HK$58,551,000 (2008: HK$60,487,000) were pledged to secure general banking facilities granted to the Group (note 34).

The net book value of the Group's assets held under finance leases included in the total amount of furniture, fixtures and equipment as at 31 December 2009 amounted to HK$299,000 (2008: HK$339,000).

15. GOODWILL

	Notes	Group HK$'000
Cost:		
At 1 January 2008		35,202
Arising from acquisition of a subsidiary	41	880
At 31 December 2008, 1 January 2009 and 31 December 2009		**36,082**
Accumulated impairment:		
At 1 January 2008		—
Impairment during the year	7	880
At 31 December 2008 and 1 January 2009		880
Impairment during the year	7	35,202
At 31 December 2009		**36,082**
Net carrying amount:		
At 31 December 2009		—
At 31 December 2008		35,202

Impairment testing of goodwill

As at 31 December 2009 and 2008, goodwill acquired through business combination and transfer from an associate in prior years had been allocated to the film production and distribution cash-generating unit (the "FPDCGU"), which is a reportable segment, for impairment testing.

The recoverable amount of the FPDCGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period on the growth rate approved by senior management, which is based on the management's expectation for market development. The discount rate applied to the cash flow projections for the year is 12% (2008: 12%).

Key assumptions were used in the value-in-use calculation of the FPDCGU for the years ended 31 December 2009 and 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budget gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the past years, increased for expected efficiency improvement, and expected market development.

Notes to Financial Statements

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Discount rates — The discount rate used is before tax.

During the year ended 31 December 2009, the directors considered that the carrying value of goodwill was fully impaired based on the recoverable amount determined on a value-in-use calculation of the FPDCGU. Accordingly, an impairment loss of HK$35,202,000 for goodwill (2008: HK$880,000) was recognised in the consolidated income statement.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**894,680**	998,000
Amounts due from subsidiaries	**4,773,692**	4,289,470
	5,668,372	5,287,470
Impairment (Note)	**(2,541,818)**	(2,438,443)
	3,126,554	2,849,027

Note: The impairment as at 31 December 2009 includes impairment provision of HK$1,647,225,000 (2008: HK$1,440,743,000) for amounts due from subsidiaries. The provision was determined on the basis of the amounts recoverable from the subsidiaries with reference to the estimated fair value of the underlying assets held by the subsidiaries.

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	2009	2008
	HK$'000	HK$'000
At 1 January	**1,440,743**	1,208,296
Impairment loss recognised	**206,482**	232,447
At 31 December	**1,647,225**	1,440,743

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of the amounts due from subsidiaries approximate their fair values.

16. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries as at 31 December 2009 are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by the Company	Group	Principal activities
Accuremark Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Trading of securities
Capital Artists Limited @	Hong Kong	HK$44,394,500 Ordinary	—	100	Music production and distribution
East Asia Entertainment Limited	Hong Kong	HK$2 Ordinary	—	100	Entertainment activity production
East Asia Feng Li Performance Agency (Macao) Limited	Macau	MOP25,000#	—	100	Entertainment activity production
East Asia Films Distribution Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Investment in and licensing of film rights
East Asia Music (Holdings) Limited	Hong Kong	HK$10,000 Ordinary	—	100	Music production and distribution
East Asia Satellite Television (Holdings) Limited ("EAST (Holdings)")	British Virgin Islands/ Hong Kong	US$300 Ordinary	—	66.67	Investment holding
eSun High-Tech Limited	Hong Kong	HK$2 Ordinary	—	100	Investment in and licensing of film rights
eSun.com Limited	Hong Kong	HK$2 Ordinary	—	100	Investment in and licensing of film rights
Glynhill International Limited	Hong Kong	HK$912,623,351 Ordinary	100	100	Investment holding

16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by the Company	Group	Principal activities
Go Yeah Limited	Hong Kong	HK$1 Ordinary	—	100	Investment in and operation of internet websites
Grandeur Limited	Hong Kong/ Macau	HK$1 Ordinary	—	100	Property holding
Guangzhou Beautifirm Cosmetic Ltd.* ##	People's Republic of China/ Mainland of China	US$1,260,000#	—	100	Sales of cosmetic products
Jadecode Limited	Hong Kong	HK$1 Ordinary	—	100	Investment holding
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	100	Property holding
Media Asia Distribution Ltd.	British Virgin Islands/ Hong Kong	US$80 Ordinary	—	100	Film distribution, licensing of film rights and film investment
Media Asia Distribution (HK) Limited	Hong Kong	HK$2 Ordinary	—	100	Film distribution and film library management
Media Asia Entertainment Group Limited	Bermuda/ Hong Kong	HK$24,000,000 Ordinary	—	100	Investment holding
Media Asia Films Limited	Hong Kong	HK$2 Ordinary	—	100	Film production and investment holding
Media Asia Films (BVI) Ltd.	British Virgin Islands/ Hong Kong	US$7 Ordinary	—	100	Film production, licensing of films and investment holding

16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by the Company	Group	Principal activities
Media Asia Group Limited	Hong Kong	HK$2 Ordinary	—	100	Investment holding and provision of management services
Media Asia Holdings Ltd.	British Virgin Islands/ Hong Kong	US$6,831 Ordinary	—	100	Investment holding
Mega Star Video Distribution (HK) Limited	Hong Kong	HK$2 Ordinary	—	100	Licensing of film products and film rights and sale of video products
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100 Ordinary	—	75	Provision of artiste management services
Silver Hunter Limited	Hong Kong	HK$1 Ordinary	—	100	Licensing of television drama and film rights
Skymaster International Inc.	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Investment holding
The Artiste Campus International Limited @	Hong Kong	HK$10 Ordinary	—	100	Investment holding
Vision Communications Limited	Hong Kong	HK$2 Ordinary	—	100	Provision of advertising agency services and investment holding

16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by the Company	Group	Principal activities
Vision Communications (GZ) Limited * ###	People's Republic of China/ Mainland of China	HK$3,000,000#	—	90	Provision of advertising agency services
Zimba International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Investment holding
豐麗星恒文化顧問（北京）有限公司 * ##	People's Republic of China/ Mainland of China	HK$40,000,000#	—	100	Provision of consultancy services in relation to cultural activities
豐麗常升文化顧問（北京）有限公司 * ##	People's Republic of China/ Mainland of China	RMB36,500,000#	—	100	Provision of consultancy services in relation to cultural activities
東亞豐麗演出經紀（北京）有限公司* ##	People's Republic of China/ Mainland of China	RMB10,134,720#	—	100	Provision of performance agency services

\# The amounts stated represent the paid-up capital.

\## These subsidiaries are registered as wholly-foreign-owned enterprises under the law of the People's Republic of China.

\### This subsidiary is registered as a co-operative joint venture under the law of the People's Republic of China.

* The statutory financial statements of the subsidiaries listed above are not audited by Ernst & Young Hong Kong or other member firm of Ernst & Young global network.

@ These subsidiaries were acquired during the year ended 31 December 2008. Further details of these acquisitions are set out in note 41 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. FILM RIGHTS

	Note	Group HK$'000
Cost:		
At 1 January 2008		226,411
Additions		6,238
At 31 December 2008 and 1 January 2009		232,649
Additions		6,788
At 31 December 2009		**239,437**
Accumulated amortisation and impairment:		
At 1 January 2008		87,352
Provided during the year	7	20,363
Impairment during the year	7	14,000
At 31 December 2008 and 1 January 2009		121,715
Provided during the year	7	5,526
Impairment during the year	7	39,628
At 31 December 2009		**166,869**
Net book value:		
At 31 December 2009		**72,568**
At 31 December 2008		110,934

During the year ended 31 December 2009, the directors assessed the recoverable amount of the film rights and based on which an impairment loss of HK$39,628,000 (2008: HK$14,000,000) was recognised in the consolidated income statement. The estimated recoverable amount was determined based on the present value of expected future revenue arising from the distribution and sub-licensing of the film rights and their residual values, which was derived from discounting the projected cash flows by a discount rate of approximately 12%.

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18. FILM PRODUCTS

	Notes	Group HK$'000
Cost:		
At 1 January 2008		100,922
Additions		1,183
Transfer from films under production	27	41,431
At 31 December 2008 and 1 January 2009		143,536
Additions		1,195
Transfer from films under production	27	84,539
At 31 December 2009		**229,270**
Accumulated amortisation:		
At 1 January 2008		41,377
Provided during the year	7	41,729
At 31 December 2008 and 1 January 2009		83,106
Provided during the year	7	77,626
At 31 December 2009		**160,732**
Net book value:		
At 31 December 2009		**68,538**
At 31 December 2008		60,430

19. MUSIC CATALOGS

	Notes	Group HK$'000
Cost:		
At 1 January 2008		63,200
Acquisition of a subsidiary	41	50,034
Additions		800
At 31 December 2008 and 1 January 2009		114,034
Additions		11,200
At 31 December 2009		**125,234**
Accumulated amortisation:		
At 1 January 2008		1,555
Provided during the year	7	3,923
At 31 December 2008 and 1 January 2009		5,478
Provided during the year	7	4,507
At 31 December 2009		**9,985**
Net book value:		
At 31 December 2009		**115,249**
At 31 December 2008		108,556

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**494,344**	533,877
Goodwill arising from acquisition	**2,359**	2,359
	496,703	536,236
Amounts due from jointly-controlled entities	**548,215**	543,865
Amount due to a jointly-controlled entity	**(49)**	(2,536)
	1,044,869	1,077,565
Provision for amounts due from a jointly-controlled entity	**—**	(763)
	1,044,869	1,076,802
Amount due from a jointly-controlled entity — current portion	**1,844**	3,608

The balances with jointly-controlled entities are unsecured and have no fixed terms of repayment. As at 31 December 2009, the balances were interest-free except for an amount of HK$34,992,000 (2008: HK$34,113,000) which was interest-bearing with reference to the People's Bank of China's base rate. The carrying amounts of the amounts due from/(to) jointly-controlled entities approximate their fair values.

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal jointly-controlled entities as at 31 December 2009 are as follows:

Name of company	Particulars of issued shares held	Place of incorporation/ registration and operations	Percentage of			Principal activities
			Ownership interest	Effective voting power	Profit sharing	
Cyber Neighbour Limited	Ordinary share of US$1 each	British Virgin Islands	60*	50†	60*	Investment holding
Cyber One Agents Limited ("Cyber One")	Ordinary share of US$1 each	British Virgin Islands	60*	50†	60*	Investment holding
East Asia-Televisão Por Satélite, Limitada ("EAST (Macau)")	Registered capital of MOP6,000,000 quota	Macau	60*	50†	60*	Investment and development in a piece of land in Macau
Macao Studio City (Hong Kong) Limited	Ordinary share of HK$1 each	Hong Kong	60*	50†	60*	Provision of management services

The interests in jointly-controlled entities are all indirectly held by the Company.

* The relevant disclosures represent the proportion of ownership interest and profit sharing in these jointly-controlled entities as held by a 66.67%-owned subsidiary.

† The relevant disclosure reflects the effective voting power of the Group in relation to these jointly-controlled entities, which (by contract) requires, for principal decisions, the approval or ratification of all the joint venture partners.

The Group holds a 60% interest in Cyber One and its subsidiaries (the "Cyber One Group"), through EAST (Holdings), a 66.67%-owned subsidiary. CapitaLand Integrated Resorts Pte. Ltd. ("CapitaLand") holds the remaining 33.33% interest in EAST (Holdings). New Cotai, LLC ("New Cotai") is the US joint venture partner holding a 40% equity interest in the Cyber One Group.

Cyber One, through its interest in EAST (Macau), holds a piece of land in Macau which the Group wishes to see be developed into a retail complex, hotels, a television studio, a concert hall and a convention and exhibition centre (collectively, the "Macao Studio City"). No substantive progress on the project was made during the year ended 31 December 2009, essentially because of the continuing dispute between EAST (Holdings) and New Cotai. The dispute is now a matter of litigation, further details of which are set out in note 48 to the financial statements.

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2009 HK$'000	2008 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	343,700	406,118
Non-current assets	789,489	759,199
Current liabilities	(603,015)	(597,319)
Non-current liabilities	(35,830)	(34,121)
Net assets	494,344	533,877
Share of the jointly-controlled entities' results:		
Turnover	86,574	52,418
Other revenue	8,117	11,829
Total expenses	(137,582)	(156,555)
Tax	(422)	—
Loss after tax	(43,313)	(92,308)

21. INTERESTS IN ASSOCIATES

	Group	
	2009 HK$'000	2008 HK$'000
Share of net assets	3,152,574	2,558,348
Amounts due from associates	570	732
Amounts due to associates	(606)	(1,611)
	3,152,538	2,557,469

21. INTERESTS IN ASSOCIATES (continued)

Balances with the associates are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of the amounts due from/(to) associates approximate their fair values.

The market values of the listed shares of an associate at 31 December 2009 and at the date of approval of these financial statements were approximately HK$686,400,000 (2008: HK$332,800,000) and HK$821,600,000 (2008: HK$556,400,000), respectively.

Details of the principal associate as at 31 December 2009 are as follows:

Name of company	Particulars of issued shares held	Place of incorporation/ operations	Percentage of ownership interest attributable to the Group	Principal activities
Lai Sun Development Company Limited ("LSD")	Ordinary shares of HK$0.01 each	Hong Kong	36.72	Property investment and development

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

LSD and its subsidiaries (the "LSD Group") has a financial year end date of 31 July. The consolidated financial statements of the LSD Group are adjusted, for the purpose of equity accounting for the results of the LSD Group by the Group, for material transactions between its financial year end date and 31 December.

A cross-holding position has been existing between LSD and the Company since 7 December 2004. As at 31 December 2009, the Group's interest in LSD was 36.72% (2008: 36.72%) and LSD Group held in aggregate 36.08% (2008: 36.08%) in the issued share capital of the Company.

During the year ended 31 December 2009, the Group's share of profit of the LSD Group included in the Group's share of profits and losses of associates, after taking into account the cross-holdings between the Group and the LSD Group, for the year ended 31 December 2009 was HK$522,104,000 (2008: loss of HK$71,249,000). The Group's share of net assets of the LSD Group is included in the Group's interests in associates.

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21. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements, if available, or management accounts:

	2009 HK$'000	2008 HK$'000
Assets	**10,967,195**	10,897,471
Liabilities	**(3,652,091)**	(3,370,477)
Turnover	**649,742**	826,506
Profit/(loss)	**(183,497)**	1,080,254

The above financial information includes, among others, (a) assets and liabilities of the LSD Group as at 31 July 2009 and 2008; and (b) turnover and profit/(loss) of the LSD Group for the years ended 31 July 2009 and 2008 as extracted from the published financial statements of the LSD Group.

As at 31 July 2009, the LSD Group did not provide any guarantee to its associates. As at 31 July 2008, the LSD Group had provided guarantees to banks in connection with facilities granted to its associates which amounted to approximately HK$121,496,000.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009 **HK$'000**	2008 HK$'000
Unlisted equity investment, at fair value	**29,250**	—
Unlisted equity investments, at cost	**61,088**	77,406
Provision for impairment	**—**	(12,400)
	61,088	65,006
	90,338	65,006

During the year, the fair value gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK$25,355,000 (2008: nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2009, the fair value of unlisted equity investment with carrying amount of HK$29,250,000 (2008: nil) has been estimated based on directly observable market data.

22. AVAILABLE-FOR-SALE INVESTMENTS (continued)

As at 31 December 2009, unlisted equity investments of the Group with carrying amount of HK$61,088,000 (2008: HK$65,006,000) were stated at cost less impairment because the variability in the range of reasonable fair value estimate was so significant that the directors were of the opinion that their fair values could not be measured reliably. The Group does not intend to dispose of them in the near future.

23. LOAN RECEIVABLES

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
Loan receivable A	(i)	—	63,445
Loan receivable B	(ii)	**11,000**	17,000
		11,000	80,445
Portion classified as current portion		**(11,000)**	(17,000)
Non-current portion		—	63,445

Notes:

(i) Loan receivable A represented a term loan of HK$60 million granted by the Group to an independent third party (the "Borrower") on 8 July 2008 and the related accrued interest. The loan bore interest at 12% per annum. The loan principal and interest accrued thereon would be repayable on 8 July 2010. The balance was secured by, inter alia, a joint and several personal guarantee provided by a director of the Borrower and a director of a subsidiary of the Borrower (the "Subsidiary") (the two guarantors collectively referred to as the "Guarantors"). The Borrower and the Guarantors had also entered into an undertaking in favour of the Group in which they undertook to maintain not less than 60% of the equity interest in the Subsidiary and to procure the Borrower and the Subsidiary to comply with certain financial covenants throughout the loan period. The loan was fully settled during the year ended 31 December 2009.

(ii) Loan receivable B represented a loan principal of HK$17 million granted by the Group to an independent third party during the year ended 31 December 2007. The loan is interest-free and repayable on demand. The loan was granted in connection with a joint venture arrangement with an independent third party. The borrower has assigned certain economic interests and benefits in certain TV dramas to the Group in connection with the loan receivable. A repayment of HK$6 million was made during the year ended 31 December 2009.

The carrying amounts of the loan receivables approximate their fair values.

24. INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**2,101**	1,717
Work in progress	**459**	116
Finished goods	**1,209**	2,860
	3,769	4,693

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**2,809**	9,592

The above equity investments as at 31 December 2009 and 2008 were classified as held for trading.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$2,737,000 (2008: HK$10,660,000).

26. HELD-TO-MATURITY DEBT INVESTMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
Debt securities	**120,724**	—
Market value of listed debt securities	**71,711**	—

Included in the held-to-maturity debt investments as at 31 December 2009 are approximately HK$72,641,000 and HK$48,083,000 which are listed overseas and unlisted respectively.

As at 31 December 2009, the weighted average effective interest rate on the held-to-maturity debt investments was approximately 3.7% per annum and the debt investments will mature within one year from the end of the reporting period.

27. FILMS UNDER PRODUCTION

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
At 1 January		**93,714**	33,560
Additions		**122,427**	101,826
Transfer to film products	18	**(84,539)**	(41,431)
Impairment	7	**(779)**	(241)
At 31 December		**130,823**	93,714

28. DEBTORS

	Group	
	2009	2008
	HK$'000	HK$'000
Trade debtors	**92,448**	67,730
Impairment	**(3,352)**	(3,283)
	89,096	64,447

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 the respective end of the reporting periods, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Trade debtors:		
Neither past due nor impaired	**53,418**	27,514
1 — 90 days past due	**19,961**	25,744
Over 90 days past due	**15,717**	11,189
	89,096	64,447

28. DEBTORS (continued)

Included in trade debtors are amounts due from related companies of HK$779,000 (2008: HK$2,533,000). The balances arose from 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.

Movements in the provision for impairment of trade debtors are as follows:

		Group	
		2009	2008
	Note	**HK$'000**	HK$'000
At 1 January		**3,283**	2,752
Provision for doubtful debts	7	**71**	729
Reversal of provision for doubtful debts	7	**(2)**	(316)
Exchange realignment		**—**	118
At 31 December		**3,352**	3,283

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$3,352,000 (2008: HK$3,283,000) with a gross carrying amount before provision of HK$3,418,000 (2008: HK$3,283,000). The individually impaired trade debtors related to customers that were in default in settlements and only a portion or no portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

29. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits, prepayments and advances for artiste management, music production and film production	**74,523**	105,673	**—**	—
Other deposits, prepayments and other receivables	**131,125**	163,142	**10,559**	11,707
	205,648	268,815	**10,559**	11,707
Portion classified as current portion	**(103,286)**	(158,446)	**(701)**	(1,849)
Non-current portion	**102,362**	110,369	**9,858**	9,858

Net of the advances for artiste management and other receivables is a provision of HK$34,644,000 (2008: HK$39,856,000).

The carrying amounts of advances for artiste management, music production and film production, and other receivables approximate their fair values.

Movements in the provision for advances and other receivables are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**39,856**	25,143
Provision for advances to artistes and other receivables (note 7)	**597**	16,431
Reversal of provision for advances to artistes and other receivables (note 7)	**(455)**	(1,718)
Write-off	**(5,354)**	—
At 31 December	**34,644**	39,856

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$34,644,000 (2008: HK$39,856,000) with a gross carrying amount of HK$35,164,000 (2008: HK$57,297,000). The individually impaired receivables and advances relate to the portions of receivables that were not expected to be recovered.

30. CASH AND CASH EQUIVALENTS, AND PLEDGED DEPOSIT

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**169,969**	82,911	**25,339**	1,211
Time deposits	**1,184,068**	1,570,069	**978,219**	1,431,823
	1,354,037	1,652,980	**1,003,558**	1,433,034
Less: Pledged time deposit for bank borrowings (note 34)	**(12,600)**	—	—	—
Cash and cash equivalents	**1,341,437**	1,652,980	**1,003,558**	1,433,034

At 31 December 2009, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$56,607,000 (2008: HK$40,207,000). RMB is not freely convertible into other currencies, however, under the Mainland of China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate their fair values.

31. 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 the respective end of the reporting periods, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Trade creditors:		
Less than 30 days	**13,396**	4,228
31 — 60 days	**1,310**	1,552
61 — 90 days	—	1,328
Over 90 days	**762**	1,878
	15,468	8,986
Other creditors and accruals	**396,215**	389,848
	411,683	398,834

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

32. FINANCE LEASE PAYABLES

The Group leases certain of its furniture, fixtures and equipment. These leases are classified as finance leases and have remaining lease terms of approximately three years.

At 31 December 2009, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2009 HK$'000	Minimum lease payments 2008 HK$'000	Present value of minimum lease payments 2009 HK$'000	Present value of minimum lease payments 2008 HK$'000
Amounts payable:				
Within one year	94	96	92	92
In the second year	75	90	73	87
In the third to fifth years, inclusive	123	139	123	131
Total minimum finance lease payments	292	325	288	310
Future finance charges	(4)	(15)		
Total net finance lease payables	288	310		
Portion classified as current liabilities	(92)	(92)		
Non-current portion	196	218		

33. PROMISSORY NOTES

	Effective interest rate (%) 2009	Effective interest rate (%) 2008	Group and Company 2009 HK$'000	Group and Company 2008 HK$'000
Promissory notes due:				
— in 2009	—	—	—	20,000
— in 2010	3.5	3.5	32,319	31,269
			32,319	51,269
Portion classified as current liabilities			(32,319)	(20,000)
Non-current portion			—	31,269

33. PROMISSORY NOTES (continued)

In prior years, the Company issued promissory notes to independent third parties as part of the consideration payable for the acquisition of a number of music catalogs and for the procurement of the song recording rights of an artiste.

The carrying amounts of the Group's promissory notes approximate their fair values.

34. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)		Group	
	2009	2008	**2009**	2008
			HK$'000	HK$'000
Secured bank borrowings	**4.37**	—	**11,418**	—

	Group	
	2009	2008
	HK$'000	HK$'000
Analysed into:		
Bank borrowings repayable within one year	**11,418**	—

The bank borrowings are interest-bearing at a rate with reference to People's Bank of China's base rate per annum and are repayable within one year from 31 December 2009. The bank borrowings are secured by the pledge of the Group's time deposit amounting to HK$12,600,000 (note 30). The carrying amounts of the Group's secured bank borrowings approximate their fair values.

The Group's available banking facilities, which were not utilised as at 31 December 2009 and 2008, are secured by fixed charges over the Group's land and buildings with an aggregate net book value at 31 December 2009 of HK$58,551,000 (2008: HK$60,487,000) (note 14).

35. INTEREST-BEARING OTHER BORROWINGS

	Effective interest rate (%)		Group and Company	
	2009	2008	**2009**	2008
			HK$'000	HK$'000
Other borrowings — unsecured	**5.00**	5.00-6.75	**155,673**	150,027

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Analysed into:		
Other borrowings repayable:		
On demand	**155,673**	—
In the second year	**—**	150,027
	155,673	150,027

The unsecured other borrowings as at 31 December 2009 and 2008 represented amounts due to the late Mr. Lim Por Yen which were interest-free except for an amount of HK$112,938,000 which bears interest at the Hong Kong and Shanghai Banking Corporation Limited prime rate per annum. On 31 December 2009, the outstanding other borrowings and the related interest are repayable on demand. On 31 December 2008, at the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed to the Group that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 December 2008.

The carrying amounts of the Group's other borrowings approximate their fair values.

36. PUT OPTION

	Group	
	2009	2008
	HK$'000	HK$'000
Put option, at fair value	**118,328**	—

36. PUT OPTION (continued)

In connection with the disposal of one-third of the equity interest in EAST (Holdings) by the Group to CapitaLand, an independent third party, for a cash consideration of HK$658,757,000 on 12 March 2007 (the "Transaction"), the Group granted CapitaLand a right (but not the obligation) at nil consideration, to sell or put back (the "Put Option") to the Group all (and not some) of the shares of EAST (Holdings) then held by CapitaLand at that time, in exchange for the return of:

(i) the purchase consideration paid for such shares; and

(ii) any associated joint venture capital contributions made up to that time, net of any benefits had or received by CapitaLand in respect of such shareholding.

The principal asset of EAST (Holdings) is its investment in Cyber One, which through its direct and indirect interests in EAST (Macau), holds a piece of land in Macau proposed to be developed into the "Macao Studio City".

Up to 31 December 2009, CapitaLand has made an aggregate capital contribution of approximately HK$312 million to EAST (Holdings), which is proportional to its effective interest of 20% in Cyber One.

The Put Option is only exercisable under certain discrete circumstances; including failure to obtain certain documents such as the occupation permit of the Macao Studio City solely due to failure in obtaining a land grant modification within 54 months after completion of the Transaction, i.e. by 11 September 2011. Further details of the Put Option are set out in the Company's circular dated 1 February 2007. The land grant modification is being sought for an increase in the developable gross floor area from the original gazetted area.

The directors consider that the fair value of the Put Option depends on the possibility and timing of certain events (including whether and when EAST (Macau) will obtain the land grant modification for the Macao Studio City as well as the probability of exercising the Put Option). After taking into account the development schedules, debt financing arrangement of the Macao Studio City and the probability of the exercise of the Put Option in prior years, the directors considered that the fair value of the Put Option approximated its carrying value in prior years.

After taking into consideration the litigation between the Group and New Cotai, initiated by the Group in October 2009, and the prevailing progress and uncertainties as regards obtaining the abovementioned land grant modification (details as set out in note 48 to the financial statements), the directors have reassessed the fair value of the Put Option at HK$118 million as at 31 December 2009.

The fair value of the Put Option as at 31 December 2009 has been determined (i) by using a Black-Scholes model with key inputs including estimated valuation of the underlying property of Cyber One, expected volatility and risk-free rate; and (ii) with reference to the estimation by the Company's directors of the probability of the Put Option being exercised.

37. DEFERRED TAX ASSETS/(LIABILITIES)

Movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Note	Group Tax losses **2009** **HK$'000**	2008 HK$'000
At 1 January		**753**	434
Deferred tax credited/(charged) to the income statement during the year	10	**(330)**	344
Effect of change in tax rate	10	**—**	(25)
At 31 December		**423**	753

Deferred tax liabilities

	Note	Group Film products and film rights **2009** **HK$'000**	2008 HK$'000
At 1 January		**—**	44
Deferred tax credited to the income statement during the year	10	**—**	(41)
Effect of change in tax rate	10	**—**	(3)
At 31 December		**—**	—

At 31 December 2009, the Group has tax losses arising in Hong Kong of HK$1,367,299,000 (2008: HK$1,142,041,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the Mainland of China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the Mainland of China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities established in the Mainland of China in respect of earnings generated from 1 January 2008.

37. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

At 31 December 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in the Mainland of China. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in the Mainland of China for which deferred tax liabilities have not been recognised totalled approximately HK$6,127,000 at 31 December 2009 (2008: HK$1,152,000).

38. SHARE CAPITAL

Shares

	2009		2008	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,000,000**	**1,000,000**	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,240,732**	**620,366**	1,240,732	620,366

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

	Number of ordinary shares '000	**Issued share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2008	827,155	413,577	3,419,843	3,833,420
Rights issue (note)	413,577	206,789	827,155	1,033,944
Share issue expenses (note)	—	—	(19,320)	(19,320)
At 31 December 2008, 1 January 2009 and 31 December 2009	**1,240,732**	**620,366**	**4,227,678**	**4,848,044**

Note: On 20 May 2008, a rights issue on the basis of one rights share for every two existing shares held by the members on the register of members of the Company on 25 April 2008 at a subscription price of HK$2.50 per rights share was made, resulting in the issue of 413,577,388 rights shares of HK$0.50 each for a net cash consideration of approximately HK$1,014,624,000, after deduction of share issue expenses of approximately HK$19,320,000 (note 40).

Share options

Details of the Company's Share Option Scheme and the share options issued under the scheme are included in note 39 to the financial statements.

39. SHARE OPTION SCHEME

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

(a) The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on the Adoption Date unless the 10% limit has been refreshed on shareholders' approval. The maximum number of shares issuable under share options granted to each Participant in the Share Option Scheme within any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

(b) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting of the Company.

(c) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors in its absolute discretion.

(d) The subscription (or exercise) price of any share options is determinable by the directors of the Company, but shall not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

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

39. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Share Option Scheme during the year:

	2009		2008	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**5.196**	**25,056**	4.625	22,355
Granted during the year	**—**	**—**	6.024	9,800
Adjusted during the year**	**—**	**—**	—	458
Exercised during the year	**—**	**—**	—	—
Lapsed during the year	**5.540**	**(2,891)**	—	—
At 31 December	**5.151**	**22,165**	4.976	32,613

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2009

Number of options '000**	**Exercise price* HK$ per share**	**Exercise period**
5,668	**4.43**	**1-1-09 to 31-12-09##**
1,889	**4.92**	**1-1-09 to 31-12-09##**
1,268	**5.83**	**1-1-09 to 31-12-09##**
1,623	**5.83**	**31-5-09 to 30-5-10###**
5,668	**4.68**	**1-1-10 to 31-12-10**
1,889	**5.42**	**1-1-10 to 31-12-10**
1,268	**6.18**	**1-1-10 to 31-12-10**
1,623	**6.18**	**31-5-10 to 30-5-11###**
1,269	**6.52**	**1-1-11 to 31-12-11**
22,165		

39. SHARE OPTION SCHEME (continued)

2008

Number of options** '000	Exercise price* HK$ per share	Exercise period
5,668	4.19	1-1-08 to 31-12-08#
1,889	4.43	1-1-08 to 31-12-08#
1,268	5.54	1-5-08 to 30-4-09
1,623	5.54	31-5-08 to 30-5-09
5,668	4.43	1-1-09 to 31-12-09
1,889	4.92	1-1-09 to 31-12-09
1,268	5.83	1-1-09 to 31-12-09
1,623	5.83	31-5-09 to 30-5-10
5,668	4.68	1-1-10 to 31-12-10
1,889	5.42	1-1-10 to 31-12-10
1,268	6.18	1-1-10 to 31-12-10
1,623	6.18	31-5-10 to 30-5-11
1,269	6.52	1-1-11 to 31-12-11
32,613		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital. The exercise prices of the share options outstanding during the year ended 31 December 2008 had been adjusted upon completion of the Rights Issue of the Company.

** The number of the outstanding share options of the Company had been adjusted upon completion of the Rights Issue of the Company.

A total of 7,558,024 share options lapsed on expiration of the exercise period from 1 January 2008 to 31 December 2008 in accordance with the terms of the Shares Option Scheme.

A total of 8,825,834 share options lapsed on expiration of the exercise period from 1 January 2009 to 31 December 2009 in accordance with the terms of the Share Option Scheme.

1,622,797 share options with the exercise period of 31 May 2009 to 30 May 2010 and 1,622,797 share options with the exercise period of 31 May 2010 to 30 May 2011 lapsed on 9 January 2010 on cessation of employment of the participant in accordance with the terms of the Share Option Scheme.

The fair value of the share options granted during the year ended 31 December 2008 was HK$6,922,000. The Group recognised a share option expense of HK$3,694,000 (2008: HK$7,856,000) (note 40) during the year ended 31 December 2009.

39. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year ended 31 December 2008 was estimated as at the date of grant, using a Black-Scholes model, taking into accounts the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	20 February 2008
Dividend yield (%)	—
Expected volatility (%)	50.9
Historical volatility (%)	50.9
Risk-free interest rate (%)	1.45 — 1.72
Expected life of option (year)	1.36
Closing share price (HK$ per share)	3.5

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur.

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

At 31 December 2009, the Company had 22,165,076 share options outstanding under the Share Option Scheme which represented approximately 1.79% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,165,076 additional ordinary shares of the Company and additional share capital of approximately HK$11,083,000 and share premium of approximately HK$103,077,000 (before issue expenses).

On 1 January 2010, a total of 8,825,834 share options lapsed in accordance with the terms of the Share Option Scheme. On 9 January 2010, a total of 3,245,594 share options lapsed on cessation of employment of the participant in accordance with the terms of the Share Option Scheme. At the date of approval of these financial statements, the Company had 10,093,648 share options outstanding under the Share Option Scheme, which represented approximately 0.81% of the Company's shares issue as at that date.

40. RESERVES

Group

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008		3,419,843	891,289	20,491	150,535	(226,517)	4,255,641
Exchange realignment		—	—	—	—	4,763	4,763
Share of reserve movements of associates		—	—	1,168	9,078	—	10,246
Total income and expense for the year recognised directly in equity		—	—	1,168	9,078	4,763	15,009
Loss for the year		—	—	—	—	(385,476)	(385,476)
Total income and expense for the year		—	—	1,168	9,078	(380,713)	(370,467)
Issue of shares	38	827,155	—	—	—	—	827,155
Share issue expenses	38	(19,320)	—	—	—	—	(19,320)
Equity-settled share option arrangements	39	—	—	7,856	—	—	7,856
At 31 December 2008 and 1 January 2009		4,227,678	891,289	29,515	159,613	(607,230)	4,700,865
Exchange realignment		—	—	—	—	(248)	(248)
Fair value gain of an available-for-sale investment		—	—	—	25,355	—	25,355
Share of reserve movements of associates		—	—	(1,845)	71,672	2,244	72,071
Share of reserve movements of jointly-controlled entities		—	—	—	—	6	6
Total income and expense for the year recognised directly in equity		—	—	(1,845)	97,027	2,002	97,184
Profit for the year		—	—	—	—	68,553	68,553
Total income and expense for the year		—	—	(1,845)	97,027	70,555	165,737
Equity-settled share option arrangements	39	—	—	3,694	—	—	3,694
Release of reserves upon lapse of share options		—	—	(15,778)	—	15,778	—
At 31 December 2009		**4,227,678**	**891,289**	**15,586**	**256,640**	**(520,897)**	**4,870,296**
Retained by:							
Company and subsidiaries		4,227,678	891,289	10,696	25,355	(2,105,548)	3,049,470
Jointly-controlled entities		—	—	—	—	(177,777)	(177,777)
Associates		—	—	4,890	231,285	1,762,428	1,998,603
At 31 December 2009		**4,227,678**	**891,289**	**15,586**	**256,640**	**(520,897)**	**4,870,296**
Company and subsidiaries		4,227,678	891,289	22,780	—	(1,722,323)	3,419,424
Jointly-controlled entities		—	—	—	—	(126,919)	(126,919)
Associates		—	—	6,735	159,613	1,242,012	1,408,360
At 31 December 2008		4,227,678	891,289	29,515	159,613	(607,230)	4,700,865

Notes to Financial Statements

40. RESERVES (continued)

Included in the debit balance of accumulated losses as at 31 December 2009 are accumulated credit balances in respect of exchange realignment of HK$27,105,000 (2008: HK$27,513,000).

The Group's contributed surplus represents the excess value of the shares acquired over the nominal value of the Company's shares issued in exchange therefor during the Group reorganisation in November 1996.

Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008		3,419,843	845,455	14,924	(1,398,614)	2,881,608
Issue of shares	38	827,155	—	—	—	827,155
Share issue expenses	38	(19,320)	—	—	—	(19,320)
Equity-settled share option arrangements	39	—	—	7,856	—	7,856
Loss for the year	11	—	—	—	(226,848)	(226,848)
At 31 December 2008 and 1 January 2009		4,227,678	845,455	22,780	(1,625,462)	3,470,451
Equity-settled share option arrangements	39	—	—	3,694	—	3,694
Release of reserves upon lapse of share options		—	—	(15,778)	15,778	—
Loss for the year	11	—	—	—	(143,181)	(143,181)
At 31 December 2009		**4,227,678**	**845,455**	**10,696**	**(1,752,865)**	**3,330,964**

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

41. BUSINESS COMBINATIONS

Business combinations during the year ended 31 December 2008

In June 2008, the Group acquired the remaining 50% interest in The Artiste Campus International Limited ("ACIL"), a former 50%-owned jointly-controlled entity of the Group, from the other shareholder of ACIL, an independent third party. Goodwill arising as a result of the acquisition was approximately HK$880,000. ACIL engages in the provision of artiste management services. Upon completion of the acquisition, ACIL became a wholly-owned subsidiary of the Group.

On 23 September 2008, the Group acquired 100% issued shares of Capital Artists Limited ("CAL") from an independent third party. CAL is engaged in music production and distribution.

The aggregate fair values of the identifiable assets and liabilities of ACIL and CAL as at the respective dates of acquisition and the corresponding carrying amounts immediately before the acquisitions were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000	**Previous carrying amount** HK$'000
Property, plant and equipment	14	27	27
Music catalogs	19	50,034	—
Inventories		5	5
Debtors		109	109
Deposits and other receivables		104	104
Cash and bank balances		84	84
Creditors and accruals		(4,830)	(4,830)
		45,533	(4,501)
Transfer from interests in a jointly-controlled entity		2,868	
Goodwill on acquisition	15	880	
		49,281	
Satisfied by:			
Cash		48,000	
Cash directly attributable to the acquisitions		1,281	
		49,281	

41. BUSINESS COMBINATIONS (continued)

Business combinations during the year ended 31 December 2008 (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisitions of ACIL and CAL is as follows:

	HK$'000
Cash consideration	(48,000)
Cash directly attributable to the acquisitions	(1,281)
Cash and bank balances acquired	84
Net outflow of cash and cash equivalents in respect of the acquisitions of ACIL and CAL	(49,197)

Since the acquisitions, the acquirees contributed HK$4,481,000 to the Group's turnover and HK$48,000 to the consolidated loss for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year ended 31 December 2008, the turnover from continuing operations of the Group and the loss of the Group for the year then ended would have been HK$278,454,000 and HK$405,154,000, respectively.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(i) During the year ended 31 December 2009, prepayments of HK$11,200,000 (2008: nil) and HK$4,131,000 (2008: nil) were transferred to music catalogs and property, plant and equipment, respectively.

(ii) During the year ended 31 December 2009, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the lease of HK$234,000 (2008: HK$122,000).

43. COMMITMENTS

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

	Group 2009 HK$'000	Group 2008 HK$'000
Commitments in respect of:		
Acquisition of land and buildings	—	9,457
Acquisition of furniture, fixtures and equipment	**50**	—
Capital contributions payable to a jointly-controlled entity to be established	**5,681**	—
Contribution to an available-for-sale investment	**16,856**	17,885
	22,587	27,342

On 9 November 2007, shareholders of Cyber One (a jointly-controlled entity of the Group) entered into a Memorandum of Understanding (the "MOU"). The MOU recognised New Cotai Entertainment, LLC's exercise of a lease option as valid, conditionally amended certain provisions of the governing lease documents, and provided the mechanism by which the amendments would become effective. The MOU also conditionally provided for the increase of each shareholder's proportional contribution to the Macao Studio City ("MSC") project, on a several basis, from US$200 million to US$500 million, subject to the approval of the shareholders of the Company and further negotiation of the definitive documents to reflect and expand upon matters agreed in the MOU.

On 17 October 2008, New Cotai issued a notice of termination of the MOU to the respective parties of the MOU, in accordance with the provisions thereof, the definitive documents not having been settled within the prescribed time limit. However, certain provisions of the MOU remain valid and binding on the parties. To date, the MSC shareholders have only advanced US$200 million in accordance with the terms of the original Cyber One joint venture agreement of 6 December 2006. The Company's contribution has been US$80 million as of the date of 31 December 2009, which is proportional to its effective interest of 40%.

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

	Group 2009 HK$'000	Group 2008 HK$'000
Contracted, but not provided for	**279,340**	286,790

At the end of the reporting periods, the Company did not have any significant capital commitments.

43. COMMITMENTS (continued)

(b) As at 31 December 2009, the Group and the Company leased certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (2008: one to three years).

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

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**7,161**	6,969
In the second to fifth years, inclusive	**5,810**	4,095
More than five years	**—**	1,312
	12,971	12,376

	Company	
	2009	2008
	HK$'000	HK$'000
Within one year	**2,931**	—
In the second to fifth years, inclusive	**4,677**	—
	7,608	—

44. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements at the end of the reporting periods were as follows:

	Company	
	2009	2008
	HK$'000	HK$'000
Guarantee given to a bank in respect of bank facilities granted to a subsidiary (note)	**150,000**	150,000
Guarantee given to a supplier in connection with credit facilities given to a subsidiary	**2,000**	2,000
	152,000	152,000

At the end of the reporting periods, the Group did not have any significant contingent liabilities.

Note: At 31 December 2009 and 2008, the banking facilities granted to a subsidiary were not utilised.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

Group
2009

Financial assets

	Financial assets at fair value through profit or loss-held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Interests in jointly-controlled entities (note 20)	—	—	548,215	—	548,215
Interests in associates (note 21)	—	—	570	—	570
Available-for-sale investments	—	—	—	90,338	90,338
Debtors	—	—	89,096	—	89,096
Financial assets included in deposits, prepayments and other receivables	—	—	63,664	—	63,664
Equity investments at fair value through profit or loss	2,809	—	—	—	2,809
Held-to-maturity debt investments	—	120,724	—	—	120,724
Due from a jointly-controlled entity	—	—	1,844	—	1,844
Loan receivables	—	—	11,000	—	11,000
Pledged deposit	—	—	12,600	—	12,600
Cash and cash equivalents	—	—	1,341,437	—	1,341,437
	2,809	120,724	2,068,426	90,338	2,282,297

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows: (continued)

Group

2009

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Interests in jointly-controlled entities (note 20)	—	49	49
Interests in associates (note 21)	—	606	606
Creditors	—	15,468	15,468
Other creditors	—	43,711	43,711
Finance lease payables	—	288	288
Interest-bearing bank borrowings	—	11,418	11,418
Interest-bearing other borrowings	—	155,673	155,673
Promissory notes	—	32,319	32,319
Put option	118,328	—	118,328
	118,328	259,532	377,860

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows: (continued)

Group

2008

Financial assets

	Financial assets at fair value through profit or loss-held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Interests in jointly-controlled entities (note 20)	—	543,102	—	543,102
Interests in associates (note 21)	—	732	—	732
Available-for-sale investments	—	—	65,006	65,006
Debtors	—	64,447	—	64,447
Financial assets included in deposits, prepayments and other receivables	—	1,089	—	1,089
Equity investments at fair value through profit or loss	9,592	—	—	9,592
Due from a jointly-controlled entity	—	3,608	—	3,608
Loan receivables	—	80,445	—	80,445
Cash and cash equivalents	—	1,652,980	—	1,652,980
	9,592	2,346,403	65,006	2,421,001

Notes to Financial Statements

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows: (continued)

Group

2008

Financial liabilities

	Financial liabilities at amortised cost HK$'000	Total HK$'000
Interests in jointly-controlled entities (note 20)	2,536	2,536
Interests in associates (note 21)	1,611	1,611
Creditors	8,986	8,986
Finance lease payables	310	310
Interest-bearing other borrowings	150,027	150,027
Promissory notes	51,269	51,269
	214,739	214,739

Financial assets

	Company	
	2009	2008
	Loans and receivables HK$'000	Loans and receivables HK$'000
Due from subsidiaries (note 16)	**3,126,467**	2,848,727
Financial assets included in deposits, prepayments and other receivables	**16**	987
Cash and cash equivalents	**1,003,558**	1,433,034
	4,130,041	4,282,748

Financial liabilities

	Company	
	2009	2008
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Interest-bearing other borrowings	**155,673**	150,027
Promissory notes	**32,319**	51,269
	187,992	201,296

46. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investments (note 22)	—	29,250	—	**29,250**
Equity investments at fair value through profit or loss (note 25)	2,809	—	—	**2,809**
	2,809	29,250	—	**32,059**

Liabilities measured at fair value as at 31 December 2009:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Put option	—	—	118,328	**118,328**

46. FAIR VALUE HIERARCHY (continued)

Movement of changes in fair value of financial instruments measured based on Level 3 during the year are as follows:

Put option

	HK$'000
At 1 January 2009	—
Loss recognised in the consolidated income statement	118,328
At 31 December 2009	**118,328**

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, interest-bearing other borrowings, put option, finance leases, promissory notes, pledged deposit and cash and cash equivalents. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations, and held-to-maturity debt investments, available-for-sale investments, equity investments at fair value through profit or loss which are held by the Group for investment purpose.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by changes in market interest rates. The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Interest rate risks (continued)

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate time deposits, loan receivables and borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase in interest rate	Increase in profit or decrease in loss before tax	Increase in equity	Increase in interest rate	Increase in equity
	(in percentage)	HK$'000	HK$'000	(in percentage)	HK$'000
2009					
Time deposits, loan receivables and borrowings denominated in Hong Kong dollars	**0.5%**	**5,299**	**5,299**	**0.5%**	**4,326**
2008					
Time deposits, loan receivables and borrowings denominated in Hong Kong dollars	0.5%	7,286	7,286	0.5%	4,044

(ii) Foreign currency risk

Certain subsidiaries of the Company have transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of Hong Kong dollar against Renminbi.

At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile and will consider appropriate hedging measures in future as may be necessary.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk (continued)

The following table demonstrates the sensitivity of the Group's equity at the end of the reporting periods to a reasonably possible change in the RMB exchange rate, with all other variables held constant.

	Increase in RMB rate %	Increase in equity HK$'000
2009		
If Hong Kong dollars weaken against RMB	**10**	**12,034**
2008		
If Hong Kong dollars weaken against RMB	10	9,802

(iii) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets which comprise cash and cash equivalents, available-for-sale financial assets, held-to-maturity debt investments, amounts due from associates and jointly-controlled entities, loan receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 44 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors and other receivables are disclosed in notes 28 and 29 to the financial statements, respectively.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting periods, based on the contractual undiscounted payments, was as follows:

Group

			2009		
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Due to a jointly-controlled entity	**49**	**—**	**—**	**—**	**49**
Due to an associate	**606**	**—**	**—**	**—**	**606**
Trade creditors	**—**	**14,706**	**762**	**—**	**15,468**
Other creditors	**43,711**	**—**	**—**	**—**	**43,711**
Finance lease payables	**—**	**—**	**94**	**198**	**292**
Interest-bearing bank borrowings	**—**	**—**	**11,418**	**—**	**11,418**
Interest-bearing other borrowings	**155,673**	**—**	**—**	**—**	**155,673**
Promissory notes	**—**	**—**	**32,319**	**—**	**32,319**
Put option	**—**	**—**	**—**	**118,328**	**118,328**
	200,039	**14,706**	**44,593**	**118,526**	**377,864**

			2008		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Due to a jointly-controlled entity	2,536	—	—	—	2,536
Due to an associate	1,611	—	—	—	1,611
Trade creditors	—	7,108	1,878	—	8,986
Finance lease payables	—	—	96	229	325
Interest-bearing other borrowings	—	—	—	150,027	150,027
Promissory notes	—	—	20,000	31,269	51,269
	4,147	7,108	21,974	181,525	214,754

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting periods, based on the contractual undiscounted payments, was as follows:

Company

2009

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing other borrowings	155,673	—	—	—	155,673
Promissory notes	—	—	32,319	—	32,319
	155,673	—	32,319	—	187,992

2008

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing other borrowings	—	—	—	150,027	150,027
Promissory notes	—	—	20,000	31,269	51,269
	—	—	20,000	181,296	201,296

(v) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 25) and available-for-sale investments (note 22) at the end of the reporting periods. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting periods.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Equity price risk (continued)

The following table demonstrates the sensitivity to every 5% increase in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting periods.

	Carrying amount of equity investments HK$'000	Increase in profit or decrease in loss before tax HK$'000	Increase in equity HK$'000
2009			
Investments listed in:			
Hong Kong — Held-for-trading	**2,809**	**140**	**140**
Unlisted investment at fair value — Available-for-sale	**29,250**	**1,237**	**1,237**
2008			
Investments listed in:			
Hong Kong — Held-for-trading	9,592	480	480

(vi) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure in order to support its business.

The capital structure of the Group consists of debts which include interest-bearing bank borrowings, interest-bearing other borrowings, promissory notes, cash and cash equivalents, pledged deposit and equity attributable to owners of the parent. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or realise its assets.

The Group also regularly monitors the current ratio of the Group, which is total current assets divided by total current liabilities of the Group. The current ratio of the Group as at 31 December 2009 was 2.96 (2008: 4.75).

No changes were made in the objectives, policies or processes of capital management by the Group during the years ended 31 December 2009 and 31 December 2008.

Notes to Financial Statements

48. LITIGATION

(a) 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 shares would have represented approximately 8.82% of the enlarged issued share capital of the Company (and the shares issued on the full exercise of the warrants would have represented approximately 8.10% of the further enlarged issued share capital of the Company). 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 in light of the fact that Passport, a substantial shareholder of the Company, obtained an ex-parte injunction temporarily restraining the Company from proceeding with the placing. Although the long-stop date for the placing was extended once, with the injunction order remaining in place and the conditions to the placing remaining unfulfilled, the placing agreement lapsed on 9 January 2009.

In essence, Passport alleges that the Company had no good commercial reason for the placement and that its sole or primary purpose was to dilute Passport's shareholding. Whether or not the injunction was validly obtained by Passport remains the subject of on-going legal proceedings in respect of which the Company and its directors are vigorously defending Passport's claims, and are pursuing their own remedies against Passport. The Court granted leave to the placing agent and certain of the placees to join the legal proceedings, as parties who were adversely affected by Passport's injunction. The Court required Passport to put up a bank guarantee in the sum of HK$120 million to fortify its undertaking as to damages. Passport also put up security for the Company's costs. The trial commenced in November 2009 and concluded in January 2010. The judge reserved his decision after the conclusion of the trial and judgement will be handed down in due course.

(b) Litigation with New Cotai

The Group held an effective 40% economic interest in Cyber One as at 31 December 2009. Cyber One, owned as to 60% by EAST (Holdings) and 40% by New Cotai, is the jointly-controlled entity responsible for the proposed development of the Macao Studio City project, which has, in effect, stalled in recent times, including as regards the submission to the Macau government of further particulars in relation to Cyber One's application to increase the developable gross floor area of the site to approximately 6,000,000 square feet. In connection with that application, the Macau government requested, and has repeated its request for, further particulars from the joint venture concerning plans for the project, in respect of which EAST (Holdings) and New Cotai have yet to formulate an agreed response.

48. LITIGATION (continued)

(b) Litigation with New Cotai (continued)

Notwithstanding that Macau has suffered from significant economic volatility since the original project plan was developed in 2006/2007, the Group is confident that the Macao Studio City project is still an attractive business proposition with considerable potential for long-term returns. The Group firmly believes that Cyber One is ready and able to present updated proposals on prospective financing and construction to the Macau government, despite the Group's view that New Cotai has, for its own reasons, refused to approve or allow Cyber One to make any substantive response to the Macau government's request for further particulars required to date.

On 29 October 2009, EAST (Holdings) commenced legal proceedings in the Hong Kong SAR against New Cotai and parties interested in that company, including David Friedman, Silver Point Capital L.P. and Oaktree Capital Management L.P., and others. Amongst other things, EAST (Holdings) is claiming damages of approximately HK$689 million for breach or inducing breaches of contract and, by way of derivative action on behalf of members of the Cyber One group, damages of approximately US$2.385 billion (approximately HK$18.6 billion) for, amongst other things, breaches of fiduciary duties and dishonestly assisting breaches of fiduciary duties owed to such members of the Cyber One group. On 3 February 2010, EAST (Holdings) filed its Statement of Claim with the High Court in Hong Kong SAR setting out the particulars of its claims. The proceedings are being pursued in the context of a desire on the part of the Company to protect EAST (Holdings)'s interests in the development and to progress the Macao Studio City project. However, the timing and outcome of all litigation is inherently uncertain and, in this case, is being contested and/or may prompt claims or counterclaims on the part of New Cotai or others. Further, in the event of prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau government would exercise its rights, including but not limited to its rights to re-possess the plot of land.

49. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform to the current year's presentation.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2010.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Gloucester Rooms I & II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 28 May 2010 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 December 2009;

2. To re-elect the retiring Directors and to fix the Directors' remuneration;

3. To appoint Auditors and to authorise the Directors to fix their remuneration; and

4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "**THAT**:

   (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional ordinary shares in the Company, and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares in the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any of the securities which are convertible into shares of the Company; or (iii) an issue of shares in the Company as scrip dividends pursuant to the Bye-laws of the Company from time to time; or (iv) an issue of shares in the Company under any option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares in the Company or rights to acquire shares in the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Members of the Company in general meeting; or

(iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Bye-laws of the Company to be held; and

"Rights Issue" means an offer of shares of the Company open for a period fixed by the Directors to the holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

By Order of the Board
Yeung Kam Hoi
Company Secretary

Hong Kong, 16 April 2010

Notes:

(1) A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf in accordance with the Company's Bye-laws. A proxy need not be a Member of the Company.

(2) To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Annual General Meeting or its adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending and voting in person at the Annual General Meeting or at any of its adjourned meeting should they so wish.

(3) Concerning item 2 of this Notice, in accordance with Bye-law 86(2) of the Company' Bye-laws, Mr. Lo Kwok Kwei, David and Dr. Ng Lai Man, Carmen, who were appointed at the special general meeting of the Company held on 12 March 2009, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the aforesaid Directors are set out in the "Biographical Details of Directors" section of the Annual Report 2009 of the Company. For the purpose of their re-election as directors of the Company at the forthcoming Annual General Meeting, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Notice of Annual General Meeting

(4) The Ordinary Resolution under item 4 of this Notice relates to the granting of a general mandate to the directors of the Company to issue new shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the said resolution. The Company has no immediate plan to issue any new shares under the general mandate.

(5) In compliance with Rule 13.39(4) of the Listing Rules, voting on resolutions in respect of the above matters set out in this Notice will be decided by way of a poll. In accordance with the Company's Bye-laws, unless a poll is required by the Listing Rules or any other applicable laws, at any general meeting of Members of the Company, a resolution shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

(i) the chairman of the meeting; or

(ii) at least three Members present in person or by proxy for the time being entitled to vote at the meeting; or

(iii) any Member or Members present in person or by proxy and representing not less than on-tenth of the total voting rights of all the Members having the right to vote at the meeting; or

(iv) a Member or Members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.