eSun Holdings Limited

Annual Report 2008
(Stock code: 571)

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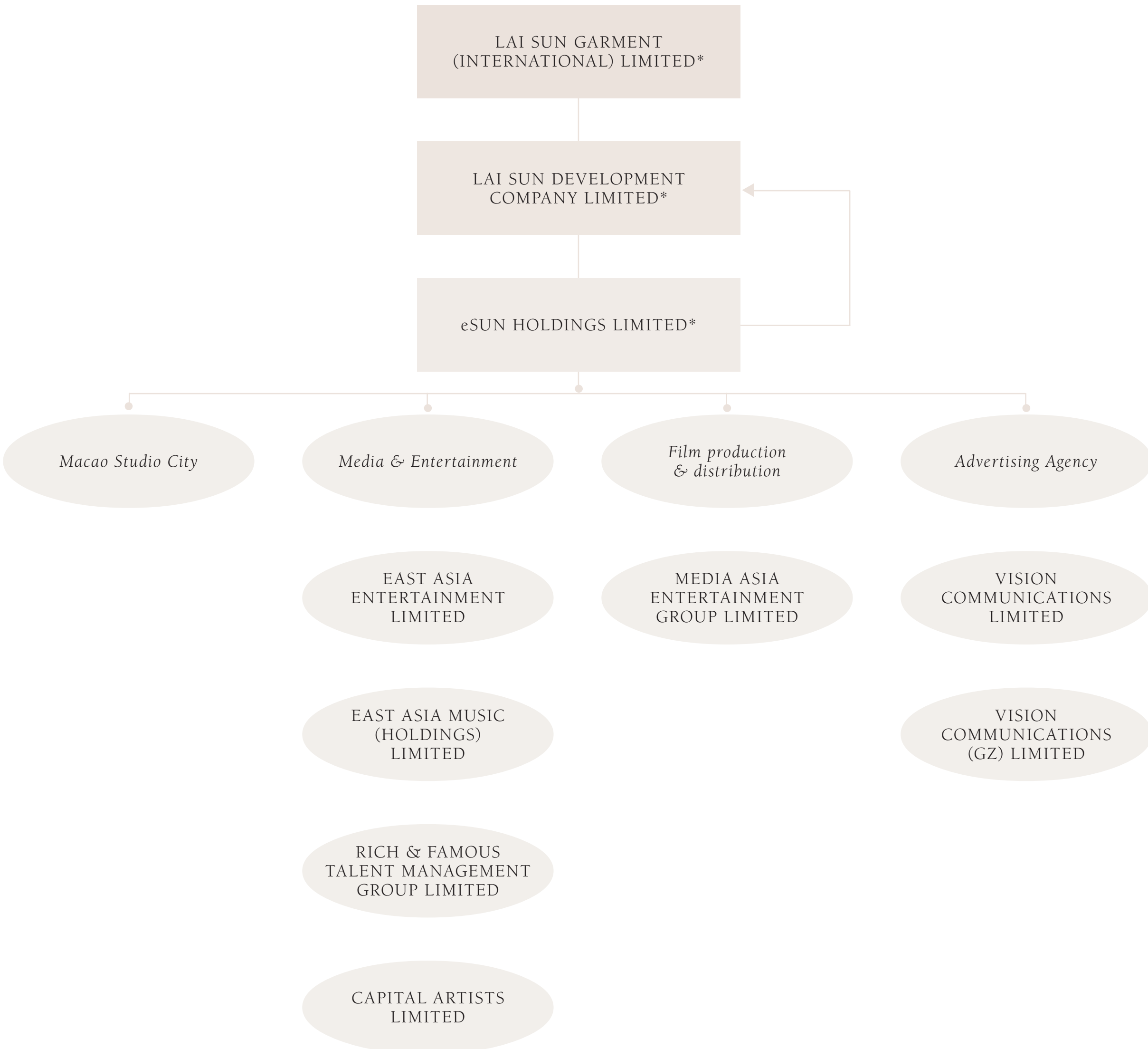
Stock code on Hong Kong Stock Exchange: ***571***

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
Low Kit Leong

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

* *Independent non-executive directors*

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Bermuda

Secretary and Principal Office
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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
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Certified Public Accountants
18th Floor
Two International Finance Centre
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Hong Kong

Solicitors
As to Hong Kong Law:
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Central
Hong Kong

Richards Butler
in association with Reed Smith LLP
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Alexandra House
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Central
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As to Bermuda Law:
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8 Connaught Place
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Hong Kong

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

Chairman's Statement

Chairman LIEN Jown Jing, Vincent

BUSINESS REVIEW

Overview of results

For the year ended 31 December 2008, the Group recorded a turnover from continuing operations of HK$270,131,000 (2007: HK$289,780,000), representing a decrease of approximately 7% from the previous year. The decrease was largely due to lower entertainment event income as a result of the temporary closure for renovation of a major pop concert venue in Hong Kong, Hong Kong Coliseum, between July 2008 and January 2009.

For the year ended 31 December 2008, the Group recorded a loss from operating activities of HK$233,574,000 versus a profit from operating activities of HK$324,189,000 in the previous year. The substantial deviation between the two financial years was mainly due to the one-off gain of approximately HK$499,969,000 recorded in the year ended 31 December 2007 on the sale of a 20% effective interest in the Macao Studio City project to CapitaLand Integrated Resorts Pte. Limited ("CapitaLand Integrated Resorts"). In addition, other revenue (mainly interest income) reduced by approximately 46% to HK$33,602,000 due to lower interest rate; while administrative expenses were up by approximately 22% to HK$203,768,000. Such increase was related to the consolidation of the expenses of Media Asia Entertainment Group Limited ("MAEG") for a full year in the current year and the organic expansion of the various business operations of the Group as well as the establishment of several new offices in the Mainland of China and Taiwan to cope with our expanding geographic coverage of our business operations.

BUSINESS REVIEW (continued)

Overview of results (continued)

For the year ended 31 December 2008, the Group recorded a loss after tax from continuing operations of HK$403,761,000 as compared to a profit after tax from continuing operations of HK$924,351,000 in the previous year. In 2007, the Group discontinued its satellite television operations.

During 2008, the Group has shared the losses of jointly-controlled entities of approximately HK$92,308,000, an increase from HK$32,147,000 recorded in the previous year. This related principally to the film production and distribution business engaged by a jointly-controlled entity, and also due to the cost incurred to set up the team to manage the Macao Studio City project and to commence building the foundation of Macao Studio City. Also the Group recorded a share of losses of associates of HK$71,256,000 for the year ended 31 December 2008 versus a share of profits of associates of HK$642,044,000 in the previous year. The share of profits and losses of associates is mainly attributable to Lai Sun Development Company Limited ("LSD"), an associated company of the Company. The Group currently holds a 36.72% interest in LSD, which in turn holds a 36.08% interest in the Group. Such cross-holdings between the Group and LSD lead to a further loss to the Group due to eSun's further share of LSD's loss arising from LSD's share of the results of the Group.

For the year ended 31 December 2008, the Group recorded a consolidated loss attributable to equity holders of the Company of HK$385,476,000 versus a profit of HK$895,710,000 in the previous year.

Shareholders' equity as at 31 December 2008 amounted to HK$5,321,231,000, up from HK$4,669,218,000 as at 31 December 2007. Net asset value per share as at 31 December 2008 was HK$4.29, as compared to HK$5.64 as at 31 December 2007.

OPERATIONS REVIEW

Macao Studio City

Macao Studio City is expected to be 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 project will be developed on a site strategically located "Where Cotai Begins™", next to the Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai's Hengqin Island.

Chairman's Statement

OPERATIONS REVIEW (continued)

Macao Studio City (continued)

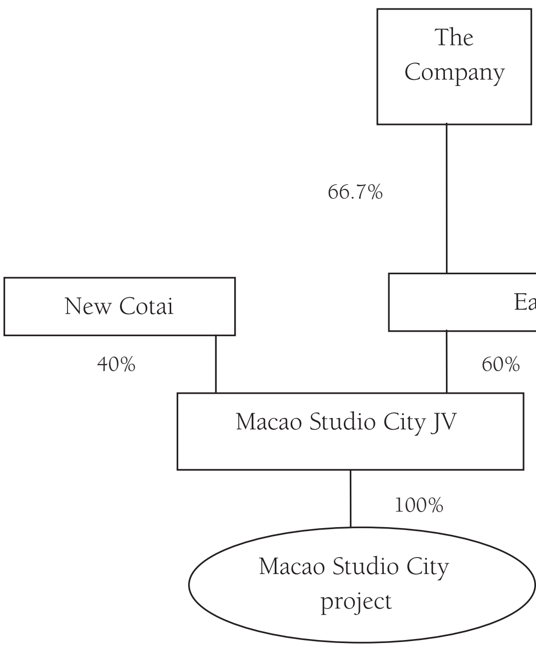
Joint venture arrangements

Macao Studio City joint venture

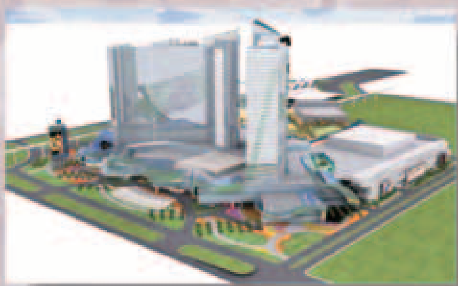
In December 2006, the Group completed the sale of a 40% interest in Cyber One Agents Limited ("Cyber One" or "Macao Studio City JV"), the investment holding company of the Macao Studio City project, to US joint venture partner, New Cotai, LLC ("New Cotai").

In March 2007, the Group further completed the sale of a 33.3% interest in East Asia Satellite Television (Holdings) Limited ("East Asia"), the holding company of the 60% interest in Cyber One, to CapitaLand Integrated Resorts. CapitaLand Integrated Resorts is a wholly-owned subsidiary of CapitaLand Limited, one of the largest listed real estate companies in Asia.

Following the completion of the disposal of a 40% and a 20% effective interest in the Macao Studio City project to New Cotai and CapitaLand Integrated Resorts, respectively, the current simplified shareholding structure of Macao Studio City project is as follows:



Macao Studio City
(artist impression)



Film, music and entertainment production

OPERATIONS REVIEW (continued)

Macao Studio City (continued)

***Joint venture arrangements* (continued)**

Joint venture in respect of the retail component of Macao Studio City

On 29 January 2008, members of the Cyber One group entered into certain agreements in respect of a joint venture to be established for the purposes of owning, developing and operating the proposed retail component within Phase I of the Macao Studio City project anticipated to comprise retail space of approximately 904,000 square feet of gross floor area or 615,000 square feet of gross leaseable area ("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 proposed to be developed. The various transaction agreements comprise the Equity Participation Agreement, the Joint Venture Agreement, the Agreement for Lease, the Development Services Agreement and the Management and Leasing Agreement (together the "Transaction Agreements").

Under these Transaction Agreements, Cyber One has agreed to sell to Taubman Centers, Inc. a 25% equity participation interest in Phase I Retail Component for an up-front cash consideration of approximately HK$376.80 million and the reimbursement of 25% of the development cost incurred up to January 2008.

Progress on the retail component is dependent on the development of the project as a whole, which has slowed down in light of the global financial and economic downturn in 2008.

Project progress

Gross Floor Areas

In November 2007, Macao Studio City JV submitted a land grant modification on land uses and to increase the developable gross floor area of the site to 6,000,000 square feet. Macao Studio City JV has yet to receive formal approval to the same from the Macau government.

Construction-in-progress

Foundations work for Phase I of the project has been completed. Construction on the superstructure of Phase I of the project will commence once the debt financing exercise is finalised. Construction schedule and formal opening of Phase I will now depend on the timing of the conclusion of the debt financing exercise.

OPERATIONS REVIEW (continued)

Macao Studio City (continued)

Financing

Macao Studio City JV has no debt and is well-positioned to be flexible in the current environment. Accordingly, the Group is still targeting to have Macao Studio City JV completing the debt financing exercise as soon as practicable.

On 9 November 2007, shareholders of Cyber One 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 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. As at the date of this report, the Cyber One 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, which is proportional to its effective interest of 40%.

Despite termination of the MOU, the Company remains firmly committed to the Macao Studio City project. With the completion of the rights issue in May 2008 raising net proceeds of approximately HK$1,015 million, the Group is prepared to further fund the Macao Studio City project however it evolves (and whether on terms envisaged by the MOU or otherwise) and to use the proceeds otherwise for its general working capital purposes.

Chairman's Statement

OPERATIONS REVIEW (continued)

Media and entertainment

Film production and distribution – MAEG

During the year ended 31 December 2008, MAEG completed principal photography on 6 films, with 7 other films in the production or development pipeline.

In 2008, MAEG released 4 films – *If You Are The One, Lady Cop & Papa Crook, Marriage Trap* and *Set-Off*. Since the release of *The Warlords* and *Assembly* between December 2007 and January 2008, due to limited time slots suitable and/or available for any film promotional campaigns prior to the Beijing 2008 Olympic Games in August 2008, newly produced films of MAEG (like many other films) had seen their respective launch campaigns and dates rescheduled or delayed. For the year ended 31 December 2008, the MAEG Group contributed a turnover of HK$95,325,000 and a gross profit of HK$33,688,000 to the Group's consolidated results.

The Warlords was a mega-budget film directed by Peter Chan and featured top Asian actors – Jet Li, Andy Lau, Takeshi Kaneshiro, and *Assembly* was a Chinese war drama directed by Feng Xiaogang. The box-office receipts of *The Warlords* and *The Assembly* placed them both in the top three movies in the Mainland of China in 2007. In 2008, MAEG's films continued to receive industry recognitions in local and international film festivals.

Film production joint venture

On 8 August 2008, a joint venture agreement was entered into between Media Asia (MAX) Limited (an indirect wholly-owned subsidiary of the Company), Avex Entertainment Inc. and Avex Hong Kong Limited (formerly known as Avex Asia Limited) to establish a joint venture company, PAMIEM Film Fund Limited (the "JV Company"), as a vehicle for producing films targeted at the Asia markets.

The JV Company is beneficially owned as to 50% by MAEG, 40% by Avex Entertainment Inc., and 10% by Avex Hong Kong Limited. After the approval of each proposed film project by the board of directors of the JV Company, each shareholder may be required to contribute to a project fund, with such contributions to be provided on a standby-basis. The total amount of film funding has been agreed at no more than US$50 million over five years from the date of the joint venture agreement.

During the year under review, no film projects were identified or produced under this joint venture.

OPERATIONS REVIEW (continued)

Media and entertainment (continued)

Film library

As at 31 December 2008, the film rights and film products of the Group constituted all rights, titles and interests in an aggregate of 166 films with an aggregate carrying value of approximately HK$171 million (2007: HK$199 million).

Live entertainment

For the year ended 31 December 2008, the Group's live entertainment division produced and participated in 146 concerts, theatre and entertainment events by popular local, Asian and internationally renowned artistes including *Jay Chou, Richie Jen, Jan Lamb, Ivana Wong, Harry Connick Jr., Maroon 5* and *Ayumi Hamasaki* in Hong Kong, the Mainland, Macau and South East Asia.

Hong Kong Coliseum, a major pop concert venue in Hong Kong was temporarily closed for renovation between July 2008 and January 2009. During that temporary closure period, the Group continued to organise and/or participate in the promotion of various pop concerts and entertainment events in other venues in Hong Kong with the objective of maintaining its market leading position in Hong Kong.

Music production, distribution and publishing

For the year ended 31 December 2008, the Group's music production, distribution and publishing division released 56 albums, including titles by *Andy Lau, Denise Ho, Andy Hui, Leon Lai, Janice M. Vidal, Miriam Yeung, Fama, Ivana Wong, Chet Lam, Wilfred Lau, At 17, Richie Jen, Bosco Wong, Cherry Wong* and *Pong Nan*.

During the year, the Group also recruited several new singers (some of whom were top performers in a singing/performance contest organised by, inter alia, Macao Studio City and East Asia Music in Macau in November 2007), as well as renowned composers and lyricists.

Following the acquisition of music libraries containing over 3,000 songs and 400 music videos in late 2007 and in 2008, the Group has, during the period under review, greatly 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.

Chairman's Statement

OPERATIONS REVIEW (continued)

Media and entertainment (continued)

Television drama and content production, and distribution

As part of the Group's effort to build a comprehensive entertainment platform with an extensive Chinese language content in Greater China, the Group has decided to expand its entertainment offerings to include TV drama business. During the year, the Group has either continued discussions or commenced co-operation with renowned television dramas and content directors, producers and artistes in the Mainland of China to produce television dramas and content. In addition, the Group reactivated its distribution network with the intention to expand this part of the operation.

LSD

For the year ended 31 December 2008, LSD's results as attributable to the Group were adversely affected by, among other things, a loss on fair value change in the LSD's investment properties due to the recent downturn in the property market, as compared to a significant gain on fair value change in LSD's investment properties in the previous year and from its further share of the results of the Group as a result of the cross-holdings between LSD and the Company.

In July 2007, LSD completed the disposal of its 50% interest in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong. In December 2007 and March 2008, LSD completed respective sales of a 16.57% and a 10% interests in a former subsidiary which owned the property on which The Ritz-Carlton Hong Kong was formerly located. For the year under review, LSD made a provision for tax indemnity granted by it to Lai Fung Holdings Limited ("Lai Fung") in November 1997 at the time of effecting the separate listing of Lai Fung on The Stock Exchange of Hong Kong Limited.

For the year under review, the Group reported an operating loss (before taking into account the Group's share of LSD's loss as mentioned above) of approximately HK$314,227,000 (2007: profit of HK$248,427,000). 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$46,702,000 (2007: profit of HK$36,482,000) and such amount is included in the Group's share of profits and losses of associates.

OPERATIONS REVIEW (continued)

LSD (continued)

As a result of the abovementioned factors, the Group's share of LSD's losses included within the Group's share of profits and losses of associates, after taking into account the cross-holdings between the Group and LSD, for the year ended 31 December 2008 was HK$71,249,000 (2007: profit of HK$647,283,000).

Development properties

3 Connaught Road Central Project (Redevelopment of the former The Ritz-Carlton Hong Kong site)

This joint redevelopment project is a 50:50 joint venture between LSD and a wholly-owned subsidiary of China Construction Bank Corporation ("CCB"). The buildable GFA for the redevelopment is approximately 225,000 square feet. The redeveloped office tower will become a landmark property in Central, Hong Kong. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations.

Demolition work of the former The Ritz-Carlton Hong Kong hotel property started in April 2008 and was completed in January 2009. Foundation work is now in progress. The entire redevelopment work is now expected to be completed by the end of 2011.

Wood Road Project, Wanchai

This joint residential development project is a 50:50 joint venture between LSD and a unit of AIG Global Real Estate Investment (Asia) LLC. The development has a planned total gross floor area of approximately 140,000 square feet and total development cost is now estimated to be about HK$1.3 billion.

Foundation work started in November 2007 and was completed in September 2008. Above-ground construction work is scheduled for completion by 2011.

Tai Po Road Project

LSD owns 100% of this development project. The development has a planned total gross floor area of over 60,000 square feet mainly for residential use and the total development cost is now estimated to be about HK$500 million.

Foundation work started in mid April 2008 and was completed in September 2008. Superstructure work is scheduled for completion by 2010.

Chairman's Statement

OPERATIONS REVIEW (continued)

LSD (continued)

Development properties **(continued)**

Yau Tong Project

LSD completed the purchase of a site located at No. 4 Shung Shun Street, Yau Tong, Kowloon, Hong Kong in September 2008. The consideration for the purchase was HK$188 million.

The site, which covers an area of approximately 17,760 square feet, is currently used as an open-air carpark. Subject to approval of lease modification of the site to non-industrial use and payment of the relevant land premium, LSD intends to develop the site into a residential-cum-commercial property with a total gross floor area of about 106,000 square feet.

Other matters relating to the Company

Planned share placement

On 11 December 2008, the Company announced a proposed placement of shares (the "Placing") representing approximately 8.82% of the Company's issued share capital (the "Placing Shares") as enlarged by the Placing Shares, at the subscription price of HK$0.50 per Placing Share, together with unlisted bonus warrants on a 1-for-1 basis in respect of each Placing Share, with each warrant entitling the holder to subscribe for one new share (the "Warrant Shares") at an exercise price of HK$0.50 per Warrant Share at any time from the date of issue until December 2011. If allotted and issued in full, the Warrant Shares would have represented approximately 8.10% of the Company's total issued share capital as enlarged by the issue of the Warrant Shares. The Placing was scheduled to have completed on 24 December 2008. The proceeds were intended to be used to finance the Group's media and entertainment businesses and otherwise for general working capital purposes.

On 22 December 2008, Passport Special Opportunities Master Fund, LP and Passport Global Master Fund SPC Limited (together defined as "Passport") obtained an ex parte injunction temporarily restraining the Company from proceeding with the Placing. In light of this, the Company agreed with Chung Nam Securities Limited (the "Placing Agent") to extend the longstop date for completion of the Placing agreement to 9 January 2009 to accommodate an inter-partes hearing on 6 January 2009 concerning the Placing, which transpired to be procedural, rather than substantive, in nature. A further hearing was set down for 22 January 2009, pending which the injunction remained in place. The Court also ordered Passport to fortify its undertaking in damages by the provision of a bank guarantee in the sum of HK$120 million to compensate any loss to the Company and any other party affected.

OPERATIONS REVIEW (continued)

Other matters relating to the Company (continued)

Planned share placement (continued)

Given the increase in the Company's share prices during the intervening period between 11 December 2008 and 9 January 2009 and the uncertainty resulting from the continuation of the interim injunction, the board of directors of the Company determined not to agree to a further extension of the Placing agreement, which terminated without completing on 9 January 2009.

Further developments since January 2009 are set out in the section headed "Funding needs and outstanding litigation with Passport".

OUTLOOK

Macao Studio City

In view of its planned scale, unique positioning in Macau and combination of proposed facilities within it, we firmly believe Macao Studio City will, in due course, 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. Accordingly, the Group remains firmly committed to this project.

Media and entertainment

Film production and distribution

MAEG will continue to explore and/or consider various film projects in the coming years with the objectives of (1) building momentum by steadily increasing the number of films produced per annum, with the aim of expanding market share as well as diversifying earnings risk as a result of over reliance on a small number of films produced per annum; (2) fully exploiting our relationships with leading/renowned studios, directors and producers (including China Film, Shanghai Film, Avex Film, Mr. Feng Xiaogang, Mr. Johnnie To and Mr. Andrew Lau) to increase the number of quality films produced; and (3) expanding our film revenue base in other places by entering into relationships with leading studios beyond Greater China.

Chairman's Statement

OUTLOOK (continued)

Media and entertainment (continued)

Film production joint venture

MAEG intends to increase its yearly total investment in film production by financing it from internal resources and, as appropriate, with external support, such as via co-production (as is the case with PAMIEM Film Fund Limited mentioned above).

Live entertainment

The Group has diversified, and will continue to diversify, its performance events from major pop concerts to various mini-concerts in different venues and/or participation in other types of shows, including but not limited to, musical performances and dramas. However, the contributions to be generated from such kinds of relatively small scale performance (in terms of seating and show days) may not be significant as compared to contributions from major venues, such as the re-opened Hong Kong Coliseum.

On the other hand, the Group is increasing its efforts to expand into live entertainment promotions in the Mainland of China. With the successful completion of the Beijing 2008 Olympic Games and the upcoming Shanghai 2010 Expo, the Group expects a lot more venues to be available for performances in the Mainland, which in turn increase our business opportunities. However, due to the keen domestic competition and various regulatory compliance matters in the Mainland, the development of this business is likely to require patience and commitment.

In 2009, the live entertainment division of the Group has already scheduled its own production of around 10 concerts and entertainment events by popular local artistes and participation in the productions of around 10 other concerts by other promoters, already involving around 70 shows in total.

Music production, distribution and publishing

As regards music production and distribution, the main objectives include (1) to increase our market share in Hong Kong with the goal of greatly enhancing the brand presence of East Asia Music, Capital Artists, Amusic, and CMD in Southern China; and (2) to debut East Asia Music's expansion into Mandarin album releases targeting the Greater China market.

Chairman's Statement

OUTLOOK (continued)

Media and entertainment (continued)

Music production, distribution and publishing (continued)

Despite the continuing challenge of dwindling physical music sales, the Group's outlook is cautiously optimistic given (1) that the shift in consumers' pattern from physical to digital music sales offers unique opportunities to derive new revenue streams from digital sales; and (2) the longer term prospects for the digital music market in the Mainland.

Television drama and content production, and distribution

The Group has identified three distinct positives to be exploited in respect of TV drama business in the Mainland, namely (1) that it offers stable recurring cash flow; (2) that premium quality TV drama offer very stable margins and (3) that it offers the Group a window/opportunity to expand and develop its artiste management business in the Mainland. Accordingly, the Group intends to continue its efforts to develop and groom this business.

LSD

Crashes in financial markets and global economic recession have created enormous uncertainties and risks. As one of the most open economies in the world, Hong Kong has inevitably experienced a slowdown in economic activity. With continuous improvement of LSD's operations and with the timely disposal of assets in the past few years, LSD has a healthy balance sheet with reasonable leverage.

Investment properties

With current high occupancy in LSD's investment properties, LSD has in the past economic cycle successfully strengthened its tenant and trade mix, which well prepares LSD to operate through difficult economic environment ahead. In the coming year, it is understood that LSD will take a defensive approach as regards its rental policies, with the objectives of maintaining occupancy rates and rental cashflows from its investment properties.

Chairman's Statement

OUTLOOK (continued)

LSD (continued)

Development properties

In anticipation of a possible sharp downturn in the local economy and negative market sentiment generally, prices of residential properties in Hong Kong have fallen since September 2008. In recent months, the Hong Kong residential market has shown early signs of stabilisation after price rationalisations in respect of newly launched projects and the easing in mortgage availability. In the long run, strong affordability, low interest rates and tight supply in the pipeline should benefit the Hong Kong property market.

LSD currently holds a few residential projects under development in Hong Kong. As two of LSD's development properties, the Wood Road project, Wanchai and the Tai Po Road project, are both in early development phase, LSD's development and realisation plan are not severely affected by the market at the moment. Given the shortage in supply in core city areas in Hong Kong, LSD is understood to be cautiously optimistic on the Hong Kong residential properties in the longer term. It is further understood that LSD will monitor the local property market closely and will adopt a prudent approach towards acquiring new development projects in future.

Other matters relating to the Company

Funding needs and outstanding litigation with Passport

The Company believes that the reasons for the Placing (as described above), being to strengthen the capital base of the Company's media and entertainment business and otherwise the general working capital of the Company, remain valid and that there is a continued need to raise such funds to develop that business. The Company will consider and, if appropriate, pursue plans for a placing or other funding options in due course. Meanwhile, the Board continues to be satisfied that the termination of the Placing agreement (as mentioned above) will not have any immediate material adverse financial impact on the current operations.

OUTLOOK (continued)

Other matters relating to the Company (continued)

Funding needs and outstanding litigation with Passport (continued)

At the Court hearing on 22 January 2009, the injunction obtained by Passport on 22 December 2008 was discharged on the basis that the Placing agreement between the Company and the Placing Agent lapsed on 9 January 2009. The Court gave further procedural directions for, and relating to, the setting down of a trial, scheduled to take place in November 2009, to determine among other things, whether or not the injunction was validly obtained in the first place. The Company and its Directors intend vigorously to defend Passport's claims and pursue their own rights 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 so that they too might pursue their rights and remedies. Passport's obligation to put up a bank guarantee in the sum of HK$120 million to fortify its undertaking in damages remains in place and is required to be extended to all interveners.

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

As at 31 December 2008, cash and cash equivalents held by the Group amounted to HK$1,652,980,000 of which over 95% were denominated in Hong Kong dollars.

As at 31 December 2008, the Group had unsecured promissory notes payables of HK$20,000,000 falling due within one year and HK$31,269,000 falling due within the second year. The promissory notes payables are interest-free, except for an amount of HK$30,000,000 which bears interest at 3.5% per annum. As at 31 December 2008, 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 not repayable within one year. The Group recorded interest accruals of HK$37,089,000 for the other borrowings as at 31 December 2008. In addition, certain land and buildings of the Group with a carrying amount of HK$60,487,000 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 2008. Also, the Group had finance lease payables of HK$92,000 falling due within one year, HK$87,000 falling due within the second year and HK$131,000 falling due within the third to fifth years, as at 31 December 2008.

Chairman's Statement

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

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 4% as at 31 December 2008. All of the Group's borrowings are denominated in Hong Kong dollars, 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 balance sheet date are set out in note 41 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

The Group employed a total of approximately 275 employees as at 31 December 2008. Total staff costs including share-based payment and pension contributions for the year ended 31 December 2008 were approximately HK$116,669,000. 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 adopted a share option scheme for its Directors and employees on 23 December 2005.

MANAGEMENT AND STAFF

On behalf of the Board, I would like to thank members of the staff and management for their efforts in overcoming new difficulties in an increasingly turbulent environment during 2008. I would also like to express our gratitude to our shareholders and business associates for their valuable support during the year.

Lien Jown Jing, Vincent
Chairman

Hong Kong
9 April 2009

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 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the development and operation of and investment in media, entertainment and 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 loss of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 48 to 142.

No interim dividend was paid or declared in respect of the year ended 31 December 2008 (2007: Nil).

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2008 (2007: 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 35 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	
Low Kit Leong	
Lam Kin Ming	
U Po Chu	
Alfred Donald Yap*	
Low Chee Keong*	
Ng Lai Man, Carmen*	(appointed on 12 March 2009)
Lo Kwok Kwei, David	(appointed on 12 March 2009)
Tam Wai Chu, Maria	(resigned on 29 January 2008)
Liu Ngai Wing	(retired on 22 May 2008)

* *Independent non-executive directors*

Report of the Directors

DIRECTORS (continued)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Lien Jown Jing, Vincent, Mr. Cheung Wing Sum, Ambrose, Mr. Tong Ka Wing, Carl, Mr. Alfred Donald Yap and Mr. Low Chee Keong retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

To complement the existing balance of skills and experience on the Board and to further the objective of having a strong independent element on the Board, Mr. Lo Kwok Kwei, David and Dr. Ng Lai Man, Carmen, were appointed as a non-executive director and an independent non-executive director of the Company, respectively, in accordance with bye-law 86(2) of the Company's bye-laws at a special general meeting of the Company held on 12 March 2009.

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, either directly or indirectly, 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 the Cyber One Agents Limited ("Cyber One") Group had entered into certain agreements with members of the Playboy Group 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 owned as to 51% by Cyber One and 49% by Playboy (the "Joint Venture Company"), with the Joint Venture Company being 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 has also granted a sub-licence of the same intellectual property to 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").

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). East Asia-Televisão Por Satélite Limitada ("Macau Co"), a subsidiary of Cyber One, 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.

Because New Cotai Holdings is a substantial shareholder of Cyber One, and Cyber One is an indirect non-wholly owned subsidiary of eSun, New Cotai Holdings and its associates, including New Cotai, are treated as connected persons of eSun. Moreover, by virtue of the fact that Playboy has become a substantial shareholder of the Joint Venture Company, itself an indirect non-wholly owned subsidiary of eSun, Playboy and its associates are also treated as connected persons of eSun.

The principal terms of the Licence Agreement and Sub-licence Agreement are summarised below:

A. Licence Agreement

(a) The Licence Agreement was entered into between Playboy and the Joint Venture Company on 21 June 2007, pursuant to which Playboy granted a licence to the Joint Venture Company for the use of certain Playboy intellectual properties in relation to the joint venture (including "Playboy", "Playmate" and the "bunny logo").

(b) The Joint Venture Company would pay to Playboy, as license fees, a fixed portion of the annual revenues earned through the operation of the Venue.

(c) The initial term of the Licence Agreement is ten years from the opening date of the Venue. The Joint Venture Company has the option to renew the term for an additional ten years, subject to the Joint Venture Company achieving certain performance thresholds.

Each party has certain customary rights to terminate the Licence Agreement in the event of default by the other party under circumstances detailed in the agreement.

B. Sub-Licence Agreement

(a) The Sub-Licence Agreement was entered into between the Joint Venture Company, New Cotai Entertainment, LLC and New Cotai Entertainment (Macau) Limited on 21 June 2007, the latter two being associates of New Cotai.

Pursuant to the Agreement, the Joint Venture Company has granted certain members of the New Cotai Group a sub-licence in respect of the same intellectual property referred to in the Licence Agreement, to be used solely in connection with the New Cotai Entertainment Site.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

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

B. Sub-Licence Agreement (continued)

(b) The Joint Venture Company is entitled to substantially all of the annual net revenues attributable to the New Cotai Entertainment Site. New Cotai Entertainment is entitled to a small fixed percentage of the annual revenues of the New Cotai Entertainment Site for services to be provided by New Cotai Entertainment in, inter alia, the management of the special entertainment space and the facilities in relation thereto.

(c) The term of the Agreement is intended to match the term of the Licence Agreement. The Agreement would therefore terminate or be renewed in tandem with the Licnece Agreement.

C. Annual Caps applicable to the Licence Agreement and Sub-Licence Agreement

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

(2) Media Asia Group Lease

The Company announced on 9 October 2007 that on 5 October 2007, Media Asia Group Limited ("Media Asia"), a subsidiary of the Company, entered into the offer letter with Gilroy Company Limited ("Gilroy"), a 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 and still is an associate of a connected person of the Company under the Listing Rules. Accordingly, the entering into of the offer letter between Gilroy and Media Asia constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

(3) eSun Holdings Limited Lease ("eSun Lease")

The Company announced on 30 October 2008 that on 28 October 2008, Gilroy entered into the offer letter with the Company, 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).

LSD is a connected person to the Company and Gilroy is therefore an associate of a connected person of the Company and the offer letter between Gilroy and the Company therefore constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (continued)

(4) Licensing Agreements with CCTV-6

eSun has an indirect non-wholly owned subsidiary called China Film Media Asia Audio Video Distribution Company Limited (中影寰亞音像制品有限公司), being 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").

Distribution Co became an indirect non-wholly owned subsidiary of eSun in June 2007 at the time when eSun acquired a further interest of approximately 62.67% of Media Asia Entertainment Group Limited ("MAEG"), in the context of the privatisation of MAEG. Distribution Co is, itself, a subsidiary of MAEG. Accordingly, at the time MAEG became a subsidiary of eSun, so too did Distribution Co and China Film Audio Video Publishing House became a connected person to eSun for the purposes of Chapter 14A of the Listing Rules.

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, 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 have become 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 ending 31 December 2009.

Pursuant to each agreement, CCTV-6 is licenced 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 (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.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

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

Subsequent to the time when Distribution Co became a subsidiary of eSun in June 2007. During the year ended 31 December 2008, CCTV-6 paid total fees to Distribution Co of approximately HK$1,471,000.

As both agreements were entered into at times when the parties were unconnected, neither agreement was, or is, subject to annual caps on its value for the purposes of Listing Rule 14A.35(2).

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

Cyber One Agents Limited ("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. 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 (or 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 leaseable area (the "Phase I Retail Component").

The Company announced on 31 January 2008 that members of the Cyber One Group and Taubman Centers, Inc. and its subsidiaries ("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 Taubman Group becomes a substantial shareholder of Retail Holding Company (through which the parties propose to conduct the joint venture) and that the Retail Holding Company is treated, for the purposes of the Listing Rules, as an indirect non-wholly owned subsidiary of eSun, Taubman Group becomes 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.

CONTINUING CONNECTED TRANSACTIONS (continued)

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

The principal terms of the relevant agreements are summarised below:

A. Equity Participation Agreement and Joint Venture Agreement

(a) Under the Equity Participation Agreement and the Joint Venture Agreement dated 29 January 2008, Cyber One has agreed to sell, and Taubman has agreed to purchase, a 25% interest in the Phase I Retail Component for an initial cash consideration of approximately HK$376.8 million. In addition, Taubman will reimburse Cyber One the sum of US$6 million on account of 25% of the development costs incurred to date in respect of the Phase I Retail Component. Cyber One will own the remaining 75% interest in the Phase I Retail Component.

(b) Both the consideration and the reimbursement sum have been paid into an escrow account and will be released to Cyber One on fulfillment of certain conditions.

(c) Although it is intended that construction and development of the Macao Studio City project will be financed by way of debt, Cyber One and Taubman have agreed under the Joint Venture Agreement to fund any shortfall in the development costs of Phase I Retail Component on a pro-rata basis, up to an agreed aggregate budget threshold of US$457 million. The maximum pro-rata contributions of Cyber One, if required, would be approximately US$343 million (HK$2,673 million).

(d) If Cyber One were called upon to contribute its maximum pro-rata share towards the funding of the Phase I Retail Component, this would constitute a major transaction for eSun under Chapter 14 of the Listing Rules, and should therefore be subject to approval by shareholders.

B. Agreement for Lease

(a) Under the Agreement for Lease dated 29 January 2008, Macau Co has agreed to grant to the wholly-owned Macau subsidiary of Retail Holding Company ("Macau Sub") a lease for the Phase I Retail Component for an initial term of 14 years from the date that licence to use the premises can be provided by Macau Co.

(b) During the construction of the Phase I Retail Component, no rent is payable to Macau Co. A formal lease will be signed between Macau Co and Macau Sub within 10 days on notice from Macau Co that licence to use has been issued.

C. Development Services Agreement

(a) For the purpose of developing the premises for the Phase I Retail Component, Macau Co, as owner of the Macao Studio City project, has appointed Taubman Macau under the Development Services Agreement dated 29 January 2008, to provide assistance with respect to the design, development, planning and construction of the Phase I Retail Component.

(b) 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.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

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

D. Management and Leasing Agreement

(a) Under the agreement dated 29 January 2008, Macau Sub has appointed Taubman Macau to manage, lease, operate, maintain and market the Phase I Retail Component and to provide other services including maintenance, repair and collection of use fees on behalf of Macau Sub.

Unless otherwise terminated, this agreement will expire on the 15th anniversary of the date on which the Phase I Retail Component first opens to the public but will be renewable for consecutive one-year terms subject to conditions.

(b) Macau Sub is obliged to pay to Taubman Macau an annual management fee, performance fees and retail merchandising unit fees ranging from 0.10% to 5% of gross receipts of Macau Sub. Use commission and sponsorship services commission are also payable to Taubman Macau.

It is estimated that when Phase I Retail Component becomes operational, the aggregate fees and commissions payable by Macau Sub to Taubman Macau could result in such payments exceeding the 2.5% threshold set out in Listing Rules 14A.34. The Stock Exchange has agreed to grant a waiver from strict compliance with the relevant Listing Rules.

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 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, Mr. Lam Kin Ming, a director of the Company, is considered to have interests in 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 is independent from the board of the aforesaid company and the abovementioned 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, the aforesaid company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Miss Leung Churk Yin, Jeanny, aged 44, was appointed an executive director and chief executive officer of the Company in September 2007. She has over 20 years of corporate finance experience in Hong Kong, the Mainland of China and Taiwan. Miss Leung 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.

Mr. Lam Kin Ngok, Peter, aged 51, was appointed an executive director of the Company in 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 property development and investment business, hospitality and media and entertainment business.

Mr. Lam is currently chairman of the Hong Kong Chamber of Films, Honorary Chairman of the Hong Kong Kowloon & New Territories Motion Picture Industry Association, Vice Chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. He is also a member of the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council and a Turstee of the Better Hong Kong Foundation. Mr. Lam is a director of Hong Kong-Vietnam Chamber of Commerce Limited and the Real Estate Developers Association of Hong Kong. Mr. Lam is a member of the 11th National Committee of the Chinese People's Political Consultative Conference. 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 AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Cheung Wing Sum, Ambrose, aged 58, was appointed an executive director of the Company in September 2005. Mr. Cheung 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. LSD is the controlling shareholder of the Company. Mr. Cheung is a business executive with a legal and banking background. He has over 24 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 over the last 24 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 of the Advisory Committee, School of Hotel and Tourism Management, The Chinese University of Hong Kong.

The Company has entered into a service contract with Mr. Cheung for a fixed term of three years, but such contract is determinable by the employing company within one year without payment of compensation, other than statutory compensation. Mr. Cheung 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. Cheung 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. Save for his directorship disclosed above, Mr. Cheung does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Cheung holds interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance as disclosed under the "Directors' interests" section of this report. 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 information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Low Kit Leong, aged 38, was appointed an executive director of the Company in June 2007. 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., an enterprise software company, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-Executive Directors

Mr. Lien Jown Jing, Vincent, **Chairman,** aged 48, 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.

The Company has entered into a service contract with Mr. Lien with no fixed term, but such contract is determinable by the employing company within one year without payment of compensation, other than statutory compensation. Mr. Lien 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. Lien 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. Lien does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Lien holds interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance as disclosed under the "Directors' interests" section of this report. 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 information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Lam Kin Ming, aged 71, is a non-executive director of the Company and was first appointed to the Board in October 1996. Mr. Lam is the chairman of Lai Sun Garment (International) Limited ("LSG") and has been involved in the day-to-day management of the garment business since 1958. He is also the chairman and chief executive officer of Crocodile Garments Limited, 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 is the elder brother of Mr. Lam Kin Ngok, Peter.

Madam U Po Chu, aged 84, 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"), 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 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 also became involved in property development and investment in the late 1980's. She is the mother of Mr. Lam Kin Ngok, Peter.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-Executive Directors (continued)

Mr. Lo Kwok Kwei, David, aged 49, was appointed an 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. He 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 David Lo & Partners. He is an independent non-executive director of Man Yue International Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Tong Ka Wing, Carl, aged 58, was appointed an independent non-executive director of the Company in September 2004 and 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.

The Company does not have a service contract with Mr. Tong but he 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. Tong 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. Tong does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Tong 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 information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-Executive Directors (continued)

Mr. Alfred Donald Yap, J.P., aged 70, 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 is 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 is also a former Hong Kong Affairs Adviser appointed by the Chinese Government.

The Company does not have a service contract with Mr. Yap but he 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. Yap 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. Yap does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Yap 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 information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Low Chee Keong, aged 48, 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.

The Company does not have a service contract with Mr. Low but he 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. Low 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. Low does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Low 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 information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Dr. Ng Lai Man, Carmen, aged 44, 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, United States, Canada and Europe. Dr. Ng is a practicing certified public accountant and currently is the director of Cachet 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 doctorate 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.

Report of the Directors

SHARE OPTION SCHEME

An employee share option scheme (the "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 Scheme during the financial year is set out below:

Category/Name of participant	At 1 January 2008	Granted during the year	Adjusted during the year *(Note)*	Exercised during the year	At 31 December 2008	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options HK$ per share *(Note)*
	Number of share options							
Directors								
Lam Kin Ngok, Peter	1,862,962	—	26,544	—	1,889,506	24/2/2006	01/01/2008 to 31/12/2008	4.19
	1,862,962	—	26,544	—	1,889,506	24/2/2006	01/01/2009 to 31/12/2009	4.43
	1,862,963	—	26,544	—	1,889,507	24/2/2006	01/01/2010 to 31/12/2010	4.68
	5,588,887	—	79,632	—	5,668,519			
Cheung Wing Sum, Ambrose	1,862,962	—	26,544	—	1,889,506	24/2/2006	01/01/2008 to 31/12/2008	4.19
	1,862,962	—	26,544	—	1,889,506	24/2/2006	01/01/2009 to 31/12/2009	4.43
	1,862,963	—	26,544	—	1,889,507	24/2/2006	01/01/2010 to 31/12/2010	4.68
	5,588,887	—	79,632	—	5,668,519			
Leung Churk Yin, Jeanny	—	1,250,000	17,810	—	1,267,810	20/2/2008	01/05/2008 to 30/04/2009	5.54
	—	1,250,000	17,810	—	1,267,810	20/2/2008	01/01/2009 to 31/12/2009	5.83
	—	1,250,000	17,810	—	1,267,810	20/2/2008	01/01/2010 to 31/12/2010	6.18
	—	1,250,000	17,810	—	1,267,810	20/2/2008	01/01/2011 to 31/12/2011	6.52
	—	5,000,000	71,240	—	5,071,240			
Low Kit Leong	—	1,600,000	22,797	—	1,622,797	20/2/2008	31/05/2008 to 30/05/2009	5.54
	—	1,600,000	22,797	—	1,622,797	20/2/2008	31/05/2009 to 30/05/2010	5.83
	—	1,600,000	22,797	—	1,622,797	20/2/2008	31/05/2010 to 30/05/2011	6.18
	—	4,800,000	68,391	—	4,868,391			
Other employees								
In aggregate	1,862,962	—	26,544	—	1,889,506	14/2/2006	01/01/2008 to 31/12/2008	4.43
	1,862,962	—	26,544	—	1,889,506	14/2/2006	01/01/2009 to 31/12/2009	4.92
	1,862,963	—	26,544	—	1,889,507	14/2/2006	01/01/2010 to 31/12/2010	5.42
	1,862,962	—	26,544	—	1,889,506	24/2/2006	01/01/2008 to 31/12/2008	4.19
	1,862,962	—	26,544	—	1,889,506	24/2/2006	01/01/2009 to 31/12/2009	4.43
	1,862,963	—	26,544	—	1,889,507	24/2/2006	01/01/2010 to 31/12/2010	4.68
	11,177,774	—	159,264	—	11,337,038			
	22,355,548	9,800,000	458,159	—	32,613,707			

Note: Pursuant to the Scheme of the Company, corresponding adjustments had been made to all outstanding share options granted under the Scheme following completion of the rights issue of the Company in May 2008.

SHARE OPTION SCHEME (continued)

During the financial year, no share options were cancelled in accordance with the terms of the Scheme. On 1 January 2009, 7,558,024 share options lapsed in accordance with the terms of the Scheme.

Further details of the Scheme are included in note 36 to the financial statements.

DIRECTORS' INTERESTS

As at 31 December 2008, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

	Long positions in the shares						
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	5,668,519 *(Note)*	Beneficial owner	8,462,962	0.68%
Cheung Wing Sum, Ambrose	2,794,443	Nil	Nil	5,668,519 *(Note)*	Beneficial owner	8,462,962	0.68%
Leung Churk Yin, Jeanny	Nil	Nil	Nil	5,071,240 *(Note)*	Beneficial owner	5,071,240	0.41%
Low Kit Leong	Nil	Nil	Nil	4,868,391 *(Note)*	Beneficial owner	4,868,391	0.39%

Note: 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.

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Associated Corporation

Lai Sun Development Company Limited ("LSD")

	Long positions 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 2008, 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.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section above and in note 36 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 the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 December 2008, the following persons had an interest in the following long positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO:

		Long position in the shares		
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 2008.

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 report, the Company has complied with the sufficiency of public float requirement under the Listing Rules during the year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2008, 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 the Group during the year are set out in note 37 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with 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

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

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 and restated/reclassified as appropriate, is set out below.

SUMMARY OF FINANCIAL INFORMATION (continued)

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
TURNOVER	**270,131**	289,780	148,938	136,633	149,129
PROFIT/(LOSS) BEFORE TAX	**(404,321)**	924,369	1,180,613	239,933	(116,235)
Tax	**560**	(18)	379	(717)	2,014
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(403,761)**	924,351	1,180,992	239,216	(114,221)
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**(1,068)**	(35,827)	(30,924)	(28,748)	(31,296)
PROFIT/(LOSS) FOR THE YEAR	**(404,829)**	888,524	1,150,068	210,468	(145,517)
Attributable to:					
Equity holders of the parent	**(385,476)**	895,710	1,150,068	210,468	(145,517)
Minority interests	**(19,353)**	(7,186)	—	—	—
	(404,829)	888,524	1,150,068	210,468	(145,517)

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**77,206**	80,180	77,310	207,713	166,029
Goodwill	**35,202**	35,202	—	—	—
Film rights	**110,934**	139,059	133,745	187,187	190,684
Film products	**60,430**	59,545	—	—	—
Music catalogs	**108,556**	61,645	—	—	—
Interests in jointly-controlled entities	**1,076,802**	972,146	654,534	223	1,125
Interests in associates	**2,557,469**	2,620,179	1,992,165	1,632,930	1,515,217
Available-for-sale investments	**65,006**	51,631	34,704	—	—
Long term loan receivables	**63,445**	—	—	—	—
Long term deposits, prepayments and other receivables	**110,369**	83,408	10,048	—	—
Deferred tax assets	**753**	434	—	—	—
Current assets	**2,004,480**	1,538,724	1,110,809	258,757	85,231
TOTAL ASSETS	**6,270,652**	5,642,153	4,013,315	2,286,810	1,958,286
Current liabilities	**(422,125)**	(452,404)	(252,925)	(115,953)	(292,303)
Long term promissory notes, bank loans and other borrowings	**(181,514)**	(194,352)	(135,501)	(126,607)	(32,341)
Deferred tax liabilities	**—**	(44)	—	—	—
TOTAL LIABILITIES	**(603,639)**	(646,800)	(388,426)	(242,560)	(324,644)
MINORITY INTERESTS	**(345,782)**	(326,135)	(196)	(196)	(196)
	5,321,231	4,669,218	3,624,693	2,044,054	1,633,446

Report of the Directors

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 44 to the financial statements.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 42 to 45 of the 2008 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 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 conclusion of the forthcoming Annual General Meeting and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On Behalf of the Board

Lien Jown Jing, Vincent
Chairman

Hong Kong
9 April 2009

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 of 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 deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive directors of the Company is appointed for a specific term. However, all directors of the Company are subject to the retirement provisions 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 for Securities Transactions by Directors (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 2008.

(3) BOARD OF DIRECTORS

(3.1) 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 the 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 comprised five executive Directors, namely Mr. Lam Kin Ngok, Peter, Miss Leung Churk Yin, Jeanny (Chief Executive Officer), Dr. Liu Ngai Wing (who retired on 22 May 2008), Mr. Cheung Wing Sum, Ambrose and Mr. Low Kit Leong; three non-executive Directors, namely Mr. Lien Jown Jing, Vincent (Chairman), Mr. Lam Kin Ming and Madam U Po Chu; and three independent non-executive Directors, namely Mr. Tong Ka Wing, Carl, Mr. Alfred Donald Yap and Mr. Low Chee Keong.

As disclosed in the Report of Directors, Mr. Lo Kwok Kwei, David and Dr. Ng Lai Man, Carmen were appointed to the Board on 12 March 2009.

(3) BOARD OF DIRECTORS (continued)

(3.3) The Board met seven times in 2008. The attendance record of each individual Director at these board meetings is set out in the following table:

Directors	Board Meetings Held	Attended
Executive Directors		
Leung Churk Yin, Jeanny *(Chief Executive Officer)*	7	7
Lam Kin Ngok, Peter	7	6
Liu Ngai Wing*	2	0
Cheung Wing Sum, Ambrose	7	7
Low Kit Leong	7	7
Non-Executive Directors		
Lien Jown Jing, Vincent *(Chairman)*	7	6
Lam Kin Ming	7	1
U Po Chu	7	0
Independent Non-Executive Directors		
Tong Ka Wing, Carl†	7	6
Alfred Donald Yap	7	7
Low Chee Keong	7	7

* retired on 22 May 2008

† appointed Deputy Chairman of the Company on 9 April 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, and the younger brother of Mr. Lam Kin Ming, the latter two being non-executive Directors.

Save as disclosed above and in the "Biographical Details of Directors and Senior Management" 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 comprises two independent non-executive Directors, namely Messrs. Tong Ka Wing, Carl (Chairman) and Alfred Donald Yap, and the Chief Executive Officer, Miss Leung Churk Yin, Jeanny during the year under review.

(6.2) The Remuneration Committee has been charged with the responsibility to recommend to the Board, in consultation with the Chairman of the Board and/or the 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) During the year under review, the Remuneration Committee held one meeting to discuss remuneration-related matters. The meeting was attended by all of the aforesaid members.

All members of the Remuneration Committee had also been requested to deliberate on matters relating to the share option scheme of the Company on two separate occasions 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. The executive directors followed this process in the appointment of a non-executive director and an independent non-executive director of the Company on 12 March 2009.

(8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK$3,350,000 for the year under review. Ernst & Young also received fees amounting to HK$1,326,000 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. During the year under review, the Audit Committee comprises three independent non-executive Directors, namely Messrs. Tong Ka Wing, Carl (Chairman), Low Chee Keong and Alfred Donald Yap. Dr. Ng Lai Man, Carmen has been appointed a member of the Audit Committee on 9 April 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 judgement 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 four meetings during the year under review. The attendance record of individual member at these Audit Committee meetings is set out in the following table:

	No. of Audit Committee Meetings	
Committee Members	**Held**	**Attended**
Tong Ka Wing, Carl	4	3
Alfred Donald Yap	4	4
Low Chee Keong	4	4

(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 CONTROL

During the year, the Board has engaged Horwath Risk Advisory 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 142, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement 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 2008 and of the Group's loss 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

9 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
TURNOVER	6	**270,131**	289,780
Cost of sales	7	**(207,932)**	(256,679)
Gross profit		**62,199**	33,101
Other revenue	6	**33,602**	62,758
Marketing expenses		**(42,075)**	(42,194)
Administrative expenses		**(203,768)**	(167,253)
Other operating gains		**2,779**	4,751
Other operating expenses		**(86,311)**	(66,943)
Gain on disposal of a partial interest in a subsidiary	16(b)	**—**	499,969
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**(233,574)**	324,189
Finance costs	8	**(7,183)**	(8,954)
Share of profits and losses of jointly-controlled entities		**(92,308)**	(32,147)
Provision for amounts due from jointly-controlled entities		**—**	(763)
Share of profits and losses of associates		**(71,256)**	642,044
PROFIT/(LOSS) BEFORE TAX	7	**(404,321)**	924,369
Tax	10	**560**	(18)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(403,761)**	924,351
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**(1,068)**	(35,827)
PROFIT/(LOSS) FOR THE YEAR		**(404,829)**	888,524
Attributable to:			
Equity holders of the parent	11	**(385,476)**	895,710
Minority interests		**(19,353)**	(7,186)
		(404,829)	888,524

Consolidated Income Statement

Year ended 31 December 2008

	Note	**2008**	2007 (Restated)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
— For profit/(loss) for the year		**(HK$0.35)**	HK$1.07
— For profit/(loss) from continuing operations		**(HK$0.35)**	HK$1.11
Diluted			
— For profit for the year		**N/A**	HK$1.06
— For profit from continuing operations		**N/A**	HK$1.10

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**77,206**	80,180
Goodwill	15	**35,202**	35,202
Film rights	17	**110,934**	139,059
Film products	18	**60,430**	59,545
Music catalogs	19	**108,556**	61,645
Interests in jointly-controlled entities	20	**1,076,802**	972,146
Interests in associates	21	**2,557,469**	2,620,179
Available-for-sale investments	22	**65,006**	51,631
Loan receivables	23	**63,445**	—
Deposits, prepayments and other receivables	28	**110,369**	83,408
Deferred tax assets	34	**753**	434
Total non-current assets		**4,266,172**	4,103,429
CURRENT ASSETS			
Due from a jointly-controlled entity	20	**3,608**	90,842
Loan receivables	23	**17,000**	50,607
Inventories	24	**4,693**	4,630
Equity investments at fair value through profit or loss	25	**9,592**	17,806
Films under production	26	**93,714**	33,560
Debtors	27	**64,447**	50,931
Deposits, prepayments and other receivables	28	**158,446**	164,331
Cash and cash equivalents	29	**1,652,980**	1,126,017
Total current assets		**2,004,480**	1,538,724
CURRENT LIABILITIES			
Creditors, accruals and provision	30	**398,834**	434,135
Tax payable		**3,199**	8,204
Finance lease payables	31	**92**	65
Promissory notes	32	**20,000**	10,000
Total current liabilities		**422,125**	452,404
NET CURRENT ASSETS		**1,582,355**	1,086,320
TOTAL ASSETS LESS CURRENT LIABILITIES — page 51		**5,848,527**	5,189,749

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES — page 50		**5,848,527**	5,189,749
NON-CURRENT LIABILITIES			
Finance lease payables	31	**(218)**	(194)
Promissory notes	32	**(31,269)**	(50,219)
Interest-bearing other borrowings	33	**(150,027)**	(143,939)
Deferred tax liabilities	34	**—**	(44)
Total non-current liabilities		**(181,514)**	(194,396)
Net assets		**5,667,013**	4,995,353
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	35	**620,366**	413,577
Reserves	37	**4,700,865**	4,255,641
		5,321,231	4,669,218
Minority interests		**345,782**	326,135
Total equity		**5,667,013**	4,995,353

Lien Jown Jing, Vincent
Director

Leung Churk Yin, Jeanny
Director

Consolidated Summary Statement of Changes in Equity

31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Equity attributable to equity holders of the parent at 1 January		**4,669,218**	3,624,693
Exchange realignment on translation of financial statements of foreign subsidiaries, net	37	**4,763**	1,964
Total income and expense for the year recognised directly in equity		**4,763**	1,964
Profit/(loss) for the year	37	**(385,476)**	895,710
Total income and expense for the year attributable to equity holders of the parent		**(380,713)**	897,674
Issue of shares, including share premium	35	**1,033,944**	29,807
Share issue expenses	35	**(19,320)**	—
Equity-settled share option arrangements	37	**7,856**	8,588
Share of reserve movements of associates	37	**10,246**	106,729
Release upon disposal of available-for-sale investments	37	**—**	1,727
Equity attributable to equity holders of the parent at 31 December		**5,321,231**	4,669,218
Minority interests at 1 January		**326,135**	196
Acquisition of a subsidiary	38(b)	**—**	(631)
Disposal of a partial interest in a subsidiary		**—**	60,896
Share of loss by minority interests for the year		**(19,353)**	(7,186)
Shareholder's loan from a minority shareholder to a non-wholly-owned subsidiary	16(b)	**39,000**	272,860
Minority interests at 31 December		**345,782**	326,135
Total equity at 31 December		**5,667,013**	4,995,353

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**(404,321)**	924,369
From a discontinued operation		**(1,068)**	(35,827)
Adjustments for:			
Finance costs	8	**7,183**	8,954
Gain on disposal of a partial interest in a subsidiary	16(b)	**—**	(499,969)
Share of profits and losses of jointly-controlled entities		**92,308**	32,147
Provision for amounts due from jointly-controlled entities		**—**	763
Share of profits and losses of associates		**71,256**	(642,044)
Interest income	6	**(27,720)**	(58,742)
Dividend income	6	**(324)**	—
Gain on disposal of an available-for-sale investment	7	**—**	(1,834)
Gain on the sale of equity investments at fair value through profit or loss	7	**(12)**	(1,270)
Depreciation	7	**7,250**	9,143
Amortisation of film rights	7	**20,363**	15,851
Amortisation of film products	7	**41,729**	41,377
Amortisation of music catalogs	7	**3,923**	1,555
Impairment of film rights	7	**14,000**	5,000
Impairment of films under production	7	**241**	18,160
Impairment/(reversal of impairment) of items of property, plant and equipment	7	**(1,257)**	6,079
Impairment of goodwill arising from acquisition of a subsidiary	7	**880**	—
Impairment of goodwill arising from acquisition of a jointly-controlled entity	7	**—**	3,500
Impairment of available-for-sale investments	7	**12,400**	—
Fair value losses on equity investments at fair value through profit or loss	7	**8,163**	3,341
Loss on disposal of items of property, plant and equipment	7	**44**	190
Write-off of bad debts	7	**168**	27
Recovery of bad debts	7	**(168)**	(193)
Provision for doubtful debts	7	**729**	—
Provision for other receivables	7	**1,431**	5,000
Provision for advances to artistes	7	**15,000**	20,143
Reversal of provision for advances to artistes	7	**(1,718)**	—
Provision for indemnity	7	**—**	25,000
Write-back of provision for doubtful debts	7	**(316)**	—
Provision for inventories	7	**1,221**	715
Equity-settled share option expense	7	**7,856**	8,588
		(130,759)	(109,977)
Increase in inventories		**(1,279)**	(395)
Additions of films under production	26	**(101,826)**	(35,958)
Decrease/(increase) in debtors		**(13,820)**	3,427
Increase in deposits, prepayments and other receivables		**(40,751)**	(117,132)
Decrease in creditors, accruals and provision		**(40,131)**	(32,631)
Additions of film products	18	**(1,183)**	—
Cash used in operations		**(329,749)**	(292,666)
Hong Kong taxes paid		**(4,738)**	(14)
Overseas taxes paid		**(75)**	—
Overseas taxes refunded		**—**	438
Net cash outflow from operating activities — page 54		**(334,562)**	(292,242)

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Net cash outflow from operating activities — page 53		**(334,562)**	(292,242)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**23,865**	49,078
Additions to film rights	17	**(6,238)**	(26,047)
Proceeds from the sale of equity investments at fair value through profit or loss		**63**	11,139
Proceeds from the sale of available-for-sale investments		**—**	36,594
Proceeds from disposal of a partial interest in a subsidiary	16(b)	**—**	658,757
Proceeds from disposal of items of property, plant and equipment		**1,281**	104
Purchases of items of property, plant and equipment		**(4,131)**	(17,572)
Purchases of equity investments at fair value through profit or loss		**—**	(30,996)
Additions of music catalogs		**—**	(23,200)
Acquisition of subsidiaries	38	**(49,197)**	(90,304)
Acquisition of a jointly-controlled entity		**(5)**	—
Advances to jointly-controlled entities		**(153,768)**	(356,111)
Repayment from jointly-controlled entities		**52,042**	1,359
Advances to associates		**(74)**	(659)
Repayment from associates		**2,672**	538
Decrease in deposits		**—**	4,667
Addition of a loan receivable		**(60,000)**	(17,000)
Repayment of a loan receivable		**33,607**	104,208
Purchases of available-for-sale investments		**(25,775)**	(49,960)
Net cash inflow/(outflow) from investing activities		**(185,658)**	254,595
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	35	**1,033,944**	29,807
Share issue expenses	35	**(19,320)**	—
Shareholder loan from a minority shareholder of a subsidiary		**39,000**	272,860
Repayment of a promissory note		**(10,000)**	—
Capital element of finance lease rental payments		**(78)**	(35)
Interest paid		**(38)**	(195)
Net cash inflow from financing activities		**1,043,508**	302,437
NET INCREASE IN CASH AND CASH EQUIVALENTS		**523,288**	264,790
Cash and cash equivalents at beginning of year		**1,126,017**	861,454
Effect of foreign exchange rate changes, net		**3,675**	(227)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**1,652,980**	1,126,017
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	29	**1,652,980**	1,126,017

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**741**	—
Interests in subsidiaries	16	**2,849,027**	2,706,273
Deposits, prepayments and other receivables	28	**9,858**	—
Total non-current assets		**2,859,626**	2,706,273
CURRENT ASSETS			
Deposits, prepayments and other receivables	28	**1,849**	11,135
Cash and cash equivalents	29	**1,433,034**	809,200
Total current assets		**1,434,883**	820,335
CURRENT LIABILITIES			
Creditors and accruals		**1,984**	26,853
Tax payable		**412**	412
Promissory notes	32	**20,000**	10,000
Total current liabilities		**22,396**	37,265
NET CURRENT ASSETS		**1,412,487**	783,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,272,113**	3,489,343
NON-CURRENT LIABILITIES			
Promissory notes	32	**(31,269)**	(50,219)
Interest-bearing other borrowings	33	**(150,027)**	(143,939)
Total non-current liabilities		**(181,296)**	(194,158)
Net assets		**4,090,817**	3,295,185
EQUITY			
Issued capital	35	**620,366**	413,577
Reserves	37	**3,470,451**	2,881,608
Total equity		**4,090,817**	3,295,185

Lien Jown Jing, Vincent
Director

Leung Churk Yin, Jeanny
Director

Notes to Financial Statements

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

During the year ended 31 December 2007, the Group discontinued the satellite television operations, further details are set out in note 12 to the financial statements.

Details of the principal activities of the principal subsidiaries, jointly-controlled entities and an associate 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 certain equity investments, 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 2008. 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 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 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 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

(a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets (continued)

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 HKFRS 2 — Group and Treasury Share Transactions

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 Service Concession Arrangements

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 HKAS19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF 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[2]
HKFRS 1 and HKAS 27 Amendments	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 [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
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 [1]
HKAS 39 Amendment	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items [1]
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 [6]
HK(IFRIC) — Int 13	Customer Loyalty Programmes [3]
HK(IFRIC) — Int 15	Agreements for Construction of Real Estate [1]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners [2]
HK(IFRIC) — Int 18	Transfer of Assets from Customers [5]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for transfers of assets from customers received on or after 1 July 2009
6 Effective for annual periods ending on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, 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 balance sheet 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. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. 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 balance sheet 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.

Notes to Financial Statements

31 December 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Goodwill arising on acquisition is recognised in the consolidated balance sheet 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 on the consolidated balance sheet.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

An assessment is made at each reporting date 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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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%
Broadcast operations and engineering equipment	10.0%
Motor vehicles	10.0% — 20.0%
Computers	18.0% — 20.0%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 each balance sheet date.

An item of property, plant and equipment 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.

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 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.

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.

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

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. 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.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assess whether an embedded derivative is required to be separated from the host contract when analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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.

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. Gains or losses on investments held for trading are recognised in the income statement. The net value gains or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. 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 policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

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.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using 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.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade debtors, loan receivables and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

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 transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share value volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

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 where:

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

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Where the Group has transferred its rights to receive cash flows from an asset 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. 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.

Where continuing involvements takes the form of a written and/or purchased option (including a cash-settled option or similar provisions) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade creditors and other creditors, promissory notes and interest-bearing other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balance sheet date 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.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(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 buyer, 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, 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;

(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 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 36 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date 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 awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance 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. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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. 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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings 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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are initially recorded using the 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 balance sheet date. 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.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the accumulated losses. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, 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 is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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);

(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 cash flow statement, 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 balance sheets, 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 reporting date. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

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 amount of goodwill arising on acquisition of subsidiaries and a jointly-controlled entity at 31 December 2008 was HK$35,202,000 (2007: HK$35,202,000) and HK$2,359,000 (2007: nil), respectively. Further details are included in notes 15 and 20, respectively.

Notes to Financial Statements

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 2008 were HK$110,934,000 (2007: HK$139,059,000) and HK$60,430,000 (2007: HK$59,545,000), 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 result of operations. The carrying amount of music catalogs at 31 December 2008 was HK$108,556,000 (2007: HK$61,645,000).

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations

(a) the media and entertainment segment engages in 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 production of, investment in, 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;

(c) the advertising agency segment engages in the provision of advertising agency services, primarily in respect of advertisements on television and in newspapers;

(d) the cosmetics segment engages in the sale of cosmetic products; and

(e) the corporate and others segment comprises interests in Cyber One Agents Limited ("Cyber One") (note 20) and LSD (note 21), together with corporate income and expense items.

Discontinued operation

(f) 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.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no material intersegmental sales and transfers during the year (2007: nil).

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

	Continuing operations												Discontinued operation			
	Media and entertainment		Film production and distribution		Advertising agency		Cosmetics		Corporate and others		Total		Satellite television		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:																
Sales to external customers	112,890	138,988	107,529	97,166	26,229	31,112	23,483	22,514	–	–	270,131	289,780	564	2,130	270,695	291,910
Other revenue	4,525	2,452	754	1,557	–	–	3	7	–	–	5,282	4,016	–	43	5,282	4,059
Total	117,415	141,440	108,283	98,723	26,229	31,112	23,486	22,521	–	–	275,413	293,796	564	2,173	275,977	295,969
Segment results	(38,349)	(33,403)	(35,921)	(28,185)	(843)	(1,080)	(2,069)	(4,362)	(164,161)	(167,255)	(241,343)	(234,285)	(1,068)	(35,827)	(242,411)	(270,112)
Unallocated interest and other gains											28,320	58,742	–	–	28,320	58,742
Gain on disposal of a partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	499,969	–	499,969	–	–	–	499,969
Gain on the sale of equity investments at fair value through profit or loss	–	–	–	–	–	–	–	–	12	1,270	12	1,270	–	–	12	1,270
Gain on disposal of available-for-sale investments	–	–	–	–	–	–	–	–	–	1,834	–	1,834	–	–	–	1,834
Fair value losses on equity investments at fair value through profit or loss	–	–	–	–	–	–	–	–	(8,163)	(3,341)	(8,163)	(3,341)	–	–	(8,163)	(3,341)
Impairment of available-for-sale investments	(1,000)	–	–	–	–	–	–	–	(11,400)	–	(12,400)	–	–	–	(12,400)	–
Profit/(loss) from operating activities											(233,574)	324,189	(1,068)	(35,827)	(234,642)	288,362
Finance costs											(7,183)	(8,954)	–	–	(7,183)	(8,954)
Share of profits and losses of jointly-controlled entities	(6,085)	(429)	(28,766)	(5,533)	–	–	–	–	(57,457)	(26,185)	(92,308)	(32,147)	–	–	(92,308)	(32,147)
Provision for amounts due from jointly-controlled entities	–	(763)	–	–	–	–	–	–	–	–	–	(763)	–	–	–	(763)
Share of profits and losses of associates	(7)	53	–	(5,292)	–	–	–	–	(71,249)	647,283	(71,256)	642,044	–	–	(71,256)	642,044
Profit/(loss) before tax											(404,321)	924,369	(1,068)	(35,827)	(405,389)	888,542
Tax											560	(18)	–	–	560	(18)
Profit/(loss) for the year											(403,761)	924,351	(1,068)	(35,827)	(404,829)	888,524
Segment assets	246,424	293,154	583,315	499,681	6,302	11,977	12,292	13,063	1,704,806	1,071,263	2,553,139	1,889,138	3,034	945	2,556,173	1,890,083
Interests in jointly-controlled entities	(1,912)	(1,855)	42,733	85,299	–	–	–	–	1,039,589	979,544	1,080,410	1,062,988	–	–	1,080,410	1,062,988
Interests in associates	121	(36)	–	–	–	–	–	–	2,557,348	2,620,215	2,557,469	2,620,179	–	–	2,557,469	2,620,179
Unallocated assets											76,600	68,903	–	–	76,600	68,903
Total assets											6,267,618	5,641,208	3,034	945	6,270,652	5,642,153
Segment liabilities	38,842	47,634	80,190	84,202	6,779	10,676	8,738	9,375	236,075	278,516	370,624	430,403	670	1,943	371,294	432,346
Unallocated liabilities											232,345	214,454	–	–	232,345	214,454
Total liabilities											602,969	644,857	670	1,943	603,639	646,800
Other segment information:																
Depreciation	2,823	2,369	262	147	45	225	166	161	3,954	2,020	7,250	4,922	–	4,221	7,250	9,143
Impairment of film rights	–	–	14,000	5,000	–	–	–	–	–	–	14,000	5,000	–	–	14,000	5,000
Amortisation of film rights	–	–	20,363	15,851	–	–	–	–	–	–	20,363	15,851	–	–	20,363	15,851
Amortisation of film products	–	–	41,729	41,377	–	–	–	–	–	–	41,729	41,377	–	–	41,729	41,377
Amortisation of music catalogs	3,923	1,555	–	–	–	–	–	–	–	–	3,923	1,555	–	–	3,923	1,555
Write-off of bad debts	166	–	–	–	–	–	–	27	–	–	166	27	2	–	168	27
Recovery of bad debts	–	–	–	25	–	–	–	–	168	168	168	193	–	–	168	193
Provision for doubtful debts	573	–	156	–	–	–	–	–	–	–	729	–	–	–	729	–
Provision for other receivables	600	–	831	5,000	–	–	–	–	–	–	1,431	5,000	–	–	1,431	5,000
Write-back of provision for doubtful debts	–	–	290	–	–	–	26	–	–	–	316	–	–	–	316	–
Reversal of provision for advances to artistes	1,718	–	–	–	–	–	–	–	–	–	1,718	–	–	–	1,718	–
Provision for advances to artistes	15,000	20,143	–	–	–	–	–	–	–	–	15,000	20,143	–	–	15,000	20,143
Provision for indemnity	–	–	–	–	–	–	–	–	–	25,000	–	25,000	–	–	–	25,000
Provision for inventories	5	–	610	711	–	–	606	4	–	–	1,221	715	–	–	1,221	715
Impairment of films under production	–	–	241	18,160	–	–	–	–	–	–	241	18,160	–	–	241	18,160
Reversal of impairment of items of property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	1,257	–	1,257	–
Impairment of items of property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	–	6,079	–	6,079
Impairment of goodwill arising from acquisition of a subsidiary	880	–	–	–	–	–	–	–	–	–	880	–	–	–	880	–
Impairment of goodwill arising from acquisition of a jointly-controlled entity	–	3,500	–	–	–	–	–	–	–	–	–	3,500	–	–	–	3,500
Provision for amounts due from jointly-controlled entities	–	763	–	–	–	–	–	–	–	–	–	763	–	–	–	763
Additions of property, plant and equipment	1,636	10,766	286	179	–	–	30	58	2,301	6,688	4,253	17,691	–	42	4,253	17,733
Additions of film rights	–	–	6,238	26,047	–	–	–	–	–	–	6,238	26,047	–	–	6,238	26,047
Additions of film products	–	–	1,183	–	–	–	–	–	–	–	1,183	–	–	–	1,183	–
Additions of films under production	–	–	101,826	35,958	–	–	–	–	–	–	101,826	35,958	–	–	101,826	35,958
Additions of music catalogs	50,834	63,200	–	–	–	–	–	–	–	–	50,834	63,200	–	–	50,834	63,200

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**146,081**	178,523	**93,940**	66,360	**30,674**	47,027	**270,695**	291,910
Attributable to a discontinued operation	**(564)**	(2,130)	**—**	—	**—**	—	**(564)**	(2,130)
Revenue from continuing operations	**145,517**	176,393	**93,940**	66,360	**30,674**	47,027	**270,131**	289,780
Other segment information:								
Segment assets	**5,021,590**	4,514,030	**1,170,606**	1,058,783	**1,856**	437	**6,194,052**	5,573,250
Unallocated assets							**76,600**	68,903
Total assets							**6,270,652**	5,642,153
Additions of property, plant and equipment	**4,109**	17,665	**144**	68	**—**	—	**4,253**	17,733
Additions of film rights	**6,238**	26,047	**—**	—	**—**	—	**6,238**	26,047
Additions of film products	**1,183**	—	**—**	—	**—**	—	**1,183**	—
Additions of films under production	**101,826**	35,958	**—**	—	**—**	—	**101,826**	35,958
Additions of music catalogs	**50,834**	63,200	**—**	—	**—**	—	**50,834**	63,200

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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	
		2008	2007
	Notes	**HK$'000**	HK$'000
Associates:			
Distribution and licence fee income	(i)	**—**	65
Distribution commission expenses	(ii)	**—**	1,191
Rental expense and building management fee	(iii)	**5,831**	3,673
Jointly-controlled entities:			
Distribution and licence fee income	(i)	**358**	—
Consultancy and production service fee	(iv)	**1,211**	2,200
Consultancy service income	(iv)	**2,295**	—
Interest income received	(v)	**1,204**	—
Related companies			
Rental expense (a)	(iii)	**223**	—
Advertising agency income (a)	(vi)	**7,919**	967

(a) Certain directors of the Company are also directors and key management personnel of the holding company of these related companies.

Notes:

(i) The distribution and licence fee income was charged to an associate and a jointly-controlled entity on contract terms.

(ii) The distribution commission expenses were charged at a rate of 5% or 15% on the gross licence fee income.

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

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

(v) The interest income was charged at People's Bank of China's base rate per annum.

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

5. RELATED PARTY TRANSACTIONS (continued)

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

	Group 2008 HK$'000	2007 HK$'000
Short term employee benefits	**25,121**	37,958
Post-employment benefits	**343**	343
Equity-settled share option expense	**6,642**	4,034
Total compensation paid to key management personnel	**32,106**	42,335

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:

	Notes	Group 2008 HK$'000	2007 HK$'000
Turnover			
Entertainment event income		**80,085**	110,141
Distribution commission income and licence fee income from film products and film rights		**90,383**	90,558
Album sales, licence income and distribution commission income from music publishing and licensing		**20,503**	18,235
Artiste management fee income		**10,341**	9,073
Advertising agency income		**26,229**	31,112
Sale of products		**42,590**	30,661
Attributable to continuing operations reported in the consolidated income statement		**270,131**	289,780
Television subscription fee income attributable to a discontinued operation	12	**564**	2,130
		270,695	291,910
Other revenue			
Bank interest income		**23,391**	49,078
Interest income on loan receivables		**4,329**	9,664
Dividend income from an unlisted investment		**160**	—
Dividend income from listed investments		**164**	—
Others		**5,558**	4,016
Attributable to continuing operations reported in the consolidated income statement		**33,602**	62,758
Other revenue attributable to a discontinued operation	12	**—**	43
		33,602	62,801
		304,297	354,711

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7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Cost of film rights, license rights and film products		**66,347**	86,540
Cost of artiste management services, advertising agency services, and services for entertainment events provided		**120,434**	154,779
Cost of inventories sold		**21,151**	15,360
Total cost of sales		**207,932**	256,679
Employee benefit expense (including directors' emolluments (note 9)):			
Wages and salaries *** @		**106,456**	110,968
Equity-settled share option expense		**7,856**	8,588
Pension scheme contributions ### @		**2,357**	2,380
		116,669	121,936
Auditors' remuneration		**3,350**	3,260
Depreciation *** @	14	**7,250**	9,143
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events ##		**5,206**	4,576
Others		**11,666**	7,787
Contingent rents incurred for entertainment events ##		**7,170**	17,281
Total operating lease payments		**24,042**	29,644
Impairment of film rights **	17	**14,000**	5,000
Impairment of films under production #	26	**241**	18,160
Gain on the sale of equity investments at fair value through profit or loss *		**(12)**	(1,270)
Gain on disposal of available-for-sale investments *		**—**	(1,834)
Amortisation of film rights #	17	**20,363**	15,851
Amortisation of film products #	18	**41,729**	41,377
Amortisation of music catalogs #	19	**3,923**	1,555
Fair value losses on equity investments at fair value through profit or loss **		**8,163**	3,341
Loss on disposal of items of property, plant and equipment **		**44**	190
Share of net income from entertainment events organised by other co-investors *		**(1,409)**	(1,396)
Impairment/(reversal of impairment) of items of property, plant and equipment @	14	**(1,257)**	6,079
Impairment of goodwill arising from acquisition of a subsidiary **	15	**880**	—
Impairment of goodwill arising from acquisition of a jointly-controlled entity **	20	**—**	3,500
Impairment of available-for-sale investments **		**12,400**	—
Write-off of bad debts **		**168**	27
Recovery of bad debts *		**(168)**	(193)
Provision for advances to artistes #		**15,000**	20,143
Reversal of provision for advances to artistes #		**(1,718)**	—
Provision for doubtful debts **	27	**729**	—
Provision for other receivables ^		**1,431**	5,000
Write-back of provision for doubtful debts *	27	**(316)**	—
Provision for inventories #		**1,221**	715
Foreign exchange losses/(gains), net		**726**	(2,243)
Provision for indemnity **	30	**—**	25,000

7. PROFIT/(LOSS) BEFORE TAX (continued)

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

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

*** Wages and salaries of HK$553,000 (2007: HK$7,357,000) and a depreciation charge of nil (2007: HK$2,293,000) are included in "Cost of sales" of the discontinued operation, further details 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.

At 31 December 2008, the Group had no forfeited contributions from the pension scheme available to reduce its contributions to the pension scheme in future years (2007: nil).

@ The disclosures presented in this note include those amounts charged in respect of the discontinued operation, further details of which are set out in note 12 to the financial statements.

^ Provision for other receivables for the years ended 31 December 2008 and 31 December 2007 are included in "Cost of sales" and "Other operating expenses" on the face of the consolidated income statement respectively.

8. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Attributable to continuing operations:		
Interest on other borrowings		
wholly repayable within five years	**6,088**	8,539
Interest on promissory notes	**1,050**	219
Interest on finance leases	**7**	16
Others	**38**	180
	7,183	8,954

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Fees	**880**	1,480
Other emoluments:		
Basic salaries, housing and other allowances, and benefits in kind	**24,241**	36,478
Employee share option benefits	**6,642**	4,034
Pension scheme contributions	**343**	343
	31,226	40,855
	32,106	42,335

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 36 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 amount included in the financial statements for the current year has been included in the above directors' remuneration disclosures.

(i) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008	2007
	HK$'000	HK$'000
Tong Ka Wing, Carl	**400**	600
Alfred Donald Yap	**240**	440
Low Chee Keong	**240**	440
	880	1,480

There were no other emoluments payable to the independent non-executive directors during the year (2007: nil).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

(ii) Executive and non-executive directors

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Employee 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
	—	24,241	6,642	343	31,226

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

(ii) Executive and non-executive directors (continued)

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007					
Executive directors:					
Lam Kin Ngok, Peter	—	16,000	2,017	—	18,017
Leung Churk Yin, Jeanny (appointed on 1 September 2007)	—	959	—	4	963
Cheung Wing Sum, Ambrose	—	5,260	2,017	185	7,462
Liu Ngai Wing	—	3,730	—	100	3,830
Low Kit Leong (appointed on 1 June 2007)	—	6,458	—	7	6,465
Lee Po On (resigned on 22 January 2007)	—	2,371	—	5	2,376
	—	34,778	4,034	301	39,113
Non-executive directors:					
Lam Kin Ming	—	—	—	—	—
Tam Wai Chu, Maria	—	800	—	30	830
U Po Chu	—	—	—	—	—
Lien Jown Jing, Vincent	—	900	—	12	912
	—	1,700	—	42	1,742
	—	36,478	4,034	343	40,855

During the year ended 31 December 2007, HK$5,000,000 was paid to Mr. Low Kit Leong as inducement for joining the Group. The amount was included in his basic salaries, housing and other allowances and benefits in kind presented above.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: nil).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid employees during the year included four (2007: four) directors, details of whose emoluments are set out above. Details of the remuneration of the remaining one (2007: one) non-director, highest paid employee for the year are as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
Salaries, allowances and benefits in kind	**4,963**	2,032
Equity-settled share option expense	**—**	2,536
Pension scheme contributions	**12**	6
	4,975	4,574

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

	Group Number of employees 2008	Group Number of employees 2007
HK$4,500,001 — HK$5,000,000	**1**	1

Notes to Financial Statements

10. 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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2008	2007
	HK$'000	HK$'000
Attributable to continuing operations:		
Provision for tax for the year:		
Overseas	**(12)**	(18)
Prior years' overprovision:		
Hong Kong	**76**	—
Overseas	**133**	—
	209	—
	197	(18)
Deferred tax credit	**363**	—
Total tax credit/(charge) for the year	**560**	(18)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using 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 rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

Group

	2008		2007	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax	**(405,389)**		888,542	
Tax at the statutory tax rate	**(66,889)**	**(16.5)**	155,495	17.5
Adjustments in respect of current tax of previous years	**(209)**	**—**	—	—
Effect of change in tax rate on opening deferred tax	**22**	**—**	—	—
Profits and losses attributable to jointly-controlled entities and associates	**26,988**	**6.7**	(107,700)	(12.1)
Income not subject to tax	**(8,842)**	**(2.2)**	(100,648)	(11.3)
Expenses not deductible for tax	**20,205**	**5.0**	35,986	4.0
Estimated tax losses utilised from previous years	**(787)**	**(0.2)**	(408)	—
Estimated tax losses not recognised	**28,952**	**7.1**	17,293	1.9
Tax charge/(credit) at the Group's effective rate	**(560)**	**(0.1)**	18	—

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

The consolidated profit/(loss) attributable to equity holders of the parent for the year ended 31 December 2008 includes a loss of HK$226,848,000 (2007: profit of HK$365,154,000) which has been dealt with in the financial statements of the Company (note 37).

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 both years are presented below:

	2008 HK$'000	2007 HK$'000
Turnover	**564**	2,130
Other revenue	**—**	43
Cost of sales	**(677)**	(19,606)
Reversal of impairment of items of property, plant and equipment	**1,257**	—
Other expenses	**(2,212)**	(18,394)
Loss before tax from the discontinued operation	**(1,068)**	(35,827)
Tax	**—**	—
Loss for the year from the discontinued operation	**(1,068)**	(35,827)

The net cash flows incurred by the discontinued operation for the years are as follows:

	2008 HK$'000	2007 HK$'000
Operating activities	**(3,913)**	(29,227)
Investing activities	**1,257**	(19)
Financing activities	**3,040**	27,867
Net cash inflow/(outflow)	**384**	(1,379)

	2008	2007 (Restated)
Loss per share:		
Basic, from the discontinued operation	**HK0.10 cents**	HK4.28 cents
Diluted, from the discontinued operation	**N/A**	N/A

12. DISCONTINUED OPERATION (continued)

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

	2008	2007
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$1,068,000**	HK$35,827,000
		(Restated)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,093,323,240**	837,778,982

The weighted average number of ordinary shares in issue during the year ended 31 December 2007 used in the basic loss per share calculation has been restated to reflect the changes in the number of ordinary shares as a result of the rights issue in the current year (note 35(b)).

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 the year.

Diluted loss per share amount for the year ended 31 December 2007 from the discontinued operation had not been disclosed as the share options outstanding had an anti-dilutive effect on the basic loss per share for that year.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

	2008 HK$'000	2007 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation:		
From continuing operations	**(384,408)**	931,537
From a discontinued operation	**(1,068)**	(35,827)
	(385,476)	895,710

	Number of shares 2008	2007 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,093,323,240**	837,778,982
Effect of dilution — weighted average number of ordinary shares:		
Share options	**N/A**	7,169,913
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**N/A**	844,948,895

The weighted average number of ordinary shares in issue during the year ended 31 December 2007 used in the basic and diluted earnings per share calculations have been restated to reflect the changes in the number of ordinary shares as a result of the rights issue in the current year (note 35(b)).

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

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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 2007		75,000	27,561	5,694	25,606	1,607	15,461	150,929
Additions		—	9,193	1,688	—	6,292	560	17,733
Acquisition of subsidiaries	38(b)	—	1,887	1,818	—	—	1,752	5,457
Disposals		—	(301)	(896)	—	(48)	(990)	(2,235)
Exchange realignment		—	25	66	—	24	94	209
At 31 December 2007 and 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	38(a)	—	—	20	—	—	7	27
Disposals		—	—	(72)	(14,473)	—	(4)	(14,549)
Exchange realignment		—	14	79	—	17	59	169
At 31 December 2008		**75,000**	**39,975**	**8,825**	**11,133**	**7,892**	**19,168**	**161,993**
Accumulated depreciation and impairment:								
At 1 January 2007		10,643	26,215	3,861	17,472	998	14,430	73,619
Provided during the year	7	1,935	2,388	790	2,234	1,373	423	9,143
Acquisition of subsidiaries	38(b)	—	1,870	1,445	—	—	1,561	4,876
Disposals		—	(151)	(821)	—	(44)	(925)	(1,941)
Impairment	7	—	—	88	5,900	—	91	6,079
Exchange realignment		—	8	45	—	22	62	137
At 31 December 2007 and 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		**14,513**	**32,794**	**6,310**	**11,133**	**3,842**	**16,195**	**84,787**
Net book value:								
At 31 December 2008		**60,487**	**7,181**	**2,515**	**—**	**4,050**	**2,973**	**77,206**
At 31 December 2007		62,422	8,035	2,962	—	5,526	1,235	80,180

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Company Computers HK$'000
Cost:	
At 1 January 2007, 31 December 2007 and 1 January 2008	—
Additions	762
At 31 December 2008	**762**
Accumulated depreciation:	
At 1 January 2007, 31 December 2007 and 1 January 2008	—
Provided during the year	21
At 31 December 2008	**21**
Net book value:	
At 31 December 2008	**741**
At 31 December 2007	—

The Group's land and buildings are situated in Hong Kong, held under medium term leases and are pledged to secure general banking facilities granted to the Group (note 33).

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 2008 amounted to HK$339,000 (2007: HK$303,000).

As detailed in note 12 to the financial statements, the satellite television business was discontinued during the year ended 31 December 2007. The directors considered that the property, plant and equipment, which were solely used in this business segment, were impaired. Accordingly, an impairment loss of HK$6,079,000 was charged to the consolidated income statement for the year ended 31 December 2007. During the year ended 31 December 2008, certain fully impaired/depreciated satellite television equipment was disposed of at an aggregate consideration of HK$1,257,000. Accordingly, a reversal of impairment loss of HK$1,257,000 was credited to the consolidated income statement during the year ended 31 December 2008.

15. GOODWILL

	Notes	Group HK$'000
Cost:		
At 1 January 2007		—
Arising from acquisition of a subsidiary	38(b)	21,917
Transfer from an associate	(a)	13,285
As 31 December 2007 and 1 January 2008		35,202
Arising from acquisition of a subsidiary	38(a)	880
At 31 December 2008		**36,082**
Accumulated impairment:		
At 1 January 2007, 31 December 2007 and 1 January 2008		—
Impairment during the year	7	880
As 31 December 2008		**880**
Net carrying amount:		
At 31 December 2008		**35,202**
At 31 December 2007		35,202

Note:

(a) The amounts represented goodwill arising from acquisition of an associate which became a subsidiary of the Group during the year ended 31 December 2007. Details of the acquisition are set out in note 16(a) to the financial statements.

Impairment testing of goodwill

Goodwill acquired through business combination and transfer from an associate during the year ended 31 December 2007 had been allocated to film production and distribution cash-generating units (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 with a 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 is 12%.

Key assumptions were used in the value-in-use calculation of the FPDCGU for the years ended 31 December 2008 and 2007. 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.

Discount rates — The discount rate used is before tax.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**998,000**	998,000
Amounts due from subsidiaries	**4,289,470**	3,914,269
	5,287,470	4,912,269
Impairment #	**(2,438,443)**	(2,205,996)
	2,849,027	2,706,273

The impairment as at 31 December 2008 includes impairment provision of HK$1,440,743,000 (2007: HK$1,208,296,000) 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:

	2008	2007
	HK$'000	HK$'000
At 1 January	**1,208,296**	1,067,877
Impairment loss recognised	**232,447**	140,419
At 31 December	**1,440,743**	1,208,296

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.

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16. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries as at 31 December 2008 are as follows:

Name of company	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by 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 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.com Limited	Hong Kong	HK$2 Ordinary	—	100	Investment in and licensing of film rights
eSun High-Tech 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 or registration/ operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Guangzhou Beautifirm Cosmetics Ltd. * ##	People's Republic of China/ Mainland China	US$1,260,000#	—	100	Sale 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 ("MAEG")	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

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16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Effective percentage of capital held by 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
Skymaster International Inc. ("Skymaster")	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	100	Investment holding
The Artiste Campus International Limited @	Hong Kong	HK$10 Ordinary	—	100	Provision of artiste management services
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 or registration/ operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Group	Principal activities
Vision Communications (GZ) Limited * ###	People's Republic of China/ Mainland 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
豐麗星恆文化顧問（北京）有限公司 * ##	People's Republic of China/ Mainland 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 China	RMB36,500,000#	—	100	Provision of consultancy services in relation to cultural activities

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

\## This subsidiary is registered as a wholly-foreign-owned enterprise under the law of People's Republic of China.

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

* 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 38(a) to the financial statements.

16. INTERESTS IN SUBSIDIARIES (continued)

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.

Notes:

(a) As at 31 December 2006, Skymaster held a 37.33% equity interest in MAEG, a company listed on the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System (the "SGX-SESDAQ"). MAEG is engaged in the production of films and video format products. On 27 April 2007, Skymaster made (i) a voluntary cash offer to acquire all the issued ordinary shares of HK$0.10 each in the capital of MAEG, other than those already owned, controlled or agreed to be acquired directly or indirectly by Skymaster, at a cash consideration of SG$0.265 (equivalent to approximately HK$1.35) per offer share (the "Offer"), and (ii) the privatisation of MAEG upon completion of the Offer. The Offer and the privatisation constituted very substantial acquisitions and a connected transaction under the Listing Rules, and was subject to the approval of the Company's shareholders. Such approval was obtained pursuant to a resolution passed at a special general meeting of the Company held on 26 April 2007.

On 11 June 2007, the Group announced that the Offer had closed. Upon closing, valid acceptances under the Offer had been received in respect of 146,652,848 offer shares, which when taken together with 89,591,568 shares already held by Skymaster, represented approximately 98.44% of the entire issued share capital of MAEG.

On 28 June 2007, a notice was given by Skymaster, being the registered holder of not less than 95% of the entire issued shares of MAEG, for a compulsory acquisition to acquire all the shares from remaining shareholders of MAEG at a price of SG$0.265 per share in cash and on the same terms and condition as the Offer. Upon completion of the compulsory acquisition on 6 August 2007, MAEG became a wholly-owned subsidiary of the Group and was delisted from the SGX-SESDAQ. The aggregate purchase consideration for the Offer was in the form of cash of HK$203,956,000. Further details of the Offer are set out in note 38(b) to the financial statements and the Company's circular dated 4 April 2007.

(b) On 12 March 2007, Boom Faith Limited ("Boom Faith"), a wholly-owned subsidiary of the Group, sold one-third of the equity interest in EAST (Holdings) to CapitaLand Integrated Resorts Pte. Ltd. ("CapitaLand"), an independent third party, for a cash consideration of HK$658,757,000. The principal asset of EAST (Holdings) is its investment in Cyber One, which, through its direct and indirect interests in East Asia-Televisão Satélite, Limitada, holds a piece of land in Macau to be developed into a retail complex, hotels, a television studio, a concert hall and a convention and exhibition centre (collectively, the "Macao Studio City"). Upon completion, the Group recognised a gain on disposal of a partial interest in a subsidiary of HK$499,969,000 to the consolidated income statement for the year ended 31 December 2007.

As part of the transaction on 12 March 2007, Boom Faith, CapitaLand and EAST (Holdings) entered into a deed of assignment pursuant to which Boom Faith assigned a shareholder loan of HK$156,000,000, being one-third of the principal amount owed by EAST (Holdings) to Boom Faith, to CapitaLand for a consideration equivalent to its carrying amount. Pursuant to the assignment, Boom Faith, CapitaLand and EAST (Holdings) covenant that the principal amount owing on the shareholder loan to Boom Faith and CapitaLand shall be repaid at the sole discretion of EAST (Holdings). In the opinion of the Company's directors as at 31 December 2008, the shareholder loan from CapitaLand in substance represented a quasi-capital contribution to EAST (Holdings) for its investment in Cyber One pursuant to agreements entered into between CapitaLand and EAST (Holdings).

In connection with this transaction, the Company and Boom Faith (collectively, the "Covenantors") entered into a tax deed covenant (the "Tax Covenant") with CapitaLand and its holding company on 12 March 2007. Pursuant to the Tax Covenant, the Covenantors severally covenanted with CapitaLand and its holding company against any tax liability resulting from events occurring prior to the completion of the disposal.

17. FILM RIGHTS

	Notes	Group HK$'000
Cost:		
At 1 January 2007		200,246
Additions		26,047
Acquisition of a subsidiary	38(b)	118
At 31 December 2007 and 1 January 2008		226,411
Additions		6,238
At 31 December 2008		**232,649**
Accumulated amortisation and impairment:		
At 1 January 2007		66,501
Provided during the year	7	15,851
Impairment during the year	7	5,000
At 31 December 2007 and 1 January 2008		87,352
Provided during the year	7	20,363
Impairment during the year	7	14,000
At 31 December 2008		**121,715**
Net book value:		
At 31 December 2008		**110,934**
At 31 December 2007		139,059

During the year ended 31 December 2008, the directors assessed the recoverable amount of the film rights and based on which an impairment loss of HK$14,000,000 (2007: HK$5,000,000) 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 2007		—
Acquisition of a subsidiary	38(b)	75,965
Transfer from films under production	26	24,957
At 31 December 2007 and 1 January 2008		100,922
Additions		1,183
Transfer from films under production	26	41,431
At 31 December 2008		**143,536**
Accumulated amortisation:		
At 1 January 2007		—
Provided during the year	7	41,377
At 31 December 2007 and 1 January 2008		41,377
Provided during the year	7	41,729
At 31 December 2008		**83,106**
Net book value:		
At 31 December 2008		**60,430**
At 31 December 2007		59,545

19. MUSIC CATALOGS

	Notes	Group HK$'000
Cost:		
At 1 January 2007		—
Additions		63,200
At 31 December 2007 and 1 January 2008		63,200
Acquisition of a subsidiary	38(a)	50,034
Additions		800
At 31 December 2008		**114,034**
Accumulated amortisation:		
At 1 January 2007		—
Provided during the year	7	1,555
At 31 December 2007 and 1 January 2008		1,555
Provided during the year	7	3,923
At 31 December 2008		**5,478**
Net book value:		
At 31 December 2008		**108,556**
At 31 December 2007		61,645

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Share of net assets (note)		**533,877**	141,809
Goodwill arising from acquisition		**2,359**	3,500
Impairment for goodwill	7	**—**	(3,500)
		536,236	141,809
Amounts due from jointly-controlled entities (note)		**543,865**	846,650
Amount due to a jointly-controlled entity		**(2,536)**	(2,465)
		1,077,565	985,994
Provision for amounts due from jointly-controlled entities		**(763)**	(13,848)
		1,076,802	972,146
Amount due from a jointly-controlled entity — current portion		**3,608**	90,842

Note: During the year ended 31 December 2008, an amount due from a jointly-controlled entity of HK$468,000,000 has been transferred to share of net assets of the jointly-controlled entity upon capitalisation of the shareholders' loans as issued share capital of the jointly-controlled entity.

The balances with jointly-controlled entities are unsecured and have no fixed terms of repayment. As at 31 December 2008, the balances were interest-free except for an amount of HK$34,113,000 which was interest-bearing at People's Bank of China's base rate per annum (2007: HK$22,479,000 interest-bearing at 1% above the prime rate quoted by the Hongkong and Shanghai Banking Corporation Limited ("HSBC") prime rate). The carrying amounts of the amounts due from and 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 2008 are as follows:

Name of company	Particulars of issued shares held	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Macao Studio City (Hong Kong) Limited (formerly known as Bestwood Enterprises Limited)	Ordinary share of HK$1 each	Hong Kong	60*	50	60*	Provision of management services
Cyber Neighbour Limited	Ordinary share of US$1 each	British Virgin Islands	60*	50	60*	Investment holding
Cyber One Agents Limited	Ordinary share of US$1 each	British Virgin Islands	60*	50	60*	Investment holding
East Asia-Televisão Por Satélite, Limitada	Registered capital of MOP 6,000,000 quota	Macau	60*	50	60*	Investment and development in a piece of land in Macau

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

* The relevant disclosures represented the proportions of ownership interests and profit sharing of these jointly-controlled entities held by a 66.67%-owned subsidiary.

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.

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20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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

	2008 HK$'000	2007 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**406,118**	491,573
Non-current assets	**759,199**	613,935
Current liabilities	**(597,319)**	(963,699)
Non-current liabilities	**(34,121)**	—
Net assets	**533,877**	141,809
Share of the jointly-controlled entities' results:		
Turnover	**52,418**	49,853
Other revenue	**11,829**	15,855
Total expenses	**(156,555)**	(97,855)
Tax	**—**	—
Loss after tax	**(92,308)**	(32,147)

21. INTERESTS IN ASSOCIATES

	Group	
	2008 HK$'000	2007 HK$'000
Share of net assets	**2,558,348**	2,618,460
Amounts due from associates	**732**	1,719
Amount due to an associate	**(1,611)**	—
	2,557,469	2,620,179

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

21. INTERESTS IN ASSOCIATES (continued)

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 2008 and at the date of approval of these financial statements were approximately HK$332,800,000 (2007: HK$1,175,200,000) and HK$556,400,000 (2007: HK$634,400,000), respectively.

Details of the principal associate as at 31 December 2008 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 ending 31 July. The consolidated financial statements of the LSD Group are adjusted, for the purpose of equity accounting of the results of the LSD Group by the Group, for material transactions between its 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 2008, the Group’s interest in LSD was 36.72% (2007: 36.72%) and the LSD Group held in aggregate 36.08% (2007: 34.52%) in the issued share capital of the Company.

During the year ended 31 December 2008, the Group’s share of loss 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 2008 was HK$71,249,000 (2007: profit of HK$647,283,000). The Group’s share of net assets of the LSD Group is included in the Group’s interests in associates.

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:

	2008 HK$'000	2007 HK$'000
Assets	**10,897,471**	9,842,918
Liabilities	**(3,370,477)**	(3,289,526)
Turnover	**826,506**	909,026
Profit	**1,080,254**	1,546,946

The above financial information includes, among others, (a) assets and liabilities of the LSD Group as at 31 July 2008 and 2007; and (b) turnover and profit of the LSD Group for the years ended 31 July 2008 and 2007 as extracted from the published financial statements of the LSD Group.

As at 31 July 2008, the LSD Group has provided guarantees to banks in connection with facilities granted to its associates which amounted to approximately HK$121,496,000 (31 July 2007: HK$1,231,000)

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008 HK$'000	2007 HK$'000
Unlisted equity investments, at cost	**77,406**	51,631
Impairment	**(12,400)**	—
	65,006	51,631

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 2008, unlisted equity investments of the Group with carrying amounts of HK$65,006,000 (2007: HK$51,631,000) 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	
		2008	2007
	Notes	**HK$'000**	HK$'000
Loan receivable A	(i)	**63,445**	—
Loan receivable B	(ii)	**17,000**	17,000
Loan receivable C	(iii)	**—**	33,607
		80,445	50,607
Position classified as current portion		**(17,000)**	(50,607)
Non-current portion		**63,445**	—

Notes:

(i) Loan receivable A represents 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 bears interest at 12% per annum. The loan principal and interest accrued thereon are repayable on 8 July 2010. The balance is 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 have also entered into an undertaking in favour of the Group in which they undertake 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.

(ii) Loan receivable B represented a loan of HK$17 million granted by the Group to an independent third party during the year ended 31 December 2007. The balance 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 under production to the Group in connection with the loan receivable.

(iii) Loan receivable C as at 31 December 2007 represented a loan of HK$31,146,000 granted by the Group to an independent third party and the related accrued interest. The principal amount was interest bearing at 6% over the HSBC prime rate per annum and was repayable on demand by the Group. The balance was secured by, inter alia, (a) personal guarantees provided by three independent third parties; (b) a corporate guarantee provided by a corporation independent of the Group; and (c) an equity charge over a 15% interest in a corporation owned by the borrower with a carrying value being assessed by the directors to be in excess of the outstanding balance as at 31 December 2007. The loan was fully repaid during the year ended 31 December 2008.

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

24. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**1,717**	1,576
Work in progress	**116**	175
Finished goods	**2,860**	2,879
	4,693	4,630

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**9,592**	17,806

The above equity instruments as at 31 December 2008 and 2007 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$10,660,000 (2007: HK$18,501,000).

26. FILMS UNDER PRODUCTION

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
At 1 January		**33,560**	—
Acquisition of a subsidiary	38(b)	**—**	40,719
Additions		**101,826**	35,958
Transfer to film products	18	**(41,431)**	(24,957)
Impairment	7	**(241)**	(18,160)
At 31 December		**93,714**	33,560

27. DEBTORS

	Group	
	2008	2007
	HK$'000	HK$'000
Trade debtors	**67,730**	53,683
Impairment	**(3,283)**	(2,752)
	64,447	50,931

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 days of issuance, except for certain well-established customers, where the terms are extended to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise 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.

27. DEBTORS (continued)

An ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at the respective balance sheet dates, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Trade debtors:		
Neither past due nor impaired	**27,514**	42,397
1 — 90 days past due	**25,744**	5,268
Over 90 days past due	**11,189**	3,266
	64,447	50,931

Included in trade debtors are amounts due from related companies of HK$2,533,000 (2007: HK$130,000). 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	
		2008	2007
	Notes	**HK$'000**	HK$'000
At 1 January		**2,752**	1,893
Provision for doubtful debts	7	**729**	—
Reversal of provision for doubtful debts	7	**(316)**	—
Acquisition of a subsidiary		**—**	715
Exchange realignment		**118**	144
At 31 December		**3,283**	2,752

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$3,283,000 (2007: HK$2,752,000) with a gross carrying amount of HK$3,283,000 (2007: HK$2,752,000). The individually impaired trade debtors related to customers that were in default in settlements and 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.

27. DEBTORS (continued)

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.

28. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits, prepayments and advances for artiste management, music production and film production	**105,673**	128,299	**—**	—
Other deposits, prepayments and other receivables	**163,142**	119,440	**11,707**	11,135
	268,815	247,739	**11,707**	11,135
Portion classified as current portion	**(158,446)**	(164,331)	**(1,849)**	(11,135)
Non-current portion	**110,369**	83,408	**9,858**	—

Included in the advances for artiste management and other receivables is a provision of HK$39,856,000 (2007: HK$25,143,000).

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	
		2008	2007
	Notes	**HK$'000**	HK$'000
At 1 January		**25,143**	—
Provision for advances to artistes and other receivables	7	**16,431**	25,143
Reversal of provision for advances to artistes	7	**(1,718)**	—
At 31 December		**39,856**	25,143

28. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$39,856,000 (2007: HK$25,143,000) with a gross carrying amount of HK$57,297,000 (2007: HK$34,699,000). The individually impaired receivables and advances relate to the portions of receivables that were not expected to be recovered.

29. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**82,911**	97,666	**1,211**	435
Time deposits	**1,570,069**	1,028,351	**1,431,823**	808,765
	1,652,980	1,126,017	**1,433,034**	809,200

At 31 December 2008, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$40,207,000 (2007: HK$11,539,000). RMB is not freely convertible into other currencies. However, under Mainland 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. The 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.

30. CREDITORS, ACCRUALS AND PROVISION

An ageing analysis of the trade creditors, prepared based on the dates of receipt of the goods and services purchased, as at the respective balance sheet dates is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Trade creditors:		
Less than 30 days	**4,228**	7,000
31 — 60 days	**1,552**	4,399
61 — 90 days	**1,328**	1,511
Over 90 days	**1,878**	2,390
	8,986	15,300
Other creditors and accruals	**389,848**	393,835
Provision (note)	**—**	25,000
	398,834	434,135

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

Note: Last year's balance represented a provision to fulfil the Group's obligation under an indemnity granted by the Company to LSD in 2000 in relation to the Group's disposal of its 45% interest in Guangzhou International Golf Club Ltd. ("GIGC"), under which, the Group undertook to indemnify LSD or any of its subsidiaries against all losses and charges suffered or sustained, directly or indirectly, in connection with GIGC not obtaining satisfactory title on a piece of land it held in the Mainland of China. The provision was fully settled during the year ended 31 December 2008.

31. 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 four years.

At 31 December 2008, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2008 HK$'000	Minimum lease payments 2007 HK$'000	**Present value of minimum lease payments 2008 HK$'000**	Present value of minimum lease payments 2007 HK$'000
Amounts payable:				
Within one year	**96**	70	**92**	65
In the second year	**90**	70	**87**	68
In the third to fifth years, inclusive	**139**	127	**131**	126
Total minimum finance lease payments	**325**	267	**310**	259
Future finance charges	**(15)**	(8)		
Total net finance lease payables	**310**	259		
Portion classified as current portion	**(92)**	(65)		
Non-current portion	**218**	194		

32. PROMISSORY NOTES

	Effective interest rate (%)		Group and Company	
	2008	2007	**2008**	2007
			HK$'000	HK$'000
Promissory notes due:				
— in 2008	**—**	—	**—**	10,000
— in 2009	**—**	—	**20,000**	20,000
— in 2010	**3.5**	3.5	**31,269**	30,219
			51,269	60,219
Portion classified as current portion			**(20,000)**	(10,000)
Non-current portion			**31,269**	50,219

During the year ended 31 December 2007, the Company issued two promissory notes with principal amounts of HK$10,000,000 and HK$30,000,000 respectively to an independent third party as part of the consideration payable for the acquisition of a number of music catalogs.

During the year ended 31 December 2007, the Company issued a promissory note with a principal amount of HK$20,000,000 to another independent third party as part of the consideration payable for the procurement of the song recording rights of an artiste.

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

33. INTEREST-BEARING OTHER BORROWINGS

	Effective interest rate (%) 2008	Effective interest rate (%) 2007	Maturity 2008	Maturity 2007	Group and Company 2008 HK$'000	Group and Company 2007 HK$'000
Non-current						
Other borrowings — unsecured	**5.00-6.75**	6.75-7.75	**Not repayable within one year**	Not repayable within one year	**150,027**	143,939

	Group and Company 2008 HK$'000	Group and Company 2007 HK$'000
Analysed into:		
Other borrowings repayable in the second year	**150,027**	143,939

The unsecured other borrowings as at 31 December 2008 and 2007 represented amounts due to the late Mr. Lim Por Yen which were interest-free except for an amount of HK$112,938,000 bearing interest at the HSBC prime rate per annum. 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 the balance sheet date.

The Group's available banking facilities, which were not utilised as at 31 December 2008, are secured by fixed charges over the Group's land and buildings with an aggregate net book value at the balance sheet date of HK$60,487,000 (2007: HK$62,422,000) (note 14).

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

34. DEFERRED TAX ASSETS/(LIABILITIES)

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

Deferred tax assets

		Group Tax losses	
	Note	**2008 HK$'000**	2007 HK$'000
At 1 January		**434**	—
Acquisition of a subsidiary	38(b)	**—**	434
Deferred tax credited to the income statement during the year		**344**	—
Effect of change in tax rate		**(25)**	—
At 31 December		**753**	434

Deferred tax liabilities

		Group Film products and film rights	
	Note	**2008 HK$'000**	2007 HK$'000
At 1 January		**44**	—
Acquisition of a subsidiary	38(b)	**—**	44
Deferred tax credited to the income statement during the year		**(41)**	—
Effect of change in tax rate		**(3)**	—
At 31 December		**—**	44

The Group has tax losses arising in Hong Kong of HK$1,142,041,000 (2007: HK$812,967,000) 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 was 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 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.

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

At 31 December 2008, there was no significant unrecognised deferred tax liability (2007: nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or jointly-controlled entities.

35. SHARE CAPITAL

Shares

	2008		2007	
	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**	827,155	413,577

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

	Notes	**Number of ordinary shares** '000	**Issued share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2007		819,703	409,851	3,390,169	3,800,020
Exercise of share options	(a)	7,452	3,726	26,081	29,807
Released from share option reserve upon exercise of share options	(a)	—	—	3,593	3,593
At 31 December 2007 and 1 January 2008		827,155	413,577	3,419,843	3,833,420
Rights issue	(b)	413,577	206,789	827,155	1,033,944
Share issue expenses	(b)	—	—	(19,320)	(19,320)
At 31 December 2008		**1,240,732**	**620,366**	**4,227,678**	**4,848,044**

35. SHARE CAPITAL (continued)

Notes:

(a) During the year ended 31 December 2007, subscription rights attaching to 7,451,848 share options granted under the Company's share option scheme (the "Share Option Scheme") were exercised at a subscription price of HK$4.00 per share (note 36). Total cash consideration of approximately HK$29,807,000 was received and 7,451,848 shares of HK$0.50 each were issued. The share option reserve of HK$3,593,000 (note 37) was released to the share premium account.

(b) 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 (the "Rights Issue") 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 37).

Share options

Details of the Company's Share Option Scheme and the share options issued under the scheme are included in note 36 to the financial statements.

36. 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 to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

(b) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (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.

36. SHARE OPTION SCHEME (continued)

(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$1.00 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, but shall not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

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

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

	2008		2007	
	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	**4.625**	**22,355**	4.469	29,807
Granted during the year	**6.024**	**9,800**	—	—
Adjusted during the year**	**—**	**458**	—	—
Exercised during the year	**—**	**—**	4.000	(7,452)
At 31 December	**4.976**	**32,613**	4.625	22,355

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2007 was HK$5.368.

Notes to Financial Statements

31 December 2008

36. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at that balance sheet dates are as follows:

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		

2007

Number of options '000	Exercise price* HK$ per share	Exercise period
5,589	4.25	1-1-08 to 31-12-08
1,863	4.50	1-1-08 to 31-12-08
5,589	4.50	1-1-09 to 31-12-09
1,863	5.00	1-1-09 to 31-12-09
5,589	4.75	1-1-10 to 31-12-10
1,862	5.50	1-1-10 to 31-12-10
22,355		

* 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 have been adjusted upon completion of the Rights Issue of the Company.

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

On 1 January 2009, a total of 7,558,024 share options were lapsed in accordance with the terms of the Share Option Scheme.

36. SHARE OPTION SCHEME (continued)

The fair value of the share options granted during the year ended 31 December 2008 was HK$6,922,000 (2007: nil). The Group recognised a share option expense of HK$7,856,000 (2007: HK$8,588,000) (note 37) during the year ended 31 December 2008.

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 account 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$)	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 2008, the Company had 32,613,707 share options outstanding under the Share Option Scheme which represented approximately 2.63% 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 32,613,707 additional ordinary shares of the Company and additional share capital of approximately HK$16,307,000 and share premium of approximately HK$145,989,000 (before issue expenses).

On 1 January 2009, a total of 7,558,024 share options lapsed in accordance with the terms of the Share Option Scheme. At the date of approval of these financial statements, the Company had 25,055,683 share options outstanding under the Share Option Scheme, which represented approximately 2.02% of the Company's shares in issue as at that date.

Notes to Financial Statements

31 December 2008

37. 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 2007		3,390,169	891,289	11,495	46,141	(1,124,252)	3,214,842
Exchange realignment		—	—	—	—	1,964	1,964
Total income and expense for the year recognised directly in equity		—	—	—	—	1,964	1,964
Profit for the year		—	—	—	—	895,710	895,710
Total income and expense for the year		—	—	—	—	897,674	897,674
Issue of shares	35(a)	29,674	—	(3,593)	—	—	26,081
Equity-settled share option arrangements	36	—	—	8,588	—	—	8,588
Share of reserve movements of associates		—	—	4,001	102,667	61	106,729
Release upon disposal of available-for-sale investments		—	—	—	1,727	—	1,727
At 31 December 2007 and 1 January 2008		3,419,843	891,289	20,491	150,535	(226,517)	4,255,641
Exchange realignment		—	—	—	—	4,763	4,763
Total income and expense for the year recognised directly in equity		—	—	—	—	4,763	4,763
Loss for the year		—	—	—	—	(385,476)	(385,476)
Total income and expense for the year		—	—	—	—	(380,713)	(380,713)
Issue of shares	35(b)	827,155	—	—	—	—	827,155
Share issue expenses	35(b)	(19,320)	—	—	—	—	(19,320)
Equity-settled share option arrangements	36	—	—	7,856	—	—	7,856
Share of reserve movements of associates		—	—	1,168	9,078	—	10,246
At 31 December 2008		**4,227,678**	**891,289**	**29,515**	**159,613**	**(607,230)**	**4,700,865**

37. RESERVES (continued)

Group

	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
Retained by:						
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**
Company and subsidiaries	3,419,843	891,289	14,924	—	(1,479,908)	2,846,148
Jointly-controlled entities	—	—	—	—	(55,819)	(55,819)
Associates	—	—	5,567	150,535	1,309,210	1,465,312
At 31 December 2007	3,419,843	891,289	20,491	150,535	(226,517)	4,255,641

Included in the debit balance of accumulated losses as at 31 December 2008 are accumulated credit balances in respect of exchange realignment of HK$27,513,000 (2007: HK$22,750,000).

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.

37. RESERVES (continued)

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 2007		3,390,169	845,455	9,929	(1,763,768)	2,481,785
Issue of shares	35(a)	29,674	—	(3,593)	—	26,081
Equity-settled share option arrangements	36	—	—	8,588	—	8,588
Profit for the year	11	—	—	—	365,154	365,154
At 31 December 2007 and 1 January 2008		3,419,843	845,455	14,924	(1,398,614)	2,881,608
Issue of shares	35(b)	827,155	—	—	—	827,155
Share issue expenses	35(b)	(19,320)	—	—	—	(19,320)
Equity-settled share option arrangements	36	—	—	7,856	—	7,856
Loss for the year	11	—	—	—	(226,848)	(226,848)
At 31 December 2008		**4,227,678**	**845,455**	**22,780**	**(1,625,462)**	**3,470,451**

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.

38. BUSINESS COMBINATIONS

(a) 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 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	
Costs directly attributable to the acquisitions		1,281	
		49,281	

38. BUSINESS COMBINATIONS (continued)

(a) 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)
Costs directly attributable to the acquisitions	(1,281)
Cash and bank balances acquired	84
Net outflow of cash and cash equivalents in respect of the acquisition 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, the turnover from continuing operations of the Group and the loss of the Group for the year would have been HK$278,454,000 and HK$405,154,000, respectively.

(b) Business combination during the year ended 31 December 2007

As further detailed in note 16(a) to the financial statements, during the year ended 31 December 2007, the Group acquired an additional 62.67% equity interest in MAEG. After this, MAEG became a wholly-owned subsidiary of the Group.

38. BUSINESS COMBINATIONS (continued)

(b) Business combination during the year ended 31 December 2007 (continued)

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

	Notes	Fair value recognised on acquisition and previous carrying amount HK$'000
Property, plant and equipment	14	581
Interests in jointly-controlled entities		(10)
Deferred tax assets	34	434
Film rights	17	118
Film products	18	75,965
Films under production	26	40,719
Due from a jointly-controlled entity		88,834
Debtors		27,210
Deposit and other receivables		36,836
Other current assets		4,281
Cash and bank balances		113,652
Creditors and accruals		(89,392)
Deferred tax liabilities	34	(44)
Tax payable		(5,113)
Other current liabilities		(4,230)
Minority interests		631
		290,472
Transfer from interests in an associate		(108,433)
Goodwill on acquisition	15	21,917
Consideration		203,956

38. BUSINESS COMBINATIONS (continued)

(b) Business combination during the year ended 31 December 2007 (continued)

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

	HK$'000
Cash consideration	(203,956)
Cash and bank balances acquired	113,652
Net outflow of cash and cash equivalents in respect of acquisition of MAEG	(90,304)

Since its acquisition, MAEG contributed HK$84,088,000 to the Group's turnover and a loss of HK$13,716,000 to the consolidated profit for the year ended 31 December 2007.

Had the combination taken place at the beginning of the year ended 31 December 2007, the turnover from continuing operations of the Group and the profit of the Group for the year ended 31 December 2007 would have been HK$331,660,000 and HK$879,310,000, respectively.

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(i) During the year ended 31 December 2008, 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$122,000 (2007: HK$161,000).

(ii) During the year ended 31 December 2007, the Group issued three promissory notes of HK$60,000,000 in aggregate as part of the consideration payable in respect of the acquisition of certain music catalogs and the procurement of the song recording rights of an artiste (note 32).

40. COMMITMENTS

(a) The Group had the following capital commitments, contracted but not provided for, at the balance sheet dates:

	Group	
	2008	2007
	HK$'000	HK$'000
Commitments in respect of:		
Acquisition of land and buildings	**9,457**	9,457
Acquisition of leasehold improvements	—	134
Capital contributions payable to a jointly-controlled entity	—	116,940
Contribution to an available-for-sale investment	**17,885**	43,660
	27,342	170,191

40. COMMITMENTS (continued)

(a) (continued)

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 LLC 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 2008, 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	
	2008	2007
	HK$'000	HK$'000
Contracted, but not provided for	**286,790**	305,981

As at 31 December 2007, a sum of HK$5,451,210,000 was recorded as "authorised, but not contracted for" of the Group's capital commitment in respect of its interests in the jointly-controlled entities relating to the MSC project. Construction schedule and formal opening of Phase I of the MSC project will now depend on the timing of the conclusion of the debt financing exercise. Accordingly, as at 31 December 2008, the Group's only capital commitment in respect of its interests in the MSC project were those contracted but not provided for of approximately HK$286,790,000 (2007: HK$305,981,000) since the construction schedule and the size of the construction contract of Phase I of the MSC project were being reconsidered.

40. COMMITMENTS (continued)

(b) As at 31 December 2008, the Group leased certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (2007: one to three years).

At the balance sheet dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**6,969**	5,319
In the second to fifth years, inclusive	**4,095**	4,024
More than five years	**1,312**	—
	12,376	9,343

At the balance sheet dates, the Company did not have any significant commitments.

41. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements as at the balance sheet dates were as follows:

	Company	
	2008	2007
	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 balance sheet dates, the Group did not have any significant contingent liabilities.

Note: As at 31 December 2008 and 2007, the banking facilities granted to a subsidiary were not utilised.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet dates are as follows:

Group

2008

Financial assets	Financial assets at fair value through profit or loss 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

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet dates 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

Group
2007

Financial assets	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Interests in jointly-controlled entities (note 20)	—	832,802	—	832,802
Interests in associates (note 21)	—	1,719	—	1,719
Available-for-sale investments	—	—	51,631	51,631
Debtors	—	50,931	—	50,931
Financial assets included in deposits, prepayments and other receivables	—	689	—	689
Equity investments at fair value through profit or loss	17,806	—	—	17,806
Due from a jointly-controlled entity	—	90,842	—	90,842
Loan receivables	—	50,607	—	50,607
Cash and cash equivalents	—	1,126,017	—	1,126,017
	17,806	2,153,607	51,631	2,223,044

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet dates are as follows: (continued)

Group

2007

Financial liabilities

	Financial liabilities at amortised cost HK$'000	Total HK$'000
Interests in jointly-controlled entities (note 20)	2,465	2,465
Creditors	15,300	15,300
Finance lease payables	259	259
Interest-bearing other borrowings	143,939	143,939
Promissory notes	60,219	60,219
	222,182	222,182

	Company	
Financial assets	**2008**	2007
	Loans and receivables HK$'000	Loans and receivables HK$'000
Due from subsidiaries (note 16)	**2,848,727**	2,705,973
Financial assets included in deposits, prepayments and other receivables	**987**	582
Cash and cash equivalents	**1,433,034**	809,200
	4,282,748	3,515,755

Financial liabilities	**2008**	2007
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Interest-bearing other borrowings	**150,027**	143,939
Promissory notes	**51,269**	60,219
	201,296	204,158

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing other borrowings, finance leases, promissory notes and cash and cash equivalents. The main purpose of these financial instruments is to raise fund 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.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity 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.

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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Interest rate risks (continued)

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	
	Decrease in interest rate (in percentage)	Increase in loss before tax HK$'000	Decrease in profit before tax HK$'000	Decrease in equity HK$'000	Decrease in interest rate (in percentage)	Decrease in equity HK$'000
2008						
Time deposits, loan receivables and borrowings denominated in Hong Kong dollar	**0.5%**	**7,286**	**—**	**7,286**	**0.5%**	**4,044**
2007						
Time deposits, loan receivables and borrowings denominated in Hong Kong dollar	0.5%	—	4,733	4,733	0.5%	3,479

(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 HK$ against RMB.

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.

43. 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 balance sheet dates to a reasonably possible change in the RMB exchange rate, with all other variables held constant.

	Change in exchange rate	Increase in equity
	%	HK$'000
2008		
If Hong Kong dollar weakens against RMB	**10**	**9,802**
2007		
If Hong Kong dollar weakens against RMB	10	1,512

(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, 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 41 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 27 and 28 to the financial statements, respectively.

(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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

	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	4,228	2,880	1,878	—	8,986
Finance lease payables	—	—	96	229	325
Interest-bearing other borrowings	—	—	—	150,027	150,027
Promissory notes	—	—	—	51,269	51,269
	8,375	2,880	1,974	201,525	214,754

	2007				
	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	2,465	—	—	—	2,465
Trade creditors	8,300	7,000	—	—	15,300
Finance lease payables	—	—	70	197	267
Interest-bearing other borrowings	—	—	—	143,939	143,939
Promissory notes	—	—	—	60,219	60,219
	10,765	7,000	70	204,355	222,190

Notes to Financial Statements

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk (continued)

Company

			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	—	—	—	**51,269**	**51,269**
	—	—	—	**201,296**	**201,296**

			2007		
	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	—	—	—	143,939	143,939
Promissory notes	—	—	—	60,219	60,219
	—	—	—	204,158	204,158

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Capital management

The primary objective of the Group's capital management is 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 other borrowings and promissory notes, cash and cash equivalents and equity attributable to equity holders of the Company. 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 2008 is 4.75 (2007: 3.40).

No changes were made in the objectives, policies or processes of capital management by the Group during the years ended 31 December 2008 and 31 December 2007.

44. POST BALANCE SHEET EVENTS

On 11 December 2008, the Company announced a proposed placement of shares (the "Placing") representing approximately 8.82% of the Company's issued share capital (the "Placing Shares") as enlarged by the Placing Shares, at the subscription price of HK$0.50 per Placing Share, together with unlisted bonus warrants on a 1-for-1 basis in respect of each Placing Share, with each warrant entitling the holder to subscribe for one new share (the "Warrant Shares") at an exercise price of HK$0.50 per Warrant Share at any time from the date of issue until December 2011. If allotted and issued in full, the Warrant Shares would have represented approximately 8.10% of the Company's total issued share capital as enlarged by the issue of the Warrant Shares. The Placing was scheduled to have completed on 24 December 2008. The proceeds were intended to be used to finance the Group's media and entertainment businesses and otherwise for general working capital purposes.

On 22 December 2008, Passport Special Opportunities Master Fund, LP and Passport Global Master Fund SPC Limited (together defined as "Passport") obtained an ex parte injunction temporarily restraining the Company from proceeding with the Placing. In light of this, the Company agreed with Chung Nam Securities Limited (the "Placing Agent") to extend the longstop date for completion of the Placing agreement to 9 January 2009 to accommodate an inter-partes hearing on 6 January 2009 concerning the Placing, which transpired to be procedural, rather than substantive, in nature. A further hearing was set down for 22 January 2009, pending which the injunction remained in place. The Court also ordered Passport to fortify its undertaking in damages by the provision of a bank guarantee in the sum of HK$120 million to compensate any loss to the Company and any other party affected.

Notes to Financial Statements

31 December 2008

44. POST BALANCE SHEET EVENTS (continued)

Given the increase in the Company's share prices during the intervening period between 11 December 2008 and 9 January 2009 and the uncertainty resulting from the continuation of the interim injunction, the board of directors of the Company determined not to agree to a further extension of the Placing agreement, which terminated without completing, on 9 January 2009.

At the Court hearing on 22 January 2009, the injunction obtained by Passport on 22 December 2008 was discharged on the basis that the Placing agreement between the Company and the Placing Agent lapsed on 9 January 2009. The Court gave further procedural directions for, and relating to, the setting down of a trial, scheduled to take place in November 2009, to determine among other things, whether or not the injunction was validly obtained in the first place. The Company and its directors intend vigorously to defend Passport's claims and pursue their own rights 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 so that they too might pursue their rights and remedies. Passport's obligation to put up a bank guarantee in the sum of HK$120 million to fortify its undertaking in damages remains in place and is required to be extended to all interveners.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 April 2009.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 27 May 2009 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 2008;

2. To re-elect 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 of 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 of 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 of 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 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 of the Company as scrip dividends pursuant to the Bye-laws of the Company from time to time; or (iv) an issue of shares of the Company under any option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares of the Company or rights to acquire shares of 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

Notice of Annual General Meeting

(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, 9 April 2009

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, a 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 branch 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 adjourned meeting should they so wish.

(3) Where there are joint holders of any share in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose seniority shall be determined by the order in which the names stands in the register of members of the Company in respect of joint holding.

(4) Concerning item 2 of this Notice, in accordance with Bye-law 87 of the Company' Bye-laws, Mr. Lien Jown Jing, Vincent, Mr. Cheung Wing Sum, Ambrose, Mr. Tong Ka Wing, Carl, Mr. Alfred Donald Yap and Mr. Low Chee Keong retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Details of the above Directors are set out in the "Biographical Details of Directors and Senior Management" and "Directors' Interests" sections of the Annual Report 2008 of the Company. Save as otherwise disclosed in the Annual Report 2008, for the purpose of the re-election of the above Directors, there is no information which requires to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

(5) Item 4 set out in this notice relates to the granting of a general mandate to the directors of the Company to issue new shares of 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 such new shares under the general mandate.