eSun Holdings Limited
豐德麗控股有限公司

Leading A New Entertainment Era
帶領娛樂新紀元

(Stock code 股份代號: 571)

Film Awards
電影獎項

Fire of Conscience 火龍

Best Actor 最佳男主角 - Richie Jen 任賢齊
2010 Puchon International Fantastic Film Festival
2010年度富川國際奇幻電影節

The Founding of a Republic 建國大業

Best Feature Film 最佳故事片獎
30th China Hundred Flowers People Choice Awards
(aka: Chinese Biennal Awards)
第三十屆大眾電影百花獎

Best Supporting Actress 最佳女配角 - Xu Qing 許晴
30th China Hundred Flowers People Choice Awards
(aka: Chinese Biennal Awards)
第三十屆大眾電影百花獎

Aftershock 唐山大地震

Best Feature Film 最佳電影
2010 Asia Pacific Screen Awards
第四屆亞太電影大獎

Best Actor 最佳男主角 - Chen Daoming 陳道明
2010 Asia Pacific Screen Awards
第四屆亞太電影大獎

Film of the Year 年度影片
2011 China Film Director's Guild
2011年度中國電影導演協會

Best Actress 導演眼中的年度女演員 - Xu Fan 徐帆
2011 China Film Director's Guild
2011年度中國電影導演協會

2010 Top-Grossing Film 2010年最高票房亞洲電影大獎
5th Asian Film Awards
第五屆亞洲電影大獎

Best Actress 最佳女主角 - Xu Fan 徐帆
5th Asian Film Awards
第五屆亞洲電影大獎

Best Visual Effects 最佳視覺效果 -
Phil Jones and Zhang Yanming 蔣燕鳴
5th Asian Film Awards
第五屆亞洲電影大獎

Contents

Corporate Information

Place of Incorporation
Bermuda

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

Non-executive Directors
Low Chee Keong *(Chairman)*
U Po Chu
Lo Kwok Kwei, David
Albert Thomas da Rosa, Junior
Leung Churk Yin, Jeanny

Independent Non-executive Directors
Tong Ka Wing, Carl *(Deputy Chairman)*
Alfred Donald Yap
Ng Lai Man, Carmen

Audit Committee
Ng Lai Man, Carmen *(Chairwoman)*
Tong Ka Wing, Carl
Alfred Donald Yap
Low Chee Keong

Remuneration Committee
Tong Ka Wing, Carl *(Chairman)*
Ng Lai Man, Carmen
Alfred Donald Yap
Low Chee Keong
Lui Siu Tsuen, Richard

Company Secretary
Kwok Siu Man

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Authorised Representatives
Lui Siu Tsuen, Richard
Kwok Siu Man

Share Registrars and Transfer Office in Hong Kong
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Share Registrars and Transfer Office in Bermuda
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Independent Auditors
Ernst & Young
Certified Public Accountants

Solicitors
As to Hong Kong Law:
Baker & Mckenzie
Reed Smith Richards Butler
Vincent T. K. Cheung, Yap & Co.

As to Bermuda Law:
Conyers Dill & Pearman

Principal Bankers
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

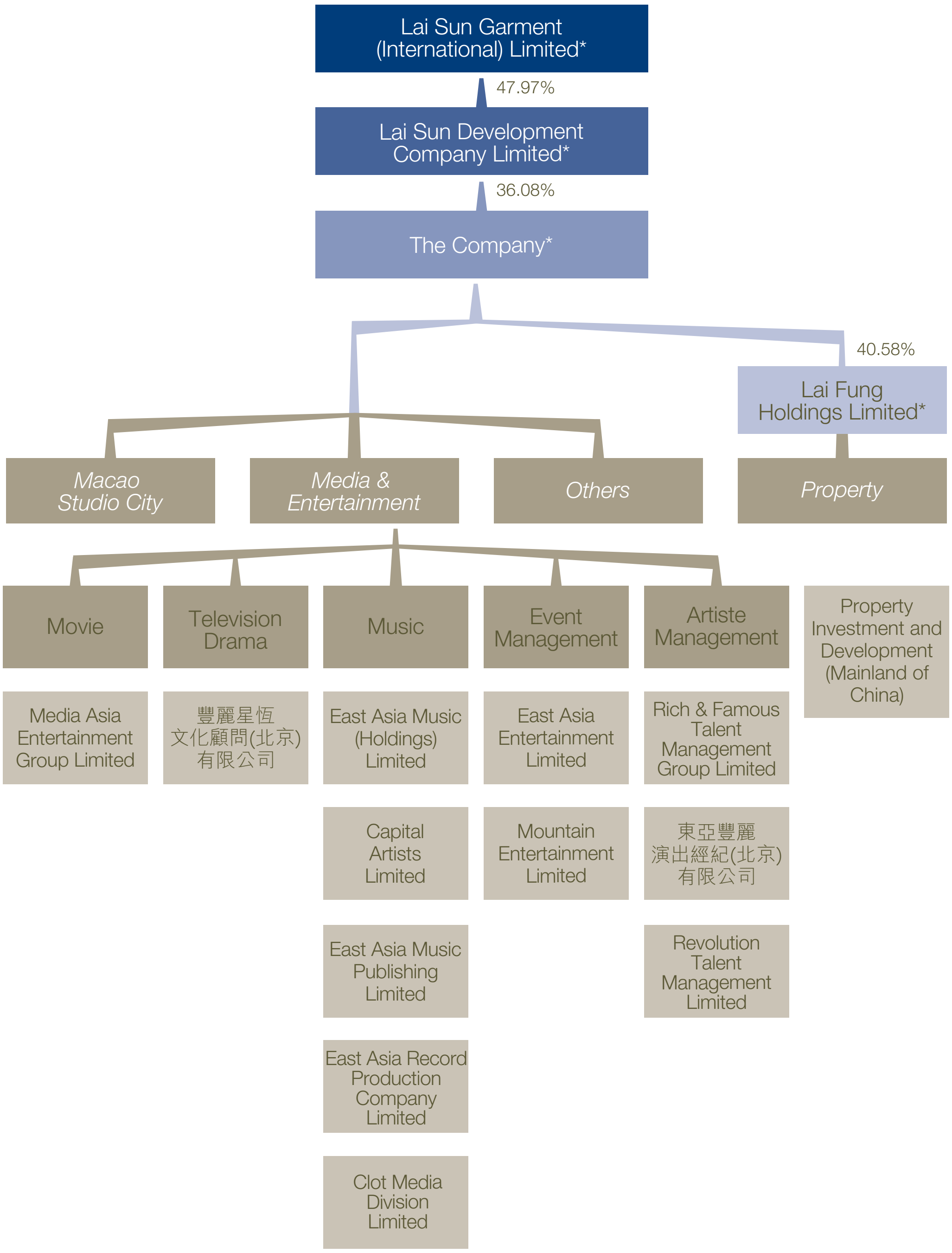
Listing
The issued shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

Stock Code/Board Lot
571/2,000

Website
www.esun.com

Corporate Profile

eSun Holdings Limited (the "Company") is a member of the Lai Sun Group which has been established in Hong Kong since 1947. The principal activities of the eSun Group include the development and operation of, and investment in, media and entertainment, production and distribution of music and film and video format products, and the provision of advertising agency services. The Company also owns a 40% effective interest in the Macao Studio City ("MSC") project. The project will be developed on a site strategically located "Where Cotai Begins™", the Macau Special Administrative Region of The People's Republic of China, next to the Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai's Hengqin Island.



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

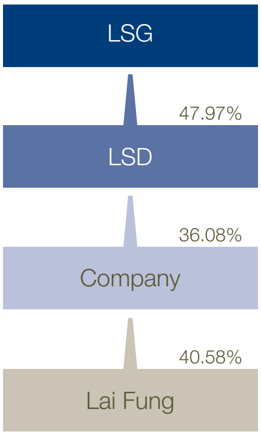
Chairman's Statement

REORGANISATION

On 30 September 2010, the Company and Lai Sun Garment (International) Limited ("LSG") completed a reorganisation ("Reorganisation"). Pursuant to the Reorganisation, the Company transferred its entire shareholding interest in Lai Sun Development Company Limited ("LSD") (approximately 36.72% of the issued share capital of LSD) to LSG in exchange for LSG's entire shareholding interest in Lai Fung Holdings Limited ("Lai Fung") (approximately 40.58% of the issued share capital of Lai Fung). In order to account for the difference between the agreed value of the LSD shares and the Lai Fung shares being swapped, the Company further agreed to pay to LSG an additional cash of approximately HK$178.4 million, out of which HK$100 million was paid upon completion of the Reorganisation and the remaining approximately HK$78.4 million to be paid, without interest, six months after the completion of the Reorganisation.

LOW Chee Keong
Chairman

Immediately following the completion of the Reorganisation, the group structure involving LSG, LSD, the Company and Lai Fung has become as follows:



As a result of the Reorganisation, the cross-shareholding structure between the Company and LSD that existed since 2004 was dismantled. The Reorganisation simplified the ownership structure of the Company and LSD, and eliminated the circular effect of the accounting treatment of the cross-holding. By dismantling this structure, the magnifying effect of the cross-held shareholding interests has been eliminated upon completion of the Reorganisation. More importantly, the directors of the Company ("Directors") believe that the simplified shareholding structure provides greater clarity to shareholders and the market with regard to the core business of each of the companies.

The Company has become the controlling shareholder of Lai Fung, which has a well-established portfolio of property interests in the Mainland of China. The Company thus shares the results of Lai Fung as an associate (as that expression is used in the context of the Hong Kong Financial Reporting Standards) of the Company.

OVERVIEW OF ANNUAL RESULTS

For the year ended 31 December 2010, the Group recorded a turnover of HK$459,020,000 (2009: HK$359,455,000), representing an increase of approximately 27.7% from the previous year. For the year 2010, except for film production and distribution, there were increases in revenue across most of our media and entertainment business operations, namely entertainment event income, music production and distribution and film library licensing income. The increase in entertainment event income over the previous year was mainly due to the Group organising larger scale concerts in the year as compared to the smaller events in the previous year. The increase in revenue for music production and distribution was due to higher album sales in 2010. The decrease in revenue for film production and distribution was largely due to the comparatively lower revenue from the films released in 2010.

For the year ended 31 December 2010, the Group recorded a loss from operating activities of HK$269,069,000 (2009: a loss of HK$422,013,000). During the year, the increase in revenue of certain business operations was accompanied by corresponding increases in related cost/expenditure. The Group recognised a fair value loss on a put option of HK$25,356,000 (2009: HK$118,328,000) in 2010. Further details of the put option are set out in below Business Review under the heading of "EAST (Holdings)'s put option".

For the year ended 31 December 2010, the Group recorded a share of profits of associates of HK$541,685,000 (2009: HK$521,276,000). Prior to the Reorganisation, the Group held approximately 36.72% shareholding interest in LSD, which in turn held approximately 36.08% shareholding interest in the Group. Following the Reorganisation, the Group holds approximately 40.58% shareholding interest in Lai Fung while the Group ceased to hold any shareholding interest in LSD. Following the completion of the Reorganisation on 30 September 2010, LSD ceased to be an associate of the Company and Lai Fung has become an associate of the Company. Accordingly, the share of profits of associates during the year was mainly attributable to (i) LSD for the period up to 30 September 2010; and (ii) Lai Fung for the period since 1 October 2010. For the year under review, LSD and Lai Fung contributed HK$402,681,000 (including cross-shareholding effects) and HK$139,660,000 to the Group's share of profits of associates, respectively.

For the year, the Group's share of the losses of jointly-controlled entities was HK$31,353,000, as compared to a reported loss of HK$43,313,000 for the previous year. The decrease in share of losses of jointly-controlled entities was attributable to the decrease in losses of the MSC project.

Finance costs during the year increased to HK$7,226,000 (2009: HK$6,758,000). Further, as a result of the completion of the Reorganisation, the Group booked a one-off gain of HK$610,007,000. The Group recorded a profit for the year (before non-controlling interests) of HK$842,777,000 (2009: HK$49,038,000). Due to the reasons stated above, the Group recorded a consolidated profit attributable to owners of the parent for the year of HK$853,278,000 (2009: HK$68,553,000).

Shareholders' equity as at 31 December 2010 amounted to HK$6,198,759,000, as compared to HK$5,490,662,000 as at 31 December 2009. Net asset value per share as at 31 December 2010 was HK$5.00, as compared to HK$4.43 as at 31 December 2009.

BUSINESS REVIEW

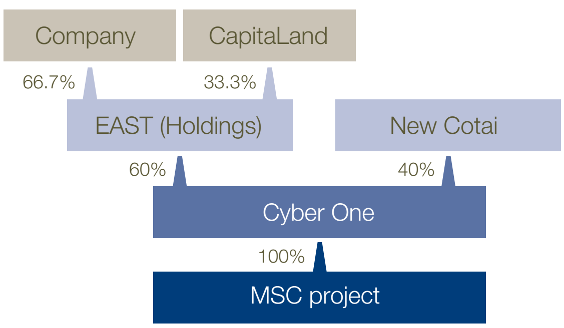
Macao Studio City

MSC is an integrated leisure resort project combining theatre/concert venues, live entertainment facilities, a destination retail complex, Las Vegas-style gaming facilities and world-class hotels. The site of the project is strategically located next to the Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai's Hengqin Island.

Project progress

There is no progress on the MSC project over the year, essentially because of the continuing litigations between joint venture partners.

Cyber One Agents Limited ("Cyber One") is the jointly-controlled joint venture company responsible for the MSC project. East Asia Satellite Television (Holdings) Limited ("EAST (Holdings)") is the holding company of a 60% shareholding interest in Cyber One, of which 66.7% is held indirectly by the Company and 33.3% is held by CapitaLand Integrated Resorts Pte. Ltd. ("CapitaLand"), a wholly-owned subsidiary of CapitaLand Limited. New Cotai, LLC ("New Cotai") is the US joint venture partner holding a 40% shareholding interest in Cyber One.



Cyber One has yet to receive approval from the Macau government in relation to its application for a land grant modification on land use and the increase of the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. Since 2009, there have been disputes and ongoing litigations between EAST (Holdings) and New Cotai on the land grant modification and development of the project. Details of the litigations are set out in note 46 to the consolidated financial statements of the Group for the year ended 31 December 2010.

The outcome of all these legal proceedings remains inherently uncertain. However, the Directors believe that the litigation is necessary in order to protect the interest of all shareholders and, ultimately, to preserve the potential of the MSC project. Further, in the event of prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau government would exercise its rights, including but not limited to its rights to re-possess the plot of land.

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

Financing

To date, the parties have contributed a total of US$200 million to serve as working capital on the project (the Company's attributable share being US$80 million). However, Cyber One has yet to secure the necessary project finance for the development. The Directors believe that this will be more readily achievable once consensus is reached between the joint venture partners or the current differences are resolved.

EAST (Holdings)'s put option

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

Media and entertainment

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

During the year, the Group through its film production and distribution unit, MAEG, completed the principal photography on 6 films, with 6 films still in the production pipeline or under development. There were 8 films released in 2010, namely *Love In A Puff* in March, *Fire Of Conscience* in April, *Once A Gangster* in May, *Aftershock* in July, *Frozen* and *Legend of the Fist: The Return of Chen Zhen* in September, *Reign of Assassins* in October and *Bruce Lee*, *My Brother* in November as compared to 6 films released in 2009, namely *Look For A Star, The Sniper, City Of Life And Death, Vengeance, Accident* and *The Founding of a Republic*.

Other than that, MAEG got 24 nominations in the 30th Hong Kong Film Awards, including the nominations of Best Picture, Best Director, Best Screenplay, Best Actor and Best Actress. The film *Reign of Assassins* has 11 nominations while *Legend of the Fist: The Return of Chen Zhen* and *Bruce Lee, My Brother* has 4 nominations respectively.

Please refer to the inside front cover of this Annual Report for the particulars of the awards won by the Group.

Live entertainment

During the year, the Group's live entertainment division produced and participated in 90 (2009: 97) concerts and entertainment events by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Miriam Yeung, Ivana Wong, Chet Lam, Eman Lam, Janice M. Vidal, Jan Lamb, Captain Lu, Yoga Lin, Show Lo, Big Four, Fama and Super Band, in Hong Kong, the Mainland of China, Macau, Taiwan, Malaysia, Singapore, Australia and the United States of America.

Music production, distribution and publishing

During the year, the Group's music production and distribution unit released 45 albums (2009: 52), including titles by Andy Lau, Sammi Cheng, Leon Lai, Miriam Yeung, Denise Ho, Ivana Wong, Edison Chen, Janice M. Vidal, Chet Lam, At 17, Bosco Wong, Big Four and Fama.

Please refer to the inside back cover of this Annual Report for the particulars of the awards won by the Group.

The Group has expanded its music library through acquisitions in 2007 and 2008 and has since achieved a positive contribution from the exploitation of the music library through new media distribution. However, the pace of development and performance of the music publishing business has lagged behind the budgeted plan for 2010. The performance of the music publishing business depends on, among other things, the capability of the new media distributor(s), the available channels for new media/digital distribution and the receptiveness of the public (in general) to use such distribution method for music.

Guangzhou May Flower Plaza (Rental property of Lai Fung)

Television drama, content production and distribution

In 2010, the Group has made investments, via content directors, producers and artistes from the Mainland of China, to produce renowned television dramas and content. 160 episodes of television dramas were produced in 2010. In addition, the Group is gradually expanding its distribution network for such operation. However, during the year, the hours of production being made and released were limited due to various constraints, namely the highly competitive market for prime time spots on television channels and other mediums, and the mis-match of capital to be recouped and re-invested which has resulted in dampening the growth rate of this business.

New media

Goyeah.com is a new media platform of the Group launched in 2009 and it is the first video sharing community and social networking website in Hong Kong.

In 2010, the Group launched its own online games. Featuring celebrities including Huang Xiao Ming, Shuqi, Angelababy, Fama, Master Szeto, South China Football Team and Jessica C, the website has successfully drawn greater support among netizens as well as publicity attention. Furthermore, by licensing in movies and Japanese animations from different local and overseas sources, content of the website has been enriched, thus enabling it to better cater to the interests and preferences of internet users from a wider spectrum. In 2010, the number of registered members of the website is around 85,000.

LSD

Prior to the Reorganisation, the Group held approximately 36.72% shareholding interest in LSD, which in turn held approximately 36.08% shareholding interest in the Group. Following the completion of the Reorganisation on 30 September 2010, the Group ceased to hold any shareholding interest in LSD. For the year under review, LSD contributed HK$402,681,000 to the Group's share of profits of associates, including cross-shareholding effects. For the full year of 2009, LSD contributed HK$522,104,000 to the Group's share of profits of associates, including cross-shareholding effects.

Lai Fung

Following the completion of the Reorganisation on 30 September 2010, the Group held approximately 40.58% shareholding interest in Lai Fung, which has become an associate of the Group. Upon Lai Fung becoming an associate of the Group, Lai Fung's revenue sources mainly comprised (i) rental income from investment properties; (ii) revenue and profits from the sale of its property units at Guangzhou West Point; and (iii) a fair value gain on its investment properties portfolio.

OUTLOOK

MSC

Management expects that MSC will eventually become one of the region's major entertainment complexes and will serve as an important platform for the Group to expand and monetise its entertainment and media expertise. The Group remains confident about the future of the project, with or without the participation of its US project partners.

Media and entertainment

Film production and distribution

MAEG will continue to invest or produce more quality Chinese-language films that appeal to local and international markets.

The Group controls a library of around 180 Chinese films. MAEG will continue the distribution of the films to major international territories, including Australia, France, Germany, Indonesia, Japan, Korea, Malaysia, Russia, Spain, South America, Singapore, Taiwan, Thailand, United Kingdom and Vietnam.

Live entertainment

For 2011, the Group anticipates the production of around 12 title concerts and entertainment events, all of which will involve popular local and Asian artistes. The Group will also participate in the production of world concert tours involving around 66 shows in total. The Group remains keen on expanding its presence in both promotion and organisation of live entertainment events in Hong Kong and worldwide.

Music production, distribution and publishing

Owing to the continuing challenge of dwindling physical music sales, as well as with the change of consumer's pattern from physical to digital music sales, the Group will continue to explore new media channels that enable the Group to achieve a more efficient distribution of music products. The Group anticipates that the new media distribution channels will increase in popularity over time and serve to increase music sales amid the population of netizens who now opts to consume music products digitally.

Television drama, content production and distribution

Profit from television drama production and distribution has suffered a downturn due to unstable performance of certain drama titles. However, the Group continues to look for business opportunities in new titles with strong ratings and good profit. The Group also considers increasing the investment ratio in certain television dramas so as to enhance the distribution income in 2011.

New media

Goyeah.com is a new media platform of the Group aimed at widening the dissemination of information regarding the Group's media and entertainment businesses. The platform was successfully granted an ICP license by the Beijing Ministry of Industry and Information in September 2010. This is a good starting point for the Group to expand its new media business to the Mainland of China. In addition to the Group's strong support from various media and entertainment industries, the lately introduced e-commerce service is expected to draw greater popularity and support among netizens of the GoYeah online community as well as business opportunities.

Furthermore, the Group started to produce and run its own programs in September 2010 which received very good feedback from young netizens. One of the programs, entitled "50 bucks with change," was covered and highlighted by CNN. The Group will increase the number of its own production in 2011.

Artiste management

The Group has been able to attract and retain popular celebrities and potential talents in Hong Kong under its artiste management group. The artiste management group will continuously provide a fresh supply of talent as well as new entertainment projects in different parts of the region.

Shanghai Hong Kong Plaza
(Rental property of Lai Fung)

Lai Fung

China's property market will continue to be subject to policy risks. To consolidate and enhance their positive impacts of the austerity measures and effectively manage inflation, the central and local government in China is expected to fine-tune existing austerity measures or introduce new policies. Accordingly, the unfavourable impact of the austerity policies will lead to short-term volatility in China's property market.

The Group believes that the consumption power and housing demand in the Mainland of China will remain robust in the medium and long term. Overall, Lai Fung believes that the government policies aimed at the property market has been consistent, which is to stabilise property prices and curb speculative demand in order to achieve steady development of the market.

Lai Fung's net gearing level was low by industry standards. Lai Fung will be able to implement its business plan and respond to the challenges of the ever-changing policies. It will continue the construction schedules of its existing development projects to fuel growth in turnover and profits for future financial years. Lai Fung is now awaiting an improvement in market sentiment prior to launching further pre-sale of properties in the pipeline. Furthermore, as encouraged by its success in revitalising the Shanghai Hong Kong Plaza property, Lai Fung will continue to grow its recurrent income base through an upgrade programs aimed at improving existing rental properties and the addition of new venues through completion of commercial property portions of new development projects. While Lai Fung expects that its rental income will increase steadily in the next few years, it will closely monitor the market and cautiously evaluate new investment opportunities.

Other matters relating to the Company

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

In December 2008, the Company had sought to raise approximately HK$60 million through a share placement exercise (with the prospect of raising an additional HK$60 million if the placees exercised the accompanying warrants in full). The placing shares would have represented approximately 8.82% of the enlarged issued share capital of the Company (and the shares issued on the full exercise of the warrants would have represented approximately 8.10% of the further enlarged issued share capital of the Company). The placing, which was primarily intended to finance the Group's media and entertainment businesses and otherwise for general working capital purposes, did not ultimately proceed in light of the fact that Passport, who was then a substantial shareholder of the Company, obtained an ex-parte injunction temporarily restraining the Company from proceeding with the placing. Although the long-stop date for the placing was extended once, with the injunction order remaining in place and the conditions to the placing remaining unfulfilled, the placing agreement lapsed on 9 January 2009. However, Passport and its affiliates disposed of their entire shareholdings in the Company on 30 April 2010.

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

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

As at 31 December 2010, cash and cash equivalents held by the Group amounted to HK$1,089,144,000, of which over 89% and 5% were denominated in Hong Kong dollar and United States dollar currencies respectively. The Group also invested in bond investments with investment grade rating and short-term securities investments. As at 31 December 2010, the carrying amount of such bond investments and securities investments held by the Group amounted to HK$51,561,000 and HK$2,083,000, respectively. The bond investments of the Group as at 31 December 2010 were denominated in United States dollars. As Hong Kong dollars are pegged to United States dollars, the Group considers that the corresponding exposure to exchange rate risk is nominal.

As at 31 December 2010, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$112,938,000 which is interest-bearing at the HSBC prime rate per annum. The Group recorded interest accruals of HK$48,383,000 for the said unsecured other borrowings as at 31 December 2010. On 31 December 2010, at the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 December 2010. As at 31 December 2010, the Group had secured bank borrowings in the Mainland of China of RMB10,000,000 (or HK$11,752,000) falling due within one year, which was secured by pledged deposits of HK$12,960,000. The secured bank borrowings bear interest with reference to the People's Bank of China Base Interest Rate. The Group recorded interest accruals of HK$68,000 for the secured bank borrowings as at 31 December 2010. Also, the Group had finance lease payables of HK$130,000 falling due within one year, HK$120,000 falling due within the second year and HK$194,000 falling due within the third to fifth years, as at 31 December 2010. As at 31 December 2010, a revolving term loan facility in the amount of HK$60 million was granted by a bank to the Group. The said loan facility is subject to an annual review and is secured by a pledge of the Group's land and buildings with a carrying amount of HK$56,615,000 as at 31 December 2010. Such bank loan facility had not been utilised by the Group as at 31 December 2010.

As detailed in note 36 to the financial statements, the Group has an outstanding put option granted to CapitaLand in connection with the disposal of its partial interests in the MSC project in 2007. The Put Option is only exercisable under certain discrete circumstances by 11 September 2011. Were the Put Option to become exercisable and be exercised, the total amount payable by the Group based on the conditions prevailing as at 31 December 2010 would be approximately HK$971 million. In preparation for meeting the funding requirement arising from such, the Group has obtained an unsecured term loan facility of HK$500 million from a finance company for the stated purpose of part financing any possible payment obligations of the Group under the Put Option.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to consolidated net assets attributable to owners of the parent, remained low at approximately 3% as at 31 December 2010. All of the Group's borrowings, except for the secured bank borrowings of HK$11,820,000 which are denominated in Renminbi, are denominated in Hong Kong dollars and the majority of which are floating rate debts. No financial instruments for hedging purposes were employed by the Group during the year under review.

EMPLOYEES AND REMUNERATION POLICIES

The Group employed a total of approximately 270 employees as at 31 December 2010. Pay rates for employees are maintained at competitive levels and salary and bonuses are rewarded on a performance-related basis. Other staff benefits include free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes. The Company also adopted a share option scheme for its Directors and employees on 23 December 2005.

MANAGEMENT AND STAFF

As we continue to grow our businesses, I would like to thank my fellow Directors, our staff and all our stakeholders for their continued support in these challenging times. On behalf of the Directors and our staff, I also wish to express our sincere gratitude to Mr. Lien Jown Jing, Vincent, who retired on 1 June 2010 as Chairman of the Board after having served the Board for close to 12 years, for his guidance, counsel and valuable contribution to the Company during his tenure of office.

Low Chee Keong
Chairman

Hong Kong
29 March 2011

Financial Summary

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

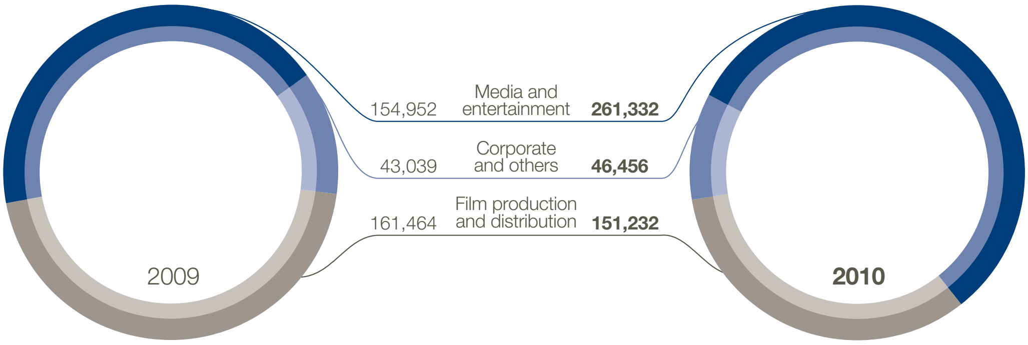
	Year ended 31 December				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
CONTINUING OPERATIONS					
TURNOVER	**459,020**	359,455	270,131	289,780	148,938
PROFIT/(LOSS) BEFORE TAX	**844,044**	49,192	(404,321)	924,369	1,180,613
Income tax	**(1,267)**	(154)	560	(18)	379
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**842,777**	49,038	(403,761)	924,351	1,180,992
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**–**	–	(1,068)	(35,827)	(30,924)
PROFIT/(LOSS) FOR THE YEAR	**842,777**	49,038	(404,829)	888,524	1,150,068
Attributable to:					
Owners of the parent	**853,278**	68,553	(385,476)	895,710	1,150,068
Non-controlling interests	**(10,501)**	(19,515)	(19,353)	(7,186)	–
	842,777	49,038	(404,829)	888,524	1,150,068

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Property, plant and equipment	**80,032**	84,761	77,206	80,180	77,310
Goodwill	**–**	–	35,202	35,202	–
Film rights	**60,624**	72,568	110,934	139,059	133,745
Film products	**86,765**	68,538	60,430	59,545	–
Music catalogs	**92,530**	115,249	108,556	61,645	–
Investments in jointly-controlled entities	**1,037,169**	1,044,869	1,076,802	972,146	654,534
Investments in associates	**4,345,306**	3,152,538	2,557,469	2,620,179	1,992,165
Available-for-sale investments	**77,946**	90,338	65,006	51,631	34,704
Long term loan receivables	**–**	–	63,445	–	–
Long term deposits, prepayments and other receivables	**99,747**	102,362	110,369	83,408	10,048
Deferred tax assets	**329**	423	753	434	–
Current assets	**1,497,134**	1,817,388	2,004,480	1,538,724	1,110,809
TOTAL ASSETS	**7,377,582**	6,549,034	6,270,652	5,642,153	4,013,315
Current liabilities	**(700,188)**	(613,619)	(422,125)	(452,404)	(252,925)
Long term promissory notes, put option, finance lease payables, bank and other borrowings	**(161,635)**	(118,524)	(181,514)	(194,352)	(135,501)
Deferred tax liabilities	**–**	–	–	(44)	–
TOTAL LIABILITIES	**(861,823)**	(732,143)	(603,639)	(646,800)	(388,426)
NON-CONTROLLING INTERESTS	**(317,000)**	(326,229)	(345,782)	(326,135)	(196)
	6,198,759	5,490,662	5,321,231	4,669,218	3,624,693

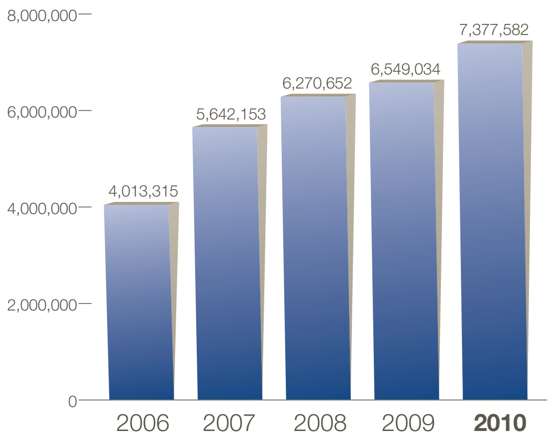
Segment Sales

HK$'000



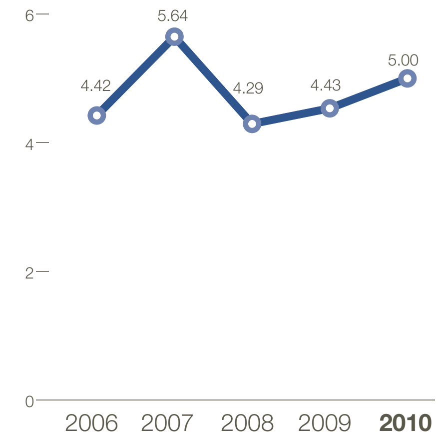
Total Assets

HK$'000



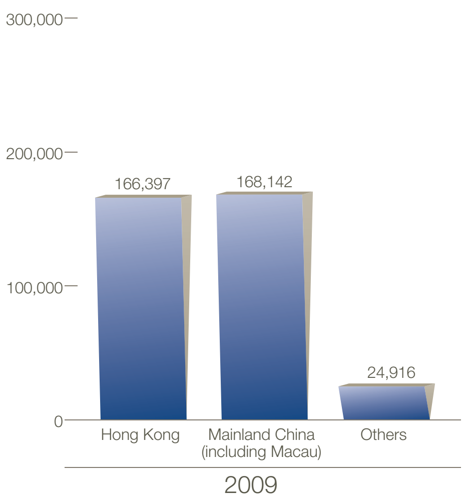
Net Asset Value per share

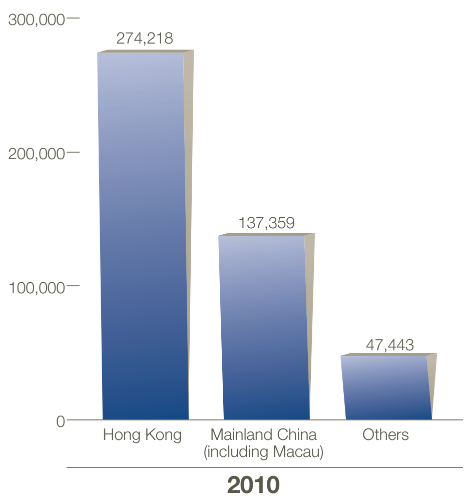
HK$



Segment Sales by Geographical Location

HK$'000





Property Portfolio of Lai Fung

PARTICULARS OF PROPERTIES OF LAI FUNG IN THE MAINLAND OF CHINA (as at 31 January 2011)

Principal Properties under Development/Construction of Lai Fung

Location	Lai Fung's interest	Stage of construction	Expected completion date	Expected use	Area
Eastern Place Phase V, 787 Dongfeng East Road, Yuexiu District, Guangzhou, Guangdong Province	100%	Construction work in progress	2012 and 2013	Residential/ commercial/ office	Total site area: 19,750 sq.m. Total gross floor area: approximately 101,000 sq.m.
Haizhu Plaza, Chang Di Main Road, Yuexiu District, Guangzhou, Guangdong Province	100%	Resettlement in progress	Note	Commercial/ office	Total site area: 8,427 sq.m. Total gross floor area: approximately 103,000 sq.m.
Guangzhou King's Park, Donghua Dong Road, Yuexiu District, Guangzhou, Guangdong Province	100%	Construction work in progress	2012	Residential	Total site area: 3,263 sq.m. Total gross floor area: approximately 10,000 sq.m.
Guangzhou Paramount Centre, Da Sha Tou Road, Yuexiu District, Guangzhou, Guangdong Province	100%	Construction work in progress	2012	Commercial	Total site area: 2,210 sq.m. Total gross floor area: approximately 8,000 sq.m.
Guan Lu Road Project, Guan Lu Road, Yuexiu District, Guangzhou, Guangdong Province	100%	Development under planning	2013	Residential	Total site area: 2,432 sq.m. Total gross floor area: approximately 14,000 sq.m.
Shanghai May Flower Plaza, Sujiaxiang, Zhabei District, Shanghai	95%	Construction work in progress	2011	Residential/ commercial/ office	Total site area: approximately 22,000 sq.m. Total gross floor area: approximately 111,000 sq.m.
Northgate Plaza II, Tian Mu Road West, Zhabei District, Shanghai	99%	Development under planning	2012	Commercial	Total site area: 4,115 sq.m. Total gross floor area: approximately 28,800 sq.m.
Zhongshan Palm Springs, Caihong Planning Area, Western District, Zhongshan, Guangdong Province	100%	Construction work in progress	In phases from 2012 to 2015	Residential/ commercial	Total site area: 236,648 sq.m. Total gross floor area: approximately 406,000 sq.m.

Note: Pending for negotiation of development plan by Lai Fung with the city government.

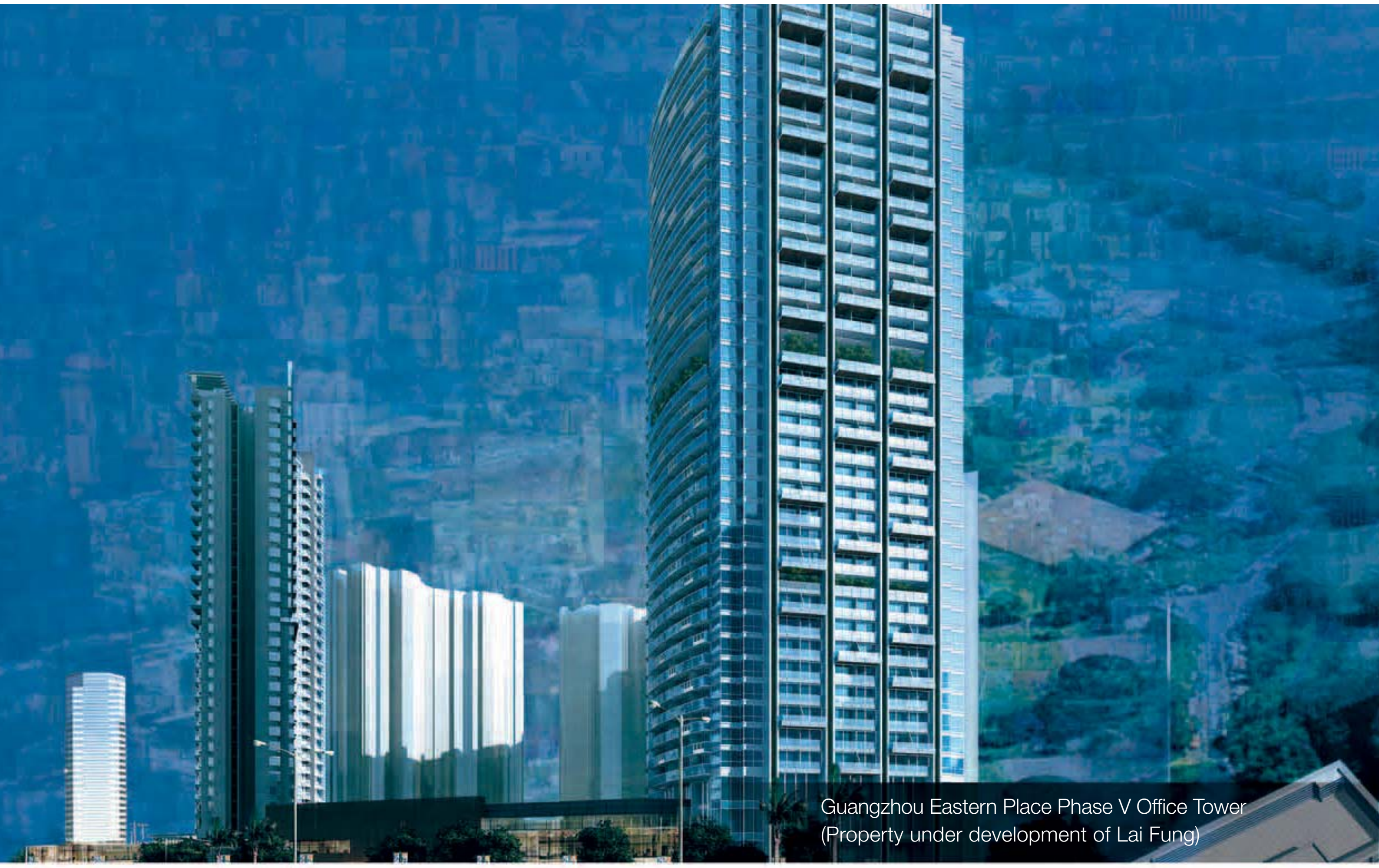
Property
Portfolio
of Lai Fung

Principal Rental Properties of Lai Fung

Location	Lai Fung's interest	Tenure	Use	Gross Floor Area
Commercial podium and certain office and serviced apartment units of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Luwan District, Shanghai	95%	The property is held for a term of 50 years commencing on 16 September 1992	Office/ shopping arcades/ serviced apartments	approximately 111,000 sq.m.
Certain serviced apartment units in the North Tower of Hong Kong Plaza, 282 Huaihaizhong Road, Luwan District, Shanghai	100%	The property is held for a term of 50 years commencing on 16 September 1992	Serviced apartments	approximately 19,600 sq.m.
Northgate Plaza I, 99 Tian Mu Road West, Zhabei District, Shanghai	97%	The property is held for a term of 50 years commencing on 15 June 1993	Office/ commercial	approximately 36,500 sq.m.
May Flower Plaza, 68 Zhongshanwu Road, Yuexiu District, Guangzhou, Guangdong Province	77.5%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	Shopping arcades/ office	approximately 51,000 sq.m.
Commercial podium of West Point, Zhongshan Qi Road, Liwan District, Guangzhou, Guangdong Province	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 3 July 2005	Shopping arcades	approximately 16,600 sq.m.

Principal Completed Properties for Sale of Lai Fung

Location	Lai Fung's interest	Gross Floor Area
Certain residential units in Regents Park, Phase II, 88 Huichuan Road, Changning District, Shanghai	95%	approximately 2,085 sq.m.
Certain residential and office units in West Point, Zhongshan Qi Road, Liwan District, Guangzhou, Guangdong Province	100%	approximately 4,947 sq.m.



Guangzhou Eastern Place Phase V Office Tower
(Property under development of Lai Fung)

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance in compliance with the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 year ended 31 December 2010 save for the following deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive directors (including the independent non-executive directors) of the Company ("Directors") is appointed for a specific term. However, all Directors 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

Shanghai May Flower Plaza
(Property under development of Lai Fung)

years since their last election and the retiring Directors are eligible for re-election. In addition, any person appointed by the board of Directors (the "Board") to fill a casual vacancy or as an additional Director (including a non-executive Director) will hold office only until the next annual general meeting and will then be eligible for re-election. In light of these, the Board considers that such requirements are sufficient to meet the underlying objective of the relevant code provision and, therefore, does not intend to take any remedial steps in this regard.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the year ended 31 December 2010.

(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, the Audit Committee and the Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) The Directors who served the Board during the year under review and up to the date of this Report are named as follows:

Executive Directors

Lam Kin Ngok, Peter	
Lui Siu Tsuen, Richard *(Chief Executive Officer)*	(appointed an executive Director on 1 July 2010 and the Chief Executive Officer on 1 January 2011)
Cheung Wing Sum, Ambrose	
Cheung Sum, Sam	(appointed on 1 March 2011)
Low Kit Leong	(resigned on 9 January 2010)

Non-executive Directors

Low Chee Keong *(Chairman)*	(independent non-executive Director until re-designated as a non-executive Director and appointed Chairman on 1 June 2010)
U Po Chu	
Lo Kwok Kwei, David	
Albert Thomas da Rosa, Junior	(appointed on 19 July 2010)
Leung Churk Yin, Jeanny	(Chief Executive Officer during 2010 and re-designated from an executive Director to a non-executive Director on 1 January 2011)
Lien Jown Jing, Vincent	(retired as a non-executive Director and Chairman on 1 June 2010)

Independent Non-executive Directors ("INEDs")

Tong Ka Wing, Carl *(Deputy Chairman)*
Alfred Donald Yap
Ng Lai Man, Carmen

The brief biographical particulars of the existing Directors are set out in the "Biographical Details of Directors" section of this Annual Report on pages 28 to 34.

(3.3) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.4) Mr. Lam Kin Ngok, Peter, an executive Director, is the son of Madam U Po Chu, a non-executive Director.

Save as disclosed above and in the "Biographical Details of Directors" section of this Annual Report, none of the Directors 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 the chairman and the chief executive officer be separated and not be performed by the same individual.

During the year under review, Mr. Lien Jown Jing, Vincent was the Chairman of the Company until his retirement on 1 June 2010 before he was succeeded by Mr. Low Chee Keong from 1 June 2010; while Miss Leung Churk Yin, Jeanny acted as the Chief Executive Officer of the Company up to 31 December 2010. Mr. Lui Siu Tsuen, Richard was appointed the Chief Executive Officer of the Company with effect from 1 January 2011.

(5) NON-EXECUTIVE DIRECTORS

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

(6) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new Directors will be recruited based on their knowledge, 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. The executive Directors followed this process in the appointment of an executive Director and a non-executive Director during the year.

(7) REMUNERATION COMMITTEE

(7.1) The Board established a Remuneration Committee on 16 September 2005, which currently comprises three INEDs, namely Mr. Tong Ka Wing, Carl (appointed the Chairman with effect from 28 March 2011), Mr. Alfred Donald Yap and Dr. Ng Lai Man, Carmen (appointed as a member on 1 June 2010), a non-executive Director Mr. Low Chee Keong (who held chairmanship until 27 March 2011) and the Chief Executive Officer Mr. Lui Siu Tsuen, Richard (appointed as a member in place of Miss Leung Churk Yin, Jeanny who tendered her resignation as a member, both effective from 25 February 2011).

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

(7.3) The Remuneration Committee held three meetings during the year under review to discuss remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the engagement of members of the senior management and an adviser to the Board on three occasions by way of circular resolutions.

(8) AUDIT COMMITTEE

(8.1) The Board established an Audit Committee on 29 April 1999, which comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Tong Ka Wing, Carl and Mr. Alfred Donald Yap and a non-executive Director Mr. Low Chee Keong during the year and up to the date of this Report.

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

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management experience.

(8.2) The Audit Committee held three meetings during the year under review. It 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.

(9) AUDITORS' REMUNERATION

Messrs. Ernst & Young, the independent auditors of the Company, received audit fees amounting to HK$4,229,000 for the year under review. They also received fees amounting to HK$2,015,000 for providing non-audit services (which included mainly the issue of certain letters of comfort and tax advisory service in relation to the Reorganisation and other taxation services) to the Company and its subsidiaries during the year.

Shanghai May Flower Plaza
(Property under development of Lai Fung)

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

Corporate Governance Report

(11) ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at Board meetings, Audit Committee meetings and Remuneration Committee meetings during the year is set out in the following table:

Meetings Held in 2010

Directors	Board	Audit Committee	Remuneration Committee
Number of Meetings held	10	3	3
	Number of meetings attended/ Number of meetings held		
Executive Directors			
Mr. Lam Kin Ngok, Peter	6/10	–	–
Miss Leung Churk Yin, Jeanny (Note 1)	10/10	–	3/3
Mr. Lui Siu Tsuen, Richard (Note 2)	6/6	–	–
Mr. Cheung Wing Sum, Ambrose	10/10	–	–
Mr. Low Kit Leong (Note 3)	0/0	–	–
Non-executive Directors			
Mr. Low Chee Keong (Note 4)	10/10	3/3	3/3
Madam U Po Chu	0/10	–	–
Mr. Lo Kwok Kwei, David	9/10	–	–
Mr. Albert Thomas da Rosa, Junior (Note 5)	5/6	–	–
Mr. Lien Jown Jing, Vincent (Note 6)	3/3	–	–
Independent Non-executive Directors			
Mr. Tong Ka Wing, Carl	10/10	3/3	3/3
Mr. Alfred Donald Yap	9/10	3/3	3/3
Dr. Ng Lai Man, Carmen (Note 7)	10/10	3/3	2/2

Notes:

(1) Miss Leung Churk Yin, Jeanny was re-designated as a non-executive Director and ceased to be the Chief Executive Officer on 1 January 2011.

(2) Mr. Lui Siu Tsuen, Richard was appointed an executive Director on 1 July 2010 and the Chief Executive Officer on 1 January 2011.

(3) Mr. Low Kit Leong resigned as an executive Director on 9 January 2010.

(4) Mr. Low Chee Keong was re-designated as a non-executive Director and elected Chairman on 1 June 2010.

(5) Mr. Albert Thomas da Rosa, Junior was appointed a non-executive Director on 19 July 2010.

(6) Mr. Lien Jown Jing, Vincent retired as a non-executive Director and Chairman on 1 June 2010.

(7) Dr. Ng Lai Man, Carmen was appointed a member of the Remuneration Committee on 1 June 2010.

(12) INTERNAL CONTROLS

During the year, the Board has engaged BDO Financial Services Limited, an independent professional advisor, 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 covered all material controls, including financial, operational and compliance controls and risk management functions of the Group.

(13) COMMUNICATION WITH SHAREHOLDERS

The Company has established a number of channels to communicate with shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.esun.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and special general meetings provide a forum for shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's branch share registrars in Hong Kong serve the shareholders in respect of share registration, dividend payment and related matters.

Guangzhou Eastern Place Phase V Residential Block (Property under development of Lai Fung)

(14) INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2741 0391 during normal business hours, by fax at (852) 2785 2775 or by e-mail at ir@laisun.com.

Biographical Details of Directors

Executive Directors

Each of the executive directors named below holds directorship in a number of subsidiaries of the Company.

Mr. Lam Kin Ngok, Peter, aged 53, has been an executive director of the Company since October 1996. He is also a deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited ("Lai Fung"), an executive director of Crocodile Garments Limited and the chairman of Media Asia Entertainment Group Limited. Mr. Lam has extensive experience in the property development and investments, hospitality and media and entertainment businesses.

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

The Company does not have a service contract with Mr. Lam but he is subject to retirement by rotation once every three years since his last election and will also be eligible for re-election as a director at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. Mr. Lam is presently entitled to a basic salary and allowance of HK$8,000,000 per annum and such other remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market conditions.

Apart from the aforesaid, Mr. Lam does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Report, Mr. Lam is interested or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, in a total of 450,398,629 shares in the Company. He is also deemed to be interested in 3,265,688,037 shares in Lai Fung as disclosed under the "Directors' Interests" section of the Report of the Directors. Save as aforesaid, Mr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

Mr. Lui Siu Tsuen, Richard, aged 55, was appointed the Chief Executive Officer of the Company on 1 January 2011. He joined the Company in April 2010 as the chief operating officer of the Media and Entertainment Division of the Company, and became an executive director of the Company with effect from 1 July 2010. Mr. Lui was also appointed an executive director of Lai Sun Garment (International) Limited, Lai Sun Development Company Limited and Lai Fung Holdings Limited respectively on 1 January 2011.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited and 21 Holdings Limited, both listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prior to joining the Company, Mr. Lui was a director of Hanny Holdings Limited and Rosedale Hotel Holdings Limited (formerly known as "Wing On Travel (Holdings) Limited"), both listed on the Main Board of the Stock Exchange. He was also a director of PSC Corporation Ltd., a company listed on Singapore Exchange Limited, and a director of MRI Holdings Limited, a company previously listed on the Australian Securities Exchange.

He has over 25 years of experience in property investment, corporate finance and media and entertainment business. Mr. Lui is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants, United Kingdom, and an associate of The Institute of Chartered Accountants in England and Wales. He holds a Master of Business Administration degree from The University of Adelaide in Australia.

The Company has entered into a service contract with Mr. Lui with no fixed term, but such contract is determinable by the Company or him by giving the other party not less than 3 months' notice or payment in lieu thereof. Mr. Lui will be subject to retirement by rotation once every three years since his last election and will also be eligible for re-election as a director at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. Mr. Lui presently receives a basic salary of HK$3,564,000 per annum and is entitled to such other remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market conditions.

Save as his directorships disclosed above, Mr. Lui does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Lui does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

Biographical Details of Directors

Mr. Cheung Wing Sum, Ambrose, aged 60, was appointed an executive director of the Company in September 2005. He is also an executive director of Lai Sun Development Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and the controlling shareholder of the Company. Mr. Cheung is a business executive with a legal and banking background. He has over 30 years' experience in mergers and acquisitions, management and development of hotel, hospitality and property industries. He was previously a partner of Woo, Kwan, Lee & Lo and Philip K H Wong, Kennedy Y H Wong & Co, and an executive director of Sino Land Company Limited. Mr. Cheung is a Justice of the Peace and a recipient of a Medal of Honour awarded by the Government of the Hong Kong Special Administrative Region in 2009; and over the last 30 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 both the Council of the Hong Kong Institute of Certified Public Accountants and the Advisory Committee, School of Hotel and Tourism Management, The Chinese University of Hong Kong.

Mr. Cheung Sum, Sam, aged 47, was appointed an executive director of the Company on 1 March 2011. Mr. Cheung was also appointed an executive director of Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited ("Lai Fung") on the same date. Mr. Cheung was an executive director of Brightoil Petroleum (Holdings) Limited from November 2009 to November 2010. From early June 2007 to early October 2009, he was an executive director of LSD and Lai Fung. Prior to joining LSD and Lai Fung in 2007, Mr. Cheung worked for a number of other listed companies and international investment banks in Hong Kong. He has extensive experience in corporate finance and financial management.

Mr. Cheung graduated from the London School of Economics and Political Science, University of London with a Bachelor of Science (Economics) degree in Accounting and Finance. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

The Company has entered into a service contract with Mr. Cheung with no fixed term but such contract is determinable by the Company or him by giving the other party not less than 3 months' notice or payment in lieu thereof. In accordance with the provisions of the Bye-laws of the Company, he will be subject to retirement by rotation once every three years since his last election and will also be eligible for re-election as a director at future annual general meetings of the Company. Mr. Cheung presently receives a basic salary of HK$1,464,000 per annum and such other remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market conditions.

Apart from the aforesaid, Mr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, except for his personal interest in a principal amount of US$200,000 in the 9.125% Senior Notes due 2014 issued by Lai Fung, he does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

Non-executive Directors

Mr. Low Chee Keong, aged 50, was elected Chairman of the Company and re-designated as a non-executive director of the Company on 1 June 2010. He first joined the Board as an independent non-executive director 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.

Madam U Po Chu, aged 86, 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 and Lai Sun Development Company Limited, and an executive director of Lai Fung Holdings Limited. Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business since the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing and in the late 1980's also became involved in property development and investment. She is the mother of Mr. Lam Kin Ngok, Peter, an executive director of the Company.

The Company does not have a service contract with Madam U but she is subject to retirement by rotation once every three years since her last election and will be eligible for re-election as a director at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. Madam U currently does not receive any salary from the Company but she is entitled to such remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, her duties and responsibilities and prevailing market conditions.

Apart from the aforesaid, Madam U does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Madam U did not hold any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

Mr. Lo Kwok Kwei, David, aged 51, was appointed a non-executive director of the Company in March 2009. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984 and has been a member of The Law Society of Hong Kong since 1987. He has been practising as a solicitor in Hong Kong for over 20 years and is a partner of a law firm David Lo & Partners. He is an independent non-executive director of Man Yue International Holdings Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Biographical Details of Directors

Mr. Albert Thomas da Rosa, Junior, aged 57, was appointed a non-executive director of the Company on 19 July 2010. He is a practising solicitor and a partner of Messrs. Cheung, Tong & Rosa, Solicitors, Hong Kong. He holds both Bachelor's and Master's of Laws Degrees from The University of Hong Kong. He qualified as a solicitor of the Courts of Hong Kong in 1980. He also qualified as a solicitor of the Supreme Court of England and Wales, a barrister and solicitor of the Supreme Court of the Australian Capital Territory, a registered practitioner of the High Court of Australia and barrister of Federal Courts of Australia and an advocate and solicitor of the Supreme Court of Singapore. Mr. da Rosa also qualified as an Accredited Mediator of Centre for Effective Dispute Resolution (U.K.) and The Law Society of Hong Kong, and a panel member of mediators of the Hong Kong Institute of Arbitrators. He is a Fellow of the Chartered Institute of Arbitrators, the Hong Kong Institute of Arbitrators and The Hong Kong Institute of Directors. He is also a member of the Hong Kong Securities Institute and the Society of Hong Kong Registered Financial Planners. He is chairman of the Appeal Tribunal (Buildings) Panel, as well as deputy chairman and a member of the Board of Review (Inland Revenue) Panel in Hong Kong. Mr. da Rosa has been appointed by the Chief Justice of Hong Kong as a member and one of the two deputy convenors of the Solicitors Disciplinary Tribunal Panel. He also served as a member of the Academic Accreditation Advisory Committee of the Securities and Futures Commission of Hong Kong from February 2003 to March 2009.

Mr. da Rosa is currently an independent non-executive director of HKC (Holdings) Limited, a non-executive director of TCL Multimedia Technology Holdings Limited and the company secretary of Y.T. Realty Group Limited and Yugang International Limited, all being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. da Rosa had been a non-executive director of Innovative International (Holdings) Limited ("Innovative" subsequently renamed as Thunder Sky Battery Limited; Stock Code: 729), a company incorporated in Bermuda and listed on the Stock Exchange, until his retirement at the conclusion of its annual general meeting held on 3 September 2001. Innovative was then an investment holding company and its subsidiaries were principally engaged in the design, manufacturing and marketing of antennae and car-related consumer products as well as strategic development and investment. Innovative entered into a debt restructuring agreement in July 2001 for an amount of debt of approximately HK$660 million. Receivers and managers of all the properties and assets of Innovative were appointed in October 2001 pursuant to the terms of composite guarantee and debenture granted to its secured creditors. Thereafter, Innovative entered into schemes of arrangement for restructuring in both Hong Kong and Bermuda. The restructuring was completed on 20 December 2002.

Mr. da Rosa does not have a service contract with the Company but will be subject to retirement by rotation once every three years since his last election and will also be eligible for re-election as a director at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. Mr. da Rosa currently receives an annual basic director's fee of HK$240,000 and other allowances (where applicable), and is entitled to such remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market conditions.

Mr. da Rosa does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. da Rosa does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

Miss Leung Churk Yin, Jeanny, aged 46, was re-designated as a non-executive director of the Company on 1 January 2011. She was an executive director and the chief executive officer of the Company from 1 September 2007 to 31 December 2010. She was also an executive director of Lai Sun Garment (International) Limited ("LSG"), Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited ("Lai Fung") from September 2007 to December 2010. On 1 January 2011, Miss Leung was re-designated as a non-executive director of LSG and resigned as executive directors of LSD and Lai Fung respectively. She is also an independent non-executive director of Top Form International Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Miss Leung has over 20 years of corporate finance experience in Hong Kong, the Mainland of China and Taiwan.

The Company has entered into a service contract with Miss Leung with no fixed term, but such contract is determinable by the Company or her by giving the other party not less than 3 months' notice or payment in lieu thereof. She is subject to retirement by rotation once every three years since her last election and will also be eligible for re-election as a director at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. Miss Leung is entitled to such emoluments and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, her duties and responsibilities and prevailing market conditions. The amount of her emoluments is set out in note 10 to the financial statements.

Save as aforesaid, Miss Leung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, except for an option granted under the share option scheme of the Company to subscribe for 1,267,810 shares in the Company, Miss Leung does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

Mr. Lien Jown Jing, Vincent, aged 50, was the Chairman of the Company from December 1999 to May 2010. He retired as a non-executive director and Chairman of the Company with effect from 1 June 2010 after having served on the Board for close to 12 years. He first joined the Board as an independent non-executive director in August 1998, and was re-designated the non-executive chairman of the Company in May 2007.

Independent Non-executive Directors

Mr. Tong Ka Wing, Carl, aged 60, was appointed an independent non-executive director of the Company in September 2004 and the Deputy Chairman of the Company in April 2009. He 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 a director of Creative Master Bermuda Limited, a company listed on the Main Board of 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.

Mr. Alfred Donald Yap, J.P., aged 72, 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. He was a former president of The Law Society of Hong Kong and past president of The Law Association for Asia and the Pacific (LAWASIA). Mr. Yap was also a former Hong Kong Affairs Adviser appointed by the Chinese Government. Mr. Yap is an independent non-executive director of Hung Hing Printing Group Limited and Wong's International (Holdings) Limited, which are both listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Dr. Ng Lai Man, Carmen, aged 46, was appointed an independent non-executive director of the Company in March 2009. She has over 20 years of experience in professional accounting services and corporate finance in Hong Kong, the Mainland of China, Singapore, the United States, Canada and Europe. Dr. Ng is a practising certified public accountant in Hong Kong and currently is the director of Cosmos Certified Public Accountants Limited in Hong Kong. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Certified Chartered Accountants in the United Kingdom, and an associate member of The Institute of Chartered Accountants in England and Wales. She received her Doctor of Business Administration from The Hong Kong Polytechnic University, Degree of Juris Doctor from The Chinese University of Hong Kong, 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.

Note: With effect from 30 September 2010 after the completion of the reorganisation of ownership structure of the Company, LSD and Lai Fung as set out in the Company's circular dated 30 August 2010, LSG has become a substantial shareholder of LSD while LSD has become a substantial shareholder of the Company and Lai Fung has become an associated company of the Company. The issued shares of LSG, LSD and Lai Fung are listed and traded on the Stock Exchange.

Report of the Directors

The directors of the Company ("Directors") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Details of the profit of the Group for the year ended 31 December 2010 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 52 to 163.

No interim dividend was paid or declared in respect of the year ended 31 December 2010 (2009: Nil).

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010 (2009: Nil) for the shareholders' approval at the forthcoming Annual General Meeting ("AGM").

SHARE CAPITAL

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

DIRECTORS

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

Executive Directors

Lam Kin Ngok, Peter	
Lui Siu Tsuen, Richard *(Chief Executive Officer)*	(appointed an executive Director on 1 July 2010 and the Chief Executive Officer on 1 January 2011)
Cheung Wing Sum, Ambrose	
Cheung Sum, Sam	(appointed on 1 March 2011)
Low Kit Leong	(resigned on 9 January 2010)

Non-executive Directors

Low Chee Keong *(Chairman)*	(independent non-executive Director until re-designated as a non-executive Director and appointed Chairman on 1 June 2010)
U Po Chu	
Lo Kwok Kwei, David	
Albert Thomas da Rosa, Junior	(appointed on 19 July 2010)
Leung Churk Yin, Jeanny	(Chief Executive Officer during 2010 and re-designated from an executive Director to a non-executive Director on 1 January 2011)
Lien Jown Jing, Vincent	(retired as a non-executive Director and Chairman on 1 June 2010)

Independent Non-executive Directors

Tong Ka Wing, Carl *(Deputy Chairman)*
Alfred Donald Yap
Ng Lai Man, Carmen

Mr. Lui Siu Tsuen, Richard and Mr. Cheung Sum, Sam (appointed executive Directors on 1 July 2010 and 1 March 2011 respectively) and Mr. Albert Thomas da Rosa, Junior (appointed as a non-executive Director on 19 July 2010) will retire at the forthcoming AGM in accordance with Bye-law 86(2) of the Company's Bye-laws (the "Bye-laws"). Being eligible, they offer themselves for re-election.

In accordance with Bye-law 87 of the Bye-laws, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Miss Leung Churk Yin, Jeanny will retire by rotation at the forthcoming AGM. Being eligible, they offer themselves for re-election.

Details of the aforesaid Directors proposed for re-election required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are set out in the "Biographical Details of Directors" section of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out on pages 28 to 34 of this Annual Report. Other particulars of same are contained elsewhere in this Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 5 to the financial statements, no Director had a material interest, whether 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. Media Asia Group Lease

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

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

After the expiry of the above tenancy, Media Asia entered into a further offer letter (the "Further Offer Letter") with Gilroy on 6 October 2010 to lease the Premises for another term of 3 years from 1 October 2010 to 30 September 2013 at a monthly rental of HK$202,500 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings).

As at the date of signing of the Further Offer Letter, LSD's shareholding interest in the Company was 36.08%, rendering the entering into of the Further Offer Letter a continuing connected transaction for the Company under Chapter 14A of the Listing Rules for the reason stated above.

2. eSun Holdings Limited Lease

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

LSD held a 36.08% shareholding interest in the Company as at the date of entering into the 2009 Offer Letter and Gilroy, being LSD's wholly-owned subsidiary was, therefore, an associate of a connected person of the Company under the Listing Rules; and the entering into of the 2009 Offer Letter therefore constituted a continuing connected transaction for the Company under the Listing Rules.

The aforesaid continuing connected transactions listed under items 1 and 2 above have been reviewed by the independent non-executive Directors 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.

Ernst & Young, the Company's independent auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with relevant clauses of Rule 14A.38 of the Listing Rules.

CONNECTED TRANSACTION

Reorganisation of the ownership structure of the Company, Lai Fung Holdings Limited and Lai Sun Development Company Limited

On 26 July 2010, the Company announced that it had entered into a conditional shares swap agreement (the "Shares Swap Agreement") with Lai Sun Garment (International) Limited ("LSG") in connection with the reorganisation of the ownership structure ("Reorganisation") of the Company, Lai Fung Holdings Limited ("Lai Fung") and LSD. Pursuant to the Shares Swap Agreement:

(a) LSG agreed to transfer its direct and indirect interests in 3,265,688,037 issued shares in the capital of Lai Fung, representing approximately 40.58% of the issued share capital of Lai Fung and LSG's entire shareholding interest in Lai Fung, for an aggregate consideration of approximately HK$3,883.2 million, to be settled by (i) the transfer to LSG of the Company's entire shareholding interest in LSD; and (ii) as to the balance of approximately HK$178.4 million by the payment of cash, of which HK$100 million to be paid on Completion (as defined in the Shares Swap Agreement) and approximately HK$78.4 million to be paid six months after Completion (the "Lai Fung Transaction"); and

(b) the Company agreed to procure the transfer of its indirect interest in 5,200,000,000 issued shares in the capital of LSD, representing approximately 36.72% of the issued share capital of LSD and the Company's entire shareholding interest in LSD, for an aggregate consideration of approximately HK$3,704.8 million, to be settled by the transfer of LSG's entire shareholding interest in Lai Fung (the "LSD Transaction").

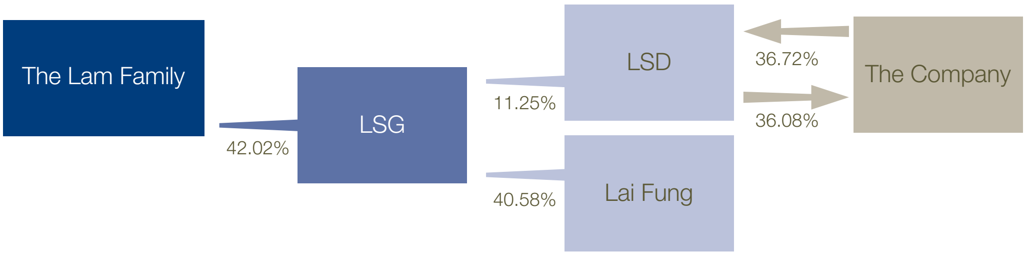
The Lai Fung Transaction constituted a very substantial acquisition and a connected transaction for the Company under the Listing Rules on the basis that (i) one or more applicable percentage ratios (as defined in the Listing Rules) was above 100%; and (ii) Mr. Lam Kin Ngok, Peter ("Mr. Lam") (together with his associates) owned a controlling shareholding interest (approximately 42.02% as at the date of entering into the transaction) in LSG, making LSG his associate and a connected person of the Company.

The LSD Transaction constituted a very substantial disposal and a connected transaction for the Company under the Listing Rules on the basis that (i) one or more of the applicable percentage ratios was above 75%; and (ii) as noted above, Mr. Lam (together with his associates) owned a controlling shareholding interest in LSG, making LSG his associate and a connected person of the Company. Mr. Lam is also an executive director of each of LSG, LSD, the Company and Lai Fung.

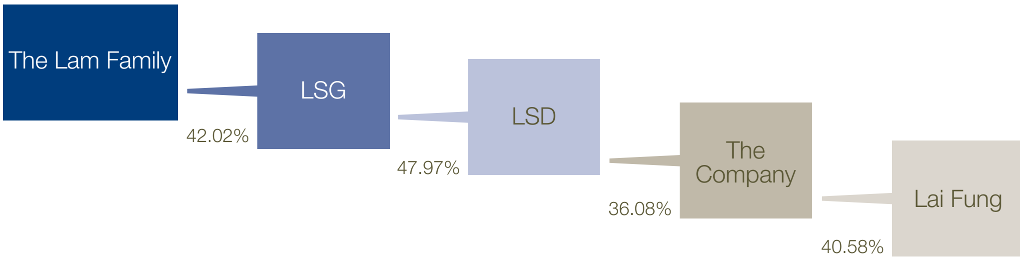
The Lai Fung Transaction, the LSD Transaction and the transactions contemplated under the Shares Swap Agreement, among others, were approved by the Independent Shareholders (as defined in the circular of the Company dated 30 August 2010) at the special general meeting of the Company held on 20 September 2010. Completion of the Shares Swap Agreement took place on 30 September 2010 when all conditions precedent under the Shares Swap Agreement were fulfilled on the same date.

Upon Completion, the Company has become the controlling shareholder of Lai Fung with a well-established portfolio of property interests in the Mainland of China and shared the operating results of Lai Fung which became an associate (as that expression is used in the context of the Hong Kong Financial Reporting Standards) of the Company. In addition, as a result of the LSD Transaction, the Company and LSD dismantled the cross-shareholding structure that had existed since 2004, and enabled the entire Lai Sun group to simplify the ownership structure of the Company (and LSD) and eliminate the circular effect of the accounting treatment of the cross-shareholdings. The simplified shareholding structure would provide greater clarity to shareholders of the respective companies and the market with regard to the core business of each of the companies, and would potentially enhance investors' interest in investing in LSG, LSD, the Company and Lai Fung, thereby improving the liquidity of the shares of the respective companies.

The following reflects the simplified shareholding structure of the relevant companies before the Reorganisation.



The following reflects the simplified shareholding structure of the relevant companies after the Reorganisation.



DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and/or up to the date of this Report, the following Directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Mr. Lam Kin Ngok, Peter, Mr. Cheung Wing Sum, Ambrose, Mr. Cheung Sum, Sam, Madam U Po Chu and Miss Leung Churk Yin, Jeanny (together the "Interested Directors") held shareholding interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong and the Mainland of China.

However, the board of Directors of the Company (the "Board") is independent from the boards of directors of the aforesaid companies and none of the above Directors can control the Board. Further, the Interested Directors are fully aware of, and have been discharging, their fiduciary duty to the Company and have acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

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	Date of grant of share options (Note 1)	Number of share comprised in options: At 1 January 2010	Granted during the year	Lapsed during the year	At 31 December 2010	Exercise period of share options	Exercise price of share options HK$ per share (Note 2)
Directors							
Lam Kin Ngok, Peter (Note 3)	24/02/2006	1,889,507	–	–	1,889,507	01/01/2010 to 31/12/2010	4.68
Cheung Wing Sum, Ambrose (Note 3)	24/02/2006	1,889,507	–	–	1,889,507	01/01/2010 to 31/12/2010	4.68
Leung Churk Yin, Jeanny (Note 3)	20/02/2008	1,267,810	–	–	1,267,810	01/01/2010 to 31/12/2010	6.18
	20/02/2008	1,267,810	–	–	1,267,810	01/01/2011 to 31/12/2011	6.52
		2,535,620	–	–	2,535,620		
Low Kit Leong (Note 4)	20/02/2008	1,622,797	–	(1,622,797)	–	31/05/2009 to 30/05/2010	5.83
	20/02/2008	1,622,797	–	(1,622,797)	–	31/05/2010 to 30/05/2011	6.18
		3,245,594	–	(3,245,594)	–		
Total		9,560,228	–	(3,245,594)	6,314,634		
Other employees							
In aggregate (Note 5)	14/02/2006	1,889,507	–	–	1,889,507	01/01/2010 to 31/12/2010	5.42
	24/02/2006	1,889,507	–	–	1,889,507	01/01/2010 to 31/12/2010	4.68
	22/04/2010	–	2,480,000	–	2,480,000	01/01/2011 to 31/12/2013	1.40
	22/04/2010	–	2,480,000	–	2,480,000	01/01/2012 to 31/12/2013	1.70
	22/04/2010	–	2,480,000	–	2,480,000	01/01/2013 to 31/12/2013	1.90
Total		3,779,014	7,440,000	–	11,219,014		
Grand Total		13,339,242	7,440,000	(3,245,594)	17,533,648		

Notes:

(1) *The vesting period of the share options is from the date of grant until the date of commencement of the exercise period.*

(2) *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.*

(3) *Options comprising a total of 5,046,824 shares lapsed on expiration of the exercise period from 1 January 2010 to 31 December 2010 in accordance with the terms of the Scheme.*

(4) *An option comprising in part 1,622,797 shares with the exercise period from 31 May 2009 to 30 May 2010 and in part 1,622,797 shares with the exercise period from 31 May 2010 to 30 May 2011 lapsed on 9 January 2010 on cessation of employment of the Participant in accordance with the terms of the Scheme.*

(5) *Share options comprising a total of 3,779,014 shares lapsed on expiration of the exercise period from 1 January 2010 to 31 December 2010 in accordance with the terms of the Scheme.*

(6) *The closing price of the Company's shares immediately before the date of grant of the share options on 22 April 2010 was HK$1.02 per share.*

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

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

DIRECTORS' INTERESTS

The Directors and chief executive of the Company who held office on 31 December 2010 and their respective associates as defined in the Listing Rules were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (the "Register"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company:

(1) The Company

Name of Director	Capacity	Long position in the shares and underlying shares of the Company: Number of shares of HK$0.50 each held – Personal Interests	Family Interests	Corporate Interests	Share options – Personal Interests	Total	Percentage of issued share capital
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporation	2,794,443	Nil	447,604,186 *(Note 1)*	1,889,507 *(Note 2)*	452,288,136	36.45%
Cheung Wing Sum, Ambrose	Beneficial owner	2,194,443	Nil	Nil	1,889,507 *(Note 2)*	4,083,950	0.33%
Leung Churk Yin, Jeanny	Beneficial owner	Nil	Nil	Nil	2,535,620 *(Note 2)*	2,535,620	0.20%

Notes:

(1) Mr. Lam Kin Ngok, Peter ("Mr. Lam") was deemed to be interested in 447,604,186 shares (approximately 36.08%) owned by Lai Sun Development Company Limited ("LSD") in the issued share capital of the Company by virtue of his personal and deemed shareholding interests in approximately 37.69% in Lai Sun Garment (International) Limited ("LSG") which in turn was a controlling shareholder of LSD.

On 30 September 2010, upon completion of the reorganisation of the ownership structure of the Company, Lai Fung Holdings Limited ("Lai Fung") and LSD ("Reorganisation", details of which were set out in the Company's circular dated 30 August 2010), LSG's shareholding interest in LSD (a controlling shareholder of the Company) increased from approximately 11.25% to approximately 47.97% and became a controlling shareholder of LSD.

(2) Options granted to the above Directors under the share option scheme of the Company are shown in the section "Share Option Scheme" of this Report.

(2) Associated Corporation

Lai Fung Holdings Limited ("Lai Fung") – associated company of the Company

		Long position in the shares of Lai Fung				
		Number of shares of HK$0.10 each held				Percentage of issued share capital
Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Total	
Lam Kin Ngok, Peter	Owner of controlled corporation	Nil	Nil	3,265,688,037 (Note)	3,265,688,037	40.58%

Note: Upon completion of the Reorganisation on 30 September 2010, the Company was indirectly interested in 3,265,688,037 shares (approximately 40.58%) in the issued share capital of Lai Fung, thereby making Lai Fung an associated company of the Company. Mr. Lam was deemed to be interested in such shares by virtue of his personal and deemed shareholding interests in approximately 36.45% in the Company. Please refer to Note 1 of paragraph (1) above in this "Directors' Interests" section for further details.

Save as disclosed above, as at 31 December 2010, 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 and/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section above and in note 39 to the financial statements of this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a Director 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 2010, so far as it is known by or otherwise notified by any director or the chief executive of the Company, the particulars of the corporations or persons (other than a director or the chief executive of the Company) who had 5% or more interests in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

	Long position in the shares of the Company			
Name	Capacity	Nature	Number of Ordinary Shares	Percentage of Issued Share Capital
Lai Sun Development Company Limited *(Note 1)*	Owner of controlled corporation	Corporate Interest	447,604,186	36.08% *(Note 3)*
Lai Sun Garment (International) Limited *(Note 2)*	Owner of controlled corporation	Corporate Interest	447,604,186	36.08% *(Note 3)*

Notes:

(1) *As at 31 December 2010, Mr. Lam, Miss Leung Churk Yin, Jeanny and Mr. Cheung Wing Sum, Ambrose, all executive Directors, were also executive directors of LSD. Madam U Po Chu, a non-executive Director, was also a non-executive director of LSD.*

(2) *As at 31 December 2010, Mr. Lam and Miss Leung Churk Yin, Jeanny, both executive Directors, were also executive directors of LSG. Madam U Po Chu, a non-executive Director, was also a non-executive director of LSG.*

(3) *Please refer to Note 1 of paragraph (1) above in this "Directors' Interests" section for further details.*

Save as disclosed above, the Directors are not aware of any other corporation or person (other than a director or the chief executive of the Company) who, as at 31 December 2010, had the Voting Entitlements or any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has complied with the sufficiency of public float requirement under the Listing Rules during the year ended 31 December 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year ended 31 December 2010, the Company did not redeem any of its listed shares nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed shares.

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 its existing shareholders.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) (the "Act"), amounted to HK$5,637,041,000, which comprises retained profits of HK$563,908,000, share premium of HK$4,227,678,000 and contributed surplus of HK$845,455,000.

Under the Act, the amount in the Company's share premium account may be distributed in the form of fully paid bonus shares.

Further, under the Act, the Company's contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate amount of its liabilities and its issued share capital and share premium account.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 37% of the Group's total purchases for the year and purchases from the Group's largest supplier included therein amounted to 9%.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the Financial Summary of this Annual Report on page 16.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 20 to 27 of this Annual Report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITORS

Ernst & Young retire at the forthcoming AGM and a resolution for their reappointment as independent auditors of the Company for the ensuing year will be put to the forthcoming 2011 AGM for Shareholders' approval.

ON BEHALF OF THE BOARD

Low Chee Keong
Chairman

Hong Kong
29 March 2011

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

The purchase, sale and transfer of shares registered in the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller (or transferee and transferor) is 0.1% of the consideration or, if greater, the fair value of the shares being bought/sold or transferred (rounded up to the nearest HK$'000). In addition, a fixed duty of HK$5.00 is currently payable on an instrument of transfer of shares.

Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Bermuda

Under present Bermuda law, transfers and other dispositions of shares in the Company are exempt from Bermuda stamp duty.

(c) Consultation with professional advisers

Intending holders of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

KEY DATES

Shareholders and investors are advised to note the following key dates of the Company and take appropriate action:

	Year 2011
2010 Annual results announcement	29 March
Last date for lodging transfer documents with Hong Kong branch share registrars to ascertain entitlement to attending and voting at the 2011 annual general meeting ("AGM")	24 May
AGM	27 May

Financial Section

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of eSun Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 163, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst and Young
Certified Public Accountants
Hong Kong

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

29 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
TURNOVER	6	**459,020**	359,455
Cost of sales	7	**(348,684)**	(237,513)
Gross profit		**110,336**	121,942
Other revenue	6	**18,077**	24,461
Marketing expenses		**(64,124)**	(92,274)
Administrative expenses		**(234,780)**	(233,421)
Other operating gains		**30,010**	16,060
Other operating expenses		**(103,232)**	(140,453)
Fair value loss on a put option	36	**(25,356)**	(118,328)
LOSS FROM OPERATING ACTIVITIES		**(269,069)**	(422,013)
Finance costs	8	**(7,226)**	(6,758)
Gain on shares swap transactions	9	**610,007**	–
Share of profits and losses of jointly-controlled entities		**(31,353)**	(43,313)
Share of profits and losses of associates	21	**541,685**	521,276
PROFIT BEFORE TAX	7	**844,044**	49,192
Income tax expense	11	**(1,267)**	(154)
PROFIT FOR THE YEAR		**842,777**	49,038
Attributable to:			
Owners of the parent	12	**853,278**	68,553
Non-controlling interests		**(10,501)**	(19,515)
		842,777	49,038
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic and diluted	13	**HK$0.69**	HK$0.06

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR		**842,777**	49,038
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange realignment on translation of foreign operations		**2,861**	(248)
Fair value gain of an available-for-sale investment		**150**	25,355
Release of investment revaluation reserve upon realisation of an available-for-sale investment	7	**(25,505)**	–
Share of other comprehensive income of jointly-controlled entities		**251**	6
Share of other comprehensive income of associates		**143,947**	72,071
Release of reserves upon disposal of an associate		**(282,717)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(161,013)**	97,184
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**681,764**	146,222
Attributable to:			
Owners of the parent		**692,265**	165,737
Non-controlling interests		**(10,501)**	(19,515)
		681,764	146,222

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**80,032**	84,761
Goodwill	15	**–**	–
Film rights	17	**60,624**	72,568
Film products	18	**86,765**	68,538
Music catalogs	19	**92,530**	115,249
Investments in jointly-controlled entities	20	**1,037,169**	1,044,869
Investments in associates	21	**4,345,306**	3,152,538
Available-for-sale investments	22	**77,946**	90,338
Deposits, prepayments and other receivables	29	**99,747**	102,362
Deferred tax assets	37	**329**	423
Total non-current assets		**5,880,448**	4,731,646
CURRENT ASSETS			
Due from a jointly-controlled entity	20	**513**	1,844
Loan receivable	23	**11,000**	11,000
Inventories	24	**5,317**	3,769
Equity investments at fair value through profit or loss	25	**2,083**	2,809
Held-to-maturity debt investments	26	**51,561**	120,724
Films under production	27	**91,657**	130,823
Debtors	28	**122,736**	89,096
Deposits, prepayments and other receivables	29	**110,163**	103,286
Pledged deposit	30	**12,960**	12,600
Cash and cash equivalents	30	**1,089,144**	1,341,437
Total current assets		**1,497,134**	1,817,388
CURRENT LIABILITIES			
Creditors and accruals	31	**540,999**	411,683
Tax payable		**3,555**	2,434
Finance lease payables	32	**130**	92
Promissory note	33	**–**	32,319
Interest-bearing bank borrowings	34	**11,820**	11,418
Interest-bearing other borrowings	35	**–**	155,673
Put option	36	**143,684**	–
Total current liabilities		**700,188**	613,619
NET CURRENT ASSETS		**796,946**	1,203,769
TOTAL ASSETS LESS CURRENT LIABILITIES – page 55		**6,677,394**	5,935,415

Consolidated Statement of Financial Position

31 December 2010

	Notes	**2010 HK$'000**	2009 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES – page 54		**6,677,394**	5,935,415
NON-CURRENT LIABILITIES			
Finance lease payables	32	**(314)**	(196)
Interest-bearing other borrowings	35	**(161,321)**	–
Put option	36	**–**	(118,328)
Total non-current liabilities		**(161,635)**	(118,524)
Net assets		**6,515,759**	5,816,891
EQUITY			
Equity attributable to owners of the parent			
Issued capital	38	**620,366**	620,366
Reserves	40	**5,578,393**	4,870,296
		6,198,759	5,490,662
Non-controlling interests		**317,000**	326,229
Total equity		**6,515,759**	5,816,891

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

Consolidated Summary Statement of Changes in Equity

Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Equity attributable to owners of the parent at 1 January		**5,490,662**	5,321,231
Profit for the year		**853,278**	68,553
Other comprehensive income for the year:			
Exchange realignment		**2,861**	(248)
Fair value gain of an available-for-sale investment		**150**	25,355
Release of investment revaluation reserve upon realisation of an available-for-sale investment		**(25,505)**	–
Share of other comprehensive income of jointly-controlled entities		**251**	6
Share of other comprehensive income of associates		**143,947**	72,071
Release of reserves upon disposal of an associate		**(282,717)**	–
Total comprehensive income for the year		**692,265**	165,737
Equity-settled share option arrangements	39	**2,078**	3,694
Disposal of partial interests in a subsidiary to non-controlling interests		**13,754**	–
Equity attributable to owners of the parent at 31 December		**6,198,759**	5,490,662
Non-controlling interests at 1 January		**326,229**	345,782
Loss for the year and total comprehensive loss for the year		**(10,501)**	(19,515)
Shareholder loan/(repayment of shareholder loan) from a non-controlling shareholder to a non-wholly-owned subsidiary		**26**	(38)
Disposal of partial interests in a subsidiary to non-controlling interests		**1,246**	–
Non-controlling interests at 31 December		**317,000**	326,229
Total equity at 31 December		**6,515,759**	5,816,891

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**844,044**	49,192
Adjustments for:			
Finance costs	8	**7,226**	6,758
Gain on shares swap transactions	9	**(610,007)**	–
Share of profits and losses of jointly-controlled entities		**31,353**	43,313
Share of profits and losses of associates		**(541,685)**	(521,276)
Interest income	6	**(5,215)**	(11,275)
Distribution income from unlisted available-for-sale investments	6	**(3,100)**	(4,873)
Dividend income from listed investments	6	**(4)**	(237)
Fair value losses/(gains) on realised equity investments at fair value through profit or loss	7	**56**	(13,154)
Fair value losses on unrealised equity investments at fair value through profit or loss	7	**197**	433
Fair value gain of an available-for-sale investment (transfer from investment revaluation reserve upon realisation of the available-for-sale investment)	7	**(25,505)**	–
Fair value loss on a put option	36	**25,356**	118,328
Depreciation	7	**8,678**	7,956
Amortisation of film rights	7	**12,604**	5,526
Amortisation of film products	7	**93,463**	77,626
Amortisation of music catalogs	7	**4,825**	4,507
Impairment of film rights	7	**3,033**	39,628
Impairment of film products	7	**10,065**	–
Impairment of music catalogs	7	**33,094**	–
Impairment of films under production	7	**1,059**	779
Impairment of goodwill arising from acquisition of subsidiaries	7	**–**	35,202
Loss on disposal of items of property, plant and equipment	7	**98**	65
Loss on disposal of an available-for-sale investment	7	**–**	234
Write-off of bad debts	7	**129**	3
Recovery of bad debts	7	**(168)**	(168)
Provision for doubtful debts	7	**116**	71
Provision for advances to artistes	7	**–**	597
Reversal of provision for advances to artistes	7	**(2,345)**	(273)
Reversal of provision for doubtful debts	7	**–**	(2)
Reversal of provision for other receivables	7	**(500)**	(182)
Provision for/(reversal of provision for) inventories	7	**(1,374)**	889
Equity-settled share option expense	7	**2,078**	3,694
		(112,429)	(156,639)
Decrease/(increase) in inventories		**(174)**	35
Additions of films under production	27	**(81,928)**	(122,427)
Increase in debtors		**(33,756)**	(24,721)
Decrease/(increase) in deposits, prepayments and other receivables		**(14,858)**	48,219
Increase in creditors and accruals		**49,239**	11,130
Additions of film products	18	**(1,720)**	(1,195)
Cash used in operations - page 58		**(195,626)**	(245,598)

Consolidated Statement of Cash Flows
Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Cash used in operations - page 57		**(195,626)**	(245,598)
Overseas taxes paid		**(52)**	(589)
Net cash flows used in operating activities		**(195,678)**	(246,187)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,720**	3,918
Additions to film rights	17	**(3,693)**	(6,788)
Proceeds from redemption of held-to-maturity debt investments		**121,559**	125,452
Proceeds from the sale of equity investments at fair value through profit or loss		**473**	43,406
Distribution income from unlisted available-for-sale investments		**3,100**	4,873
Dividend income from listed investments		**4**	237
Proceeds from disposal of items of property, plant and equipment		**87**	327
Purchases of items of property, plant and equipment		**(3,816)**	(11,537)
Purchases of available-for-sale investments		**(16,858)**	(973)
Purchases of held-to-maturity debt investments		**(50,900)**	(241,578)
Purchases of equity investments at fair value through profit or loss		**–**	(23,902)
Proceeds from disposal of an available-for-sale investment		**29,400**	762
Capital injection to a jointly-controlled entity		**–**	(4,538)
Advances to jointly-controlled entities		**(25,241)**	(9,105)
Repayment from jointly-controlled entities		**3,170**	4,033
Advances to associates		**(1,505)**	(1,936)
Repayment from associates		**15**	525
Payment for shares swap transactions	9	**(100,000)**	–
Repayment of loan receivables		**–**	73,260
Increase in pledged deposit		**(360)**	(12,600)
Net cash flows used in investing activities		**(40,845)**	(56,164)

Consolidated Statement of Cash Flows
Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**–**	11,361
Proceeds from disposal of partial interests in a subsidiary to non-controlling interests		**15,000**	–
Repayment of shareholder loan from a non-controlling interest		**–**	(38)
Shareholder loan from a non-controlling interest		**26**	–
Repayment of promissory notes		**(33,366)**	(20,000)
Capital element of finance lease rental payments		**(130)**	(261)
Interest paid		**(487)**	(5)
Net cash flows used in financing activities		**(18,957)**	(8,943)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(255,480)**	(311,294)
Cash and cash equivalents at beginning of year		**1,341,437**	1,652,980
Effect of foreign exchange rate changes, net		**3,187**	(249)
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	**1,089,144**	1,341,437
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	30	**1,089,144**	1,341,437

Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**477**	642
Investments in subsidiaries	16	**5,707,107**	3,126,554
Deposits, prepayments and other receivables	29	**10,658**	9,858
Total non-current assets		**5,718,242**	3,137,054
CURRENT ASSETS			
Deposits, prepayments and other receivables	29	**708**	701
Cash and cash equivalents	30	**786,536**	1,003,558
Total current assets		**787,244**	1,004,259
CURRENT LIABILITIES			
Creditors and accruals	31	**84,131**	1,991
Promissory note	33	**–**	32,319
Interest-bearing other borrowings	35	**–**	155,673
Total current liabilities		**84,131**	189,983
NET CURRENT ASSETS		**703,113**	814,276
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,421,355**	3,951,330
NON-CURRENT LIABILITY			
Interest-bearing other borrowings	35	**(161,321)**	–
Net assets		**6,260,034**	3,951,330
EQUITY			
Issued capital	38	**620,366**	620,366
Reserves	40	**5,639,668**	3,330,964
Total equity		**6,260,034**	3,951,330

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

Notes to Financial Statements

31 December 2010

1. CORPORATE INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

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

Notes to Financial Statements
31 December 2010

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Other than as further explained below regarding the impact of HKAS 27 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

During the year ended 31 December 2010, the Group disposed of an approximately 15% equity interest in a subsidiary to non-controlling interests without loss of control of that subsidiary by the Group. The impact of the change in accounting policy is that the excess of the consideration received over the carrying amount of the interests disposed of at an amount of HK$13,754,000 has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in profit for the year of HK$13,754,000.

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in Improvements to HKFRSs 2009. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendment to HKAS 12 *Income Taxes: Deferred tax – Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

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

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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 investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 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 or 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 investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments 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 investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

There was a crossholding between the Group and Lai Sun Development Company Limited ("LSD"), a former associate of the Group. Therefore, the Group's share of the results of LSD for the year 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.

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31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

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.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

Property, plant and equipment and depreciation

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Music catalogs

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Film rights, film products and films under production

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

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

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

Films under production include 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.

Investments and other financial assets

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Held-to-maturity investments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

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

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

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31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Fair value of financial instruments

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

Inventories

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, including prepaid land lease payments under 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;

(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;

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

(i) advertising agency, artiste management fee and consultancy service 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 and distribution income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black-Scholes model, further details of which are given in note 39 to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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

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

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

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

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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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Dividends

Final dividends proposed by the board of directors of the Company are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's Memorandum of Association and Bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

– where the deferred tax liability arises from initial recognition of goodwill or 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, 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, associates and 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Impairment of non-financial 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.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Accounting for film rights and film products

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

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

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations. The carrying amounts of film rights and film products at 31 December 2010 were HK$60,624,000 (2009: HK$72,568,000) and HK$86,765,000 (2009: HK$68,538,000), respectively.

Accounting for music catalogs

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

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

Based on this information, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projection or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations. The carrying amount of music catalogs at 31 December 2010 was HK$92,530,000 (2009: HK$115,249,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of loans and receivables

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

Fair value of financial instruments

Where fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The Group did not have unlisted equity investment stated at fair value as at 31 December 2010 and the fair value of unlisted equity investment at 31 December 2009 was HK$29,250,000.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

There were no material intersegmental sales and transfers during the year (2009: nil).

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4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue/results:

	Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Segment revenue:								
Sales to external customers	**261,332**	154,952	**151,232**	161,464	**46,456**	43,039	**459,020**	359,455
Other revenue	**3,936**	2,079	**5,034**	4,918	**620**	65	**9,590**	7,062
Total	**265,268**	157,031	**156,266**	166,382	**47,076**	43,104	**468,610**	366,517
Segment results	**(46,273)**	(27,674)	**(46,909)**	(105,673)	**(158,765)**	(200,224)	**(251,947)**	(333,571)
Unallocated interest and other gains							**8,487**	17,399
Fair value gains/(losses) on realised equity investments at fair value through profit or loss	**–**	–	**–**	–	**(56)**	13,154	**(56)**	13,154
Loss on disposal of an available-for-sale investment	**–**	(234)	**–**	–	**–**	–	**–**	(234)
Fair value losses on unrealised equity investments at fair value through profit or loss	**–**	–	**–**	–	**(197)**	(433)	**(197)**	(433)
Fair value loss on a put option	**–**	–	**–**	–	**(25,356)**	(118,328)	**(25,356)**	(118,328)
Loss from operating activities							**(269,069)**	(422,013)
Finance costs							**(7,226)**	(6,758)
Gain on shares swap transactions							**610,007**	–
Share of profits and losses of jointly-controlled entities	**(541)**	(116)	**(4,169)**	13,640	**(26,643)**	(56,837)	**(31,353)**	(43,313)
Share of profits and losses of associates	**(656)**	(828)	**–**	–	**542,341**	522,104	**541,685**	521,276
Profit before tax							**844,044**	49,192
Income tax exense							**(1,267)**	(154)
Profit for the year							**842,777**	49,038

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31 December 2010

4. OPERATING SEGMENT INFORMATION (continued)

Segments assets/liabilities:

	Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Segment assets	**294,040**	272,260	**504,442**	521,254	**1,064,193**	1,339,960	**1,862,675**	2,133,474
Investments in jointly-controlled entities	**7,285**	3,759	**74,752**	60,666	**955,645**	982,288	**1,037,682**	1,046,713
Investments in associates	**115**	(220)	**–**	–	**4,345,191**	3,152,758	**4,345,306**	3,152,538
Unallocated assets							**131,919**	216,309
Total assets							**7,377,582**	6,549,034
Segment liabilities	**97,166**	50,896	**86,420**	87,747	**501,097**	391,368	**684,683**	530,011
Unallocated liabilities							**177,140**	202,132
Total liabilities							**861,823**	732,143

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4. OPERATING SEGMENT INFORMATION (continued)

Other segment information:

	Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Depreciation	**3,176**	3,120	**228**	272	**5,274**	4,564	**8,678**	7,956
Amortisation of film rights	**–**	–	**12,604**	5,526	**–**	–	**12,604**	5,526
Amortisation of film products	**–**	–	**93,463**	77,626	**–**	–	**93,463**	77,626
Amortisation of music catalogs	**4,825**	4,507	**–**	–	**–**	–	**4,825**	4,507
Write-off of bad debts	**–**	–	**129**	–	**–**	3	**129**	3
Recovery of bad debts	**–**	–	**–**	–	**168**	168	**168**	168
Provision for doubtful debts	**70**	–	**46**	71	**–**	–	**116**	71
Provision for advances to artistes	**–**	597	**–**	–	**–**	–	**–**	597
Reversal of provision for doubtful debts	**–**	1	**–**	1	**–**	–	**–**	2
Reversal of provision for other receivables	**–**	–	**500**	182	**–**	–	**500**	182
Reversal of provision for advances to artistes	**2,345**	273	**–**	–	**–**	–	**2,345**	273
Provision for inventories	**–**	–	**–**	593	**–**	296	**–**	889
Reversal of provision for inventories	**–**	–	**–**	–	**1,374**	–	**1,374**	–
Impairment of film rights	**–**	–	**3,033**	39,628	**–**	–	**3,033**	39,628
Impairment of film products	**–**	–	**10,065**	–	**–**	–	**10,065**	–
Impairment of music catalogs	**33,094**	–	**–**	–	**–**	–	**33,094**	–
Impairment of films under production	**–**	–	**1,059**	779	**–**	–	**1,059**	779
Impairment of goodwill arising from acquisition of subsidiaries	**–**	–	**–**	35,202	**–**	–	**–**	35,202
Additions of property, plant and equipment	**1,027**	868	**50**	268	**3,022**	14,766	**4,099**	15,902
Additions of film rights	**–**	–	**3,693**	6,788	**–**	–	**3,693**	6,788
Additions of film products	**–**	–	**1,720**	1,195	**–**	–	**1,720**	1,195
Additions of films under production	**–**	–	**81,928**	122,427	**–**	–	**81,928**	122,427
Additions of music catalogs	**15,200**	11,200	**–**	–	**–**	–	**15,200**	11,200

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information:

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Revenue:								
Sales to external customers	**274,218**	166,397	**137,359**	168,142	**47,443**	24,916	**459,020**	359,455
Assets:								
Segment assets:								
– non-current assets	**385,459**	3,554,398	**5,416,714**	1,086,487	**–**	–	**5,802,173**	4,640,885
– current assets	**1,329,076**	1,612,793	**98,771**	73,110	**15,643**	5,937	**1,443,490**	1,691,840
Unallocated assets							**131,919**	216,309
Total assets							**7,377,582**	6,549,034
Other information:								
Additions of property, plant and equipment	**3,460**	1,792	**639**	14,110	**–**	–	**4,099**	15,902
Additions of film rights	**3,693**	6,788	**–**	–	**–**	–	**3,693**	6,788
Additions of film products	**1,720**	1,195	**–**	–	**–**	–	**1,720**	1,195
Additions of films under production	**81,928**	122,427	**–**	–	**–**	–	**81,928**	122,427
Additions of music catalogs	**15,200**	11,200	**–**	–	**–**	–	**15,200**	11,200

Information about a major customer:

For the year ended 31 December 2010, there was no revenue derived from a single customer which contributed to 10% or more of the Group's revenue for the year. For the year ended 31 December 2009, revenue of approximately HK$71,719,000 was derived from a single customer of the film production and distribution segment.

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	
	Notes	**2010 HK$'000**	2009 HK$'000
LSD Group (defined in note 9):			
Rental expense and building management fee paid	(i)	**7,225**	6,677
Jointly-controlled entities:			
Distribution and licence fee income	(ii)	**340**	258
Consultancy and production service fee paid	(iii)	**2,040**	1,329
Consultancy service income	(iii)	**3,834**	4,539
Interest income received	(iv)	**2,055**	1,546
Lai Fung Group (defined in note 9):			
Rental expense and building management fee paid	(i)	**–**	120
Management fee income	(iii)	**775**	751
Advertising agency income	(v)	**1,424**	4,360

Notes:

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

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

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

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

(v) The advertising agency income was charged with reference to market rates.

Notes to Financial Statements
31 December 2010

5. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Short term employee benefits	**21,665**	24,229
Post-employment benefits	**341**	313
Equity-settled share option expense	**704**	3,131
Total compensation paid to key management personnel	**22,710**	27,673

Further details of directors' emoluments are included in note 10 to the financial statements.

6. TURNOVER AND OTHER REVENUE

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

	Group	
	2010	2009
	HK$'000	HK$'000
Turnover		
Entertainment event income	**174,377**	100,366
Distribution commission income and licence fee income from film products and film rights	**141,865**	151,736
Album sales, licence income and distribution commission income from music publishing and licensing	**71,072**	45,135
Artiste management fee income	**10,738**	8,001
Advertising agency income	**21,207**	15,736
Sale of products	**39,761**	38,481
	459,020	359,455
Other revenue		
Bank interest income	**1,658**	1,741
Interest income on loan receivables	**–**	3,815
Interest income on held-to-maturity debt investments	**1,502**	4,173
Interest income from an amount due from a jointly-controlled entity	**2,055**	1,546
Consultancy service income from a jointly-controlled entity	**3,834**	4,539
Distribution income from unlisted available-for-sale investments	**3,100**	4,873
Dividend income from listed investments	**4**	237
Others	**5,924**	3,537
	18,077	24,461
	477,097	383,916

7. PROFIT BEFORE TAX

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

	Note	Group 2010 HK$'000	Group 2009 HK$'000
Cost of film rights, licence rights and film products		**116,431**	82,995
Cost of artiste management services, advertising agency services, and services for entertainment events provided		**210,127**	128,783
Cost of inventories sold		**22,126**	25,735
Total cost of sales		**348,684**	237,513
Employee benefit expense (including directors' emoluments (Note 10)):			
Wages and salaries		**113,245**	118,018
Equity-settled share option expense		**2,078**	3,694
Pension scheme contributions ###		**2,417**	2,284
		117,740	123,996
Auditors' remuneration		**4,316**	3,295
Depreciation	14	**8,678**	7,956
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events ##		**2,218**	3,361
Others		**13,156**	13,026
Contingent rents incurred for entertainment events ##		**21,635**	14,877
Total operating lease payments		**37,009**	31,264

7. PROFIT BEFORE TAX (continued)

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

		Group	
	Notes	**2010 HK$'000**	2009 HK$'000
Impairment of film rights **	17	**3,033**	39,628
Impairment of film products #	18	**10,065**	–
Impairment of music catalogs **	19	**33,094**	–
Impairment of films under production #	27	**1,059**	779
Impairment of goodwill arising from acquisition of subsidiaries **	15	**–**	35,202
Share of net income from entertainment events organised by co-investors *		**(3,099)**	(2,256)
Fair value losses/(gains) on realised equity investments at fair value through profit or loss *		**56**	(13,154)
Fair value losses on unrealised equity investments at fair value through profit or loss **		**197**	433
Fair value gains of an available-for-sale investment (transfer from investment revaluation reserve upon realisation) *		**(25,505)**	–
Amortisation of film rights #	17	**12,604**	5,526
Amortisation of film products #	18	**93,463**	77,626
Amortisation of music catalogs #	19	**4,825**	4,507
Provision for doubtful debts**	28	**116**	71
Reversal of provision for doubtful debts *	28	**–**	(2)
Reversal of provision for other receivables #		**(500)**	(182)
Provision for advances to artistes #	29	**–**	597
Reversal of provision for advances to artistes #		**(2,345)**	(273)
Loss on disposal of items of property, plant and equipment **		**98**	65
Loss on disposal of an available-for-sale investment **		**–**	234
Write-off of bad debts **		**129**	3
Recovery of bad debts *		**(168)**	(168)
Provision for/(reversal of provision for) inventories #		**(1,374)**	889
Foreign exchange losses/(gains), net		**(747)**	347

* 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.

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

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

As at 31 December 2010 and 2009, the Group had no forfeited contributions from the pension scheme available to reduce its contributions to the pension scheme in future years.

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8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on other borrowings wholly repayable within five years	**5,648**	5,646
Interest on secured bank borrowings wholly repayable within five years	**528**	57
Interest on promissory notes	**1,047**	1,050
Interest on finance leases	**3**	5
	7,226	6,758

9. GAIN ON SHARES SWAP TRANSACTIONS

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

(a) LSG has agreed to transfer or procure the transfer of, and the Company has agreed to accept the transfer of, LSG's direct and indirect interests in 3,265,688,037 shares in the capital of Lai Fung (the "Lai Fung Transaction"), representing approximately 40.58% of the existing issued share capital of Lai Fung and LSG's entire shareholding interest in Lai Fung. The consideration was to be satisfied by (i) the transfer to LSG of the Group's entire shareholding interest in LSD; and (ii) cash consideration of approximately HK$178.4 million (HK$100 million paid on the date of completion of the Shares Swap Transactions (see definition below), and approximately HK$78.4 million to be paid, without interest, six months after the date of completion); and

(b) the Company has agreed to procure the transfer of, and LSG has agreed to accept the transfer of, the Company's indirect interest in 5,200,000,000 shares in the capital of LSD (the "LSD Transaction", together with the Lai Fung Transaction collectively referred to as "Shares Swap Transactions"), representing approximately 36.72% of the existing issued share capital of LSD and the Group's entire shareholding interest in LSD. The consideration was to be satisfied by the transfer of LSG's entire shareholding interest in Lai Fung less the cash consideration of approximately HK$178.4 million.

9. GAIN ON SHARES SWAP TRANSACTIONS (continued)

The Lai Fung Transaction constituted a very substantial acquisition and connected transaction for the Company and the LSD Transaction constituted a very substantial disposal and connected transaction for the Company under the Listing Rules. Further details of the Shares Swap Transactions are set out in the joint announcement of the Company and LSG dated 26 July 2010 and the Company's circular dated 30 August 2010. Resolutions for approving the Shares Swap Agreement were duly passed at a special general meeting of the Company and an extraordinary general meeting of LSG on 20 September 2010. All the conditions precedent under the Shares Swap Agreement were fulfilled and completion of the Shares Swap Transactions took place on 30 September 2010 (the "Completion Date").

During the year ended 31 December 2010, the Group has recognised gain on the Shares Swap Transactions in its consolidated income statement as below:

		Group
	Notes	**2010** **HK$'000**
Gain on disposal of a 36.72% equity interest in LSD	(a)	**604,850**
Gain on bargain purchase of a 40.58% equity interest in Lai Fung	(b)	**5,157**
Gain on the Shares Swap Transactions		**610,007**

Notes:

(a) Taking into account the consideration received by the Group for the disposal of a 36.72% equity interest in LSD of approximately HK$3,930,519,000 (being the fair value of the Group's 36.72% interests in the identifiable net assets of LSD and its subsidiaries (the "LSD Group") as at 30 September 2010) and the Group's share of net assets of the LSD Group up to date of disposal of approximately HK$3,608,386,000, a gain on disposal of approximately HK$604,850,000 (including release of reserves of LSD shared by the Group up to the Completion Date of approximately HK$282,717,000) was recognised in the consolidated income statement for the year ended 31 December 2010.

(b) Taking into account the consideration given up by the Group for the purchase of a 40.58% equity interest in Lai Fung of approximately HK$4,108,872,000 (being the fair value of the Group's 36.72% interests in the identifiable net assets of the LSD Group as at 30 September 2010 plus cash consideration of approximately HK$178,353,000) and the fair value of the Group's 40.58% interests in the identifiable net assets of Lai Fung and its subsidiaries (the "Lai Fung Group") as at 30 September 2010 of approximately HK$4,114,029,000, a gain on bargain purchase of approximately HK$5,157,000 was recognised in the consolidated income statement for the year ended 31 December 2010.

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10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	Group	
	2010	2009
	HK$'000	HK$'000
Fees	**1,894**	1,280
Other emoluments:		
Basic salaries, housing and other allowances, and benefits in kind	**19,771**	22,949
Equity-settled share option benefits	**704**	3,131
Pension scheme contributions	**341**	313
	20,816	26,393
	22,710	27,673

In prior years, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the years ended 31 December 2010 and 2009 has been included in the above directors' remuneration disclosures.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010					
Executive directors:					
Lam Kin Ngok, Peter	–	8,000	–	–	8,000
Lui Siu Tsuen, Richard (appointed on 1 July 2010)	–	997	–	3	1,000
Leung Churk Yin, Jeanny (re-designated as a non-executive director on 1 January 2011)	–	3,067	438	12	3,517
Cheung Wing Sum, Ambrose	–	6,900	–	320	7,220
Low Kit Leong (resigned on 9 January 2010)	–	82	266	1	349
	–	19,046	704	336	20,086
Non-executive directors:					
Low Chee Keong (re-designated as a non-executive director on 1 June 2010)	486	95	–	–	581
U Po Chu	–	–	–	–	–
Lien Jown Jing, Vincent (retired on 1 June 2010)	–	245	–	5	250
Lo Kwok Kwei, David	240	60	–	–	300
Albert Thomas da Rosa, Junior (appointed on 19 July 2010)	108	35	–	–	143
	834	435	–	5	1,274
Independent non-executive directors:					
Alfred Donald Yap	240	95	–	–	335
Tong Ka Wing, Carl	480	100	–	–	580
Ng Lai Man, Carmen	340	95	–	–	435
	1,060	290	–	–	1,350
	1,894	19,771	704	341	22,710

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: nil).

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid employees during the year included three (2009: four) directors, details of whose emoluments are set out above. Details of the remuneration of the remaining two (2009: one) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**8,103**	4,804
Equity-settled share option expense	**–**	–
Pension scheme contributions	**24**	12
	8,127	4,816

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

	Group Number of employees	
	2010	2009
HK$2,500,001 – HK$3,000,000	**1**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	–
	2	1

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11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2010. No provision for Hong Kong profits tax was made for the year ended 31 December 2009 as there were no assessable profits arising in Hong Kong for that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2010	2009
	HK$'000	HK$'000
Provision for tax for the year:		
Hong Kong	**930**	–
Elsewhere	**243**	557
	1,173	557
Prior years' overprovision in Hong Kong	**–**	(733)
	1,173	(176)
Deferred tax charge (Note 37)	**94**	330
Total tax charge for the year	**1,267**	154

11. INCOME TAX EXPENSE (continued)

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

	Group			
	2010		2009	
	HK$'000	**%**	HK$'000	%
Profit before tax	**844,044**		49,192	
Tax at the statutory tax rate	**139,267**	**16.5**	8,117	16.5
Adjustments for tax rates for other jurisdictions	**164**	**0.1**	(201)	(0.4)
Adjustments in respect of current tax of previous periods	**–**	**–**	(733)	(1.5)
Profits and losses attributable to jointly-controlled entities and associates	**(84,205)**	**(10.0)**	(78,864)	(160.3)
Income not subject to tax	**(101,704)**	**(12.0)**	(2,189)	(4.5)
Expenses not deductible for tax	**21,602**	**2.5**	37,488	76.2
Estimated tax losses utilised from previous periods	**(3,352)**	**(0.4)**	(3,358)	(6.8)
Estimated tax losses not recognised	**29,495**	**3.5**	39,894	81.1
Tax charge at the Group's effective rate	**1,267**	**0.2**	154	0.3

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12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of HK$2,306,626,000 (2009: loss of HK$143,181,000) which has been dealt with in the financial statements of the Company (Note 40).

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the parent and the weighted average number of ordinary shares of 1,240,732,165 (2009: 1,240,732,165) in issue during the year.

The calculation of basic earnings per share is based on:

	2010	2009
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation	**853,278**	68,553

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,240,732,165**	1,240,732,165

The calculation of diluted earnings per share for the years ended 31 December 2010 and 2009 has not assumed the exercise of the share options as no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Note	Land and buildings HK$'000	Leasehold improve-ments HK$'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 2009		75,000	39,975	8,825	11,133	7,892	19,168	161,993
Additions		13,588	158	756	–	149	1,251	15,902
Disposals		–	(185)	(279)	–	(314)	(98)	(876)
Write-off		–	–	–	(11,133)	–	–	(11,133)
Exchange realignment		–	–	2	–	1	2	5
At 31 December 2009 and 1 January 2010		88,588	39,948	9,304	–	7,728	20,323	165,891
Additions		–	1,459	1,405	–	258	977	4,099
Disposals		–	(946)	(1,041)	–	(64)	(972)	(3,023)
Write-off		–	(24,263)	–	–	–	–	(24,263)
Exchange realignment		–	14	52	–	5	40	111
At 31 December 2010		**88,588**	**16,212**	**9,720**	**–**	**7,927**	**20,368**	**142,815**
Accumulated depreciation and impairment:								
At 1 January 2009		14,513	32,794	6,310	11,133	3,842	16,195	84,787
Provided during the year	7	2,162	2,540	952	–	1,387	915	7,956
Disposals		–	(89)	(81)	–	(282)	(32)	(484)
Write-off		–	–	–	(11,133)	–	–	(11,133)
Exchange realignment		–	–	1	–	1	2	4
At 31 December 2009 and 1 January 2010		16,675	35,245	7,182	–	4,948	17,080	81,130
Provided during the year	7	2,481	2,685	1,092	–	1,357	1,063	8,678
Disposals		–	(937)	(929)	–	(39)	(933)	(2,838)
Write-off		–	(24,263)	–	–	–	–	(24,263)
Exchange realignment		–	6	38	–	1	31	76
At 31 December 2010		**19,156**	**12,736**	**7,383**	**–**	**6,267**	**17,241**	**62,783**
Net carrying amount:								
At 31 December 2010		**69,432**	**3,476**	**2,337**	**–**	**1,660**	**3,127**	**80,032**
At 31 December 2009		71,913	4,703	2,122	–	2,780	3,243	84,761

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Computers HK$'000
Cost:	
At 1 January 2009	762
Additions	62
At 31 December 2009, 1 January 2010 and 31 December 2010	**824**
Accumulated depreciation:	
At 1 January 2009	21
Provided during the year	161
At 31 December 2009 and 1 January 2010	182
Provided during the year	165
At 31 December 2010	**347**
Net carrying amount:	
At 31 December 2010	**477**
At 31 December 2009	642

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

	2010 **HK$'000**	2009 HK$'000
At net carrying amount:		
Hong Kong	**56,615**	58,551
Macau	**12,817**	13,362
	69,432	71,913

At 31 December 2010, the Group's land and buildings in Hong Kong with a net carrying amount of HK$56,615,000 (2009: HK$58,551,000) were pledged to secure general banking facilities granted to the Group (Note 34).

The net carrying amount of the Group's assets held under finance leases included in the total amount of furniture, fixtures and equipment as at 31 December 2010 amounted to HK$515,000 (2009: HK$299,000).

15. GOODWILL

	Note	Group HK$'000
Cost:		
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010		**36,082**
Accumulated impairment:		
At 1 January 2009		880
Impairment during the year	7	35,202
At 31 December 2009, 1 January 2010 and 31 December 2010		**36,082**
Net carrying amount:		
At 31 December 2010		**–**
At 31 December 2009		–

Impairment testing of goodwill

As at 31 December 2009, goodwill acquired through business combination 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 had been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period on the growth rate approved by senior management, which was based on the management's expectation for market development. The discount rate applied to the cash flow projections for the year ended 31 December 2009 was 12%.

Key assumptions were used in the value-in-use calculation of the FPDCGU for the year ended 31 December 2009. The following describes each key assumption on which management had 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 was the average gross margins achieved in the past years, increased for expected efficiency improvement, and expected market development.

Discount rates – The discount rate used was before tax.

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

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16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**894,680**	894,680
Amounts due from subsidiaries	**7,562,796**	4,773,692
	8,457,476	5,668,372
Impairment #	**(2,750,369)**	(2,541,818)
	5,707,107	3,126,554

The impairment as at 31 December 2010 includes impairment provision of HK$1,855,776,000 (2009: HK$1,647,225,000) 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:

	2010	2009
	HK$'000	HK$'000
At 1 January	**1,647,225**	1,440,743
Impairment loss recognised	**208,551**	206,482
At 31 December	**1,855,776**	1,647,225

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

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

16. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries as at 31 December 2010 are as follows:

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

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
eSun.com Limited	Hong Kong	HK$2 Ordinary	–	100	Investment in and licensing of film rights
Glynhill International Limited	Hong Kong	HK$912,623,351 Ordinary	100	100	Investment holding
Go Yeah Limited	Hong Kong	HK$1 Ordinary	–	85	Investment in and operation of internet websites
Grandeur Limited	Hong Kong/ Macau	HK$1 Ordinary	–	100	Property holding
Guangzhou Beautifirm Cosmetics Limited * ##	People's Republic of China/ Mainland China	US$1,260,000#	–	100	Sales of cosmetic products
Jadecode Limited	Hong Kong	HK$1 Ordinary	–	100	Investment holding
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	100	Property holding
Media Asia Distribution Ltd.	British Virgin Islands/ Hong Kong	US$80 Ordinary	–	100	Film distribution, licensing of film rights and film investment

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Media Asia Distribution (HK) Limited	Hong Kong	HK$2 Ordinary	–	100	Film distribution and film library management
Media Asia Entertainment Group Limited	Bermuda/ Hong Kong	HK$24,000,000 Ordinary	–	100	Investment holding
Media Asia Films Limited	Hong Kong	HK$2 Ordinary	–	100	Film production and investment holding
Media Asia Films (BVI) Ltd.	British Virgin Islands/ Hong Kong	US$7 Ordinary	–	100	Film production, licensing of films and investment holding
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

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Merit Worth Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	100	Investment holding
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100 Ordinary	–	75	Provision of artiste management services
Silver Glory Securities Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Investment holding
Silver Hunter Limited	Hong Kong	HK$1 Ordinary	–	100	Licensing of television drama and film rights
Skymaster International Inc.	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Investment holding
Vision Communications Limited	Hong Kong	HK$2 Ordinary	–	100	Provision of advertising agency services and investment holding
Vision Communications (GZ) Limited * ###	People's Republic of China/ Mainland China	HK$3,000,000#	–	90	Provision of advertising agency services

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
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
東亞豐麗演出經紀（北京）有限公司 * ##	People's Republic of China/ Mainland China	RMB10,134,720#	–	100	Provision of performance agency services

The amounts stated represent the paid-up capital.

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

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

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

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

17. FILM RIGHTS

	Note	Group HK$'000
Cost:		
At 1 January 2009		232,649
Additions		6,788
At 31 December 2009 and 1 January 2010		239,437
Additions		3,693
At 31 December 2010		**243,130**
Accumulated amortisation and impairment:		
At 1 January 2009		121,715
Provided during the year	7	5,526
Impairment during the year	7	39,628
At 31 December 2009 and 1 January 2010		166,869
Provided during the year	7	12,604
Impairment during the year	7	3,033
At 31 December 2010		**182,506**
Net carrying amount:		
At 31 December 2010		**60,624**
At 31 December 2009		72,568

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of respective film rights and the corresponding recoverable amounts during the years ended 31 Decmeber 2010 and 2009. The directors of the Company determined that these film rights were impaired due to prevailing marketability circumstances. The directors assessed the recoverable amount of the film rights and based on which an impairment loss of HK$3,033,000 (2009: HK$39,628,000) was recognised in the consolidated income statement for the year ended 31 December 2010. The estimated recoverable amount as at 31 December 2010 and 2009 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 13% (2009: 12%).

18. FILM PRODUCTS

	Notes	Group HK$'000
Cost:		
At 1 January 2009		143,536
Additions		1,195
Transfer from films under production	27	84,539
At 31 December 2009 and 1 January 2010		229,270
Additions		1,720
Transfer from films under production	27	120,035
At 31 December 2010		**351,025**
Accumulated amortisation and impairment:		
At 1 January 2009		83,106
Provided during the year	7	77,626
At 31 December 2009 and 1 January 2010		160,732
Provided during the year	7	93,463
Impairment during the year	7	10,065
At 31 December 2010		**264,260**
Net carrying amount:		
At 31 December 2010		**86,765**
At 31 December 2009		68,538

Included in the net carrying amount as at 31 December 2010 are film products of HK$86,765,000 (2009: nil) carried at net realisable value.

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19. MUSIC CATALOGS

	Note	Group HK$'000
Cost:		
At 1 January 2009		114,034
Additions		11,200
At 31 December 2009 and 1 January 2010		125,234
Additions		15,200
At 31 December 2010		**140,434**
Accumulated amortisation and impairment:		
At 1 January 2009		5,478
Provided during the year	7	4,507
At 31 December 2009 and 1 January 2010		9,985
Provided during the year	7	4,825
Impairment during the year	7	33,094
At 31 December 2010		**47,904**
Net carrying amount:		
At 31 December 2010		**92,530**
At 31 December 2009		115,249

During the year ended 31 December 2010, in light of the circumstances of music licencing industry, the Group undertook a review of its library of music catalogs to assess the marketability of respective music catalogs and the corresponding recoverable amounts. The directors of the Company determined that the music catalogs were impaired due to prevailing marketability circumstances. The directors assessed the recoverable amount of the music catalogs and based on which an impairment loss of HK$33,094,000 (2009: nil) was recognised in the consolidated income statement for the year ended 31 December 2010. The estimated recoverable amount as at 31 December 2010 was determined based on the present value of expected future cash flows generated from the music catalogs, which was discounted by a discount rate of approximately 13%.

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**463,242**	494,344
Goodwill arising from acquisition	**2,359**	2,359
	465,601	496,703
Amounts due from jointly-controlled entities	**571,568**	548,215
Amount due to a jointly-controlled entity	**–**	(49)
	1,037,169	1,044,869
Amount due from a jointly-controlled entity – current portion	**513**	1,844

The balances with jointly-controlled entities are unsecured and have no fixed terms of repayment. As at 31 December 2010, the balances were interest-free except for an amount of HK$49,711,000 (2009: HK$34,992,000) which was interest-bearing with reference to the People's Bank of China's base interest rate. The carrying amounts of the amounts due from/(to) jointly-controlled entities approximate their fair values.

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20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal jointly-controlled entities as at 31 December 2010 are as follows:

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

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

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

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

The 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.

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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

Cyber One, through its interest in EAST (Macau), holds a piece of land in Macau which the Group wishes to see be developed into a retail complex, hotels, a television studio, a concert hall and a convention and exhibition centre (collectively, the "Macao Studio City" or "MSC"). No substantive progress on the project was made during the year ended 31 December 2010, essentially because of the continuing dispute between EAST (Holdings) and New Cotai. The dispute is now a matter of litigation, further details of which are set out in note 46 to the financial statements.

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

	2010 **HK$'000**	2009 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**337,029**	343,700
Non-current assets	**816,488**	789,489
Current liabilities	**(630,668)**	(603,015)
Non-current liabilities	**(59,607)**	(35,830)
Net assets	**463,242**	494,344
Share of the jointly-controlled entities' results:		
Turnover	**88,289**	86,574
Other revenue	**2,249**	8,117
Total expenses	**(121,571)**	(137,582)
Tax	**(320)**	(422)
Loss after tax	**(31,353)**	(43,313)

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21. INVESTMENTS IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**4,343,849**	3,152,574
Amounts due from associates	**1,457**	570
Amounts due to associates	**–**	(606)
	4,345,306	3,152,538

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

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

The market values of the listed shares of an associate at 31 December 2010 and at the date of approval of these financial statements were approximately HK$1,061,349,000 (2009: HK$686,400,000) and HK$1,126,662,000 (2009: HK$821,600,000), respectively.

Details of the principal associates 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
As at 31 December 2010				
Lai Fung Holdings Limited ("Lai Fung")	Ordinary shares of HK$0.10 each	Cayman Islands	40.58	Note

Note: Lai Fung's principal activity was investment holding. The principal activities of the subsidiaries of Lai Fung during the year consisted of property development for sale and property investment for rental purpose, in the People's Republic of China.

As at 31 December 2009				
Lai Sun Development Company Limited ("LSD")	Ordinary shares of HK$0.01 each	Hong Kong	36.72	Property investment and development

21. INVESTMENTS IN ASSOCIATES (continued)

The above table lists the associates 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.

As further detailed in note 9 to the financial statements, upon completion of the Shares Swap Transactions on 30 September 2010, LSD ceased to be an associate of the Group while Lai Fung has become a 40.58%-owned associate of the Group.

Investments in Lai Fung

The Lai Fung Group has a financial year end date of 31 July. The Group has equity accounted for the results of the Lai Fung Group for the period from the Completion Date to 31 January 2011 in its consolidated financial statements for the year ended 31 December 2010. The unaudited consolidated financial statements of the Lai Fung Group are adjusted, for the purpose of equity accounting for the results of the Lai Fung Group by the Group, for material transactions between 31 January 2011 and 31 December 2010.

During the year ended 31 December 2010, the Group's share of profit of the Lai Fung Group included in the Group's share of profits and losses of associates was HK$139,660,000 (2009: nil). The Group's share of net assets of the Lai Fung Group is included in the Group's investments in associates as at 31 December 2010.

Investments in LSD

The LSD Group has a financial year end date of 31 July. The Group has equity accounted for the results of the LSD Group for the period from 1 January 2010 to the Completion Date (2009: year ended 31 December 2009) in its consolidated financial statements for the year ended 31 December 2010. The unaudited consolidated financial statements of the LSD Group are adjusted, for the purpose of equity accounting for the results of the LSD Group by the Group, for material transactions between 31 July 2010 and the Completion Date (for the year ended 31 December 2010), and between 31 July 2009 and 31 December 2009 (for the year ended 31 December 2009).

A cross-holding position had existed between LSD and the Company since 7 December 2004 and up to the Completion Date. As at the Completion Date and 31 December 2009, the Group's interests in LSD was 36.72% and the LSD Group held in aggregate 36.08% in the issued share capital of the Company.

During the year ended 31 December 2010, the Group's share of profit of the LSD Group including 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 period from 1 January 2010 to the Completion Date was HK$402,681,000 (year ended 31 December 2009: HK$522,104,000). The Group's share of net assets of the LSD Group was included in the Group's investments in associates as at 31 December 2009.

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21. INVESTMENTS IN ASSOCIATES (continued)

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

	2010 HK$'000	2009 HK$'000
Assets	**14,276,459**	10,967,195
Liabilities	**(5,588,964)**	(3,652,091)
Turnover	**891,670**	649,742
Profit/(loss)	**1,528,020**	(183,497)

The above financial information includes, among others, the followings:

(a) assets and liabilities of the Lai Fung Group as at 31 January 2011 (2009: the LSD Group as at 31 July 2009); and

(b) turnover of and profit of the LSD Group for the period from 1 January 2010 to the Completion Date and of the Lai Fung Group for the period from the Completion Date to 31 January 2011 (2009: turnover and profit of the LSD Group for the year ended 31 July 2009).

As at 31 July 2010, the LSD Group provided guarantees to a bank in connection with a facility granted to its associate which amounted to approximately HK$216,608,000 (31 July 2009: nil).

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2010 **HK$'000**	2009 HK$'000
Unlisted equity investment, at cost	**77,946**	61,088
Unlisted equity investment, at fair value	**–**	29,250
	77,946	90,338

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.

22. AVAILABLE-FOR-SALE INVESTMENTS (continued)

As at 31 December 2010, unlisted equity investment of the Group with carrying amount of HK$77,946,000 (2009: HK$61,088,000) was 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 its fair value could not be measured reliably.

During the year ended 31 December 2010, the fair value gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK$150,000 (2009: HK$25,355,000). A revaluation gain of HK$25,505,000 (2009: nil) was reclassified from other comprehensive income to the income statement for the year ended 31 December 2010 upon realisation of the available-for-sale investment.

As at 31 December 2009, the fair value of an unlisted equity investment with carrying amount of HK$29,250,000 had been estimated based on directly observable market data.

23. LOAN RECEIVABLE

	Group	
	2010	2009
	HK$'000	HK$'000
Loan receivable	**11,000**	11,000

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

The carrying amount of the loan receivable approximates its fair value.

24. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**2,605**	2,101
Work in progress	**271**	459
Finished goods	**2,441**	1,209
	5,317	3,769

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25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**2,083**	2,809

The above equity investments as at 31 December 2010 and 2009 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$1,738,000 (2009: HK$2,737,000).

26. HELD-TO-MATURITY DEBT INVESTMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Debt securities		
Unlisted	**51,561**	48,083
Listed overseas	**–**	72,641
	51,561	120,724
Market value of listed debt securities	**N/A**	71,711

As at 31 December 2010, the weighted average interest rate on these held-to-maturity debt investments was approximately 1.7% (2009: 3.7%) per annum and the debt investments will mature within one year from the end of the reporting period.

27. FILMS UNDER PRODUCTION

		Group	
	Notes	**2010 HK$'000**	2009 HK$'000
At 1 January		**130,823**	93,714
Additions		**81,928**	122,427
Transfer to film products	18	**(120,035)**	(84,539)
Impairment	7	**(1,059)**	(779)
At 31 December		**91,657**	130,823

28. DEBTORS

	Group	
	2010 HK$'000	2009 HK$'000
Trade debtors	**126,049**	92,448
Impairment	**(3,313)**	(3,352)
	122,736	89,096

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

28. DEBTORS (continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
Trade debtors:		
Neither past due nor impaired	**40,858**	53,418
1 – 90 days past due	**54,873**	19,961
Over 90 days past due	**27,005**	15,717
	122,736	89,096

Included in trade debtors are amounts due from related companies of HK$280,000 (2009: HK$779,000). 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	
		2010	2009
	Note	**HK$'000**	HK$'000
At 1 January		**3,352**	3,283
Provision for doubtful debts	7	**116**	71
Reversal of provision for doubtful debts	7	**–**	(2)
Write-off		**(235)**	–
Exchange realignment		**80**	–
At 31 December		**3,313**	3,352

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$3,313,000 (2009: HK$3,352,000) with a gross carrying amount before provision of HK$3,313,000 (2009: HK$3,418,000). The individually impaired trade debtors related to customers that were in default in settlements and only a portion or no portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

28. DEBTORS (continued)

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

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

29. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Deposits, prepayments and advances for artiste management, music production and film production	**68,673**	74,523	**–**	–
Other deposits, prepayments and other receivables	**141,237**	131,125	**11,366**	10,559
	209,910	205,648	**11,366**	10,559
Portion classified as current portion	**(110,163)**	(103,286)	**(708)**	(701)
Non-current portion	**99,747**	102,362	**10,658**	9,858

Net of the advances for artiste management and other receivables is a provision of HK$19,396,000 (2009: HK$34,644,000).

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

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29. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**34,644**	39,856
Provision for advances to artistes (Note 7)	**–**	597
Reversal of provision for advances to artistes and other receivables	**(2,845)**	(455)
Write-off	**(12,403)**	(5,354)
At 31 December	**19,396**	34,644

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$19,396,000 (2009: HK$34,644,000) with a gross carrying amount of HK$19,396,000 (2009: HK$35,164,000). The individually impaired receivables and advances relate to the portions of receivables that were not expected to be recovered.

30. CASH AND CASH EQUIVALENTS, AND PLEDGED DEPOSIT

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**233,810**	169,969	**13,203**	25,339
Time deposits	**868,294**	1,184,068	**773,333**	978,219
	1,102,104	1,354,037	**786,536**	1,003,558
Less: Pledged time deposit for bank borrowings (Note 34)	**(12,960)**	(12,600)	**–**	–
Cash and cash equivalents	**1,089,144**	1,341,437	**786,536**	1,003,558

At 31 December 2010, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$55,683,000 (2009: HK$56,607,000). 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.

30. CASH AND CASH EQUIVALENTS, AND PLEDGED DEPOSIT (continued)

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

31. CREDITORS AND ACCRUALS

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors:				
Less than 30 days	**20,533**	13,396	**–**	–
31 – 60 days	**288**	1,310	**–**	–
61 – 90 days	**13**	–	**–**	–
Over 90 days	**1,015**	762	**–**	–
	21,849	15,468	**–**	–
Payable to LSG (Note)	**78,353**	–	**78,353**	–
Other creditors and accruals	**440,797**	396,215	**5,778**	1,991
	540,999	411,683	**84,131**	1,991

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

Note:

The balance represents the balance of the consideration for the Shares Swap Transactions (Note 9) payable to LSG. The amount is unsecured, interest-free and payable on 31 March 2011.

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32. FINANCE LEASE PAYABLES

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

At 31 December 2010, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2010 HK$'000	Minimum lease payments 2009 HK$'000	**Present value of minimum lease payments 2010 HK$'000**	Present value of minimum lease payments 2009 HK$'000
Amounts payable:				
Within one year	**132**	94	**130**	92
In the second year	**120**	75	**120**	73
In the third to fifth years, inclusive	**194**	123	**194**	123
Total minimum finance lease payments	**446**	292	**444**	288
Future finance charges	**(2)**	(4)		
Total net finance lease payables	**444**	288		
Portion classified as current liabilities	**(130)**	(92)		
Non-current portion	**314**	196		

33. PROMISSORY NOTE

	Group and Company	
	2010	2009
	HK$'000	HK$'000
Promissory note	**–**	32,319

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

The promissory note with the principal amount of HK$30,000,000 bore interest at 3.5% per annum. The promissory note together with the accrued interest thereon was fully settled during the year ended 31 December 2010.

The carrying amount of the promissory note as at 31 December 2009 approximated its fair value.

34. INTEREST-BEARING BANK BORROWINGS

	Effective contractual interest rate (%)		Group	
	2010	2009	**2010**	2009
			HK$'000	HK$'000
Secured bank borrowings	**5.00**	4.37	**11,820**	11,418

	Group	
	2010	2009
	HK$'000	HK$'000
Analysed into:		
Bank borrowings repayable within one year	**11,820**	11,418

The bank borrowings are interest-bearing at a rate with reference to the People's Bank of China's base interest rate per annum and are repayable within one year from 31 December 2010. The bank borrowings are secured by the pledge of the Group's time deposit amounting to HK$12,960,000 (2009: HK$12,600,000) (Note 30). The carrying amounts of the Group's secured bank borrowings approximate their fair values.

The Group's available banking facilities, which were not utilised as at 31 December 2010 and 2009, are secured by fixed charges over the Group's land and buildings with an aggregate net carrying amount at 31 December 2010 of HK$56,615,000 (2009: HK$58,551,000) (Note 14).

35. INTEREST-BEARING OTHER BORROWINGS

	Effective contractual interest rate (%)		Group and Company	
	2010	2009	**2010**	2009
			HK$'000	HK$'000
Other borrowings – unsecured	**5.00**	5.00	**161,321**	155,673

	Group and Company	
	2010	2009
	HK$'000	HK$'000
Analysed into:		
Other borrowings repayable:		
On demand	**–**	155,673
In the second year	**161,321**	–
	161,321	155,673

The unsecured other borrowings as at 31 December 2010 and 2009 represented amounts due to the late Mr. Lim Por Yen which were interest-free except for an amount of HK$112,938,000 which bears interest at the Hong Kong and Shanghai Banking Corporation Limited prime rate per annum. On 31 December 2010, at the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed to the Group that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 December 2010. On 31 December 2009, the outstanding other borrowings and related interest are repayable on demand.

36. PUT OPTION

	Group	
	2010	2009
	HK$'000	HK$'000
Put option, at fair value	**143,684**	118,328
Classified as:		
Non-current liability	**–**	118,328
Current liability	**143,684**	–
	143,684	118,328

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

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

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

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

As of 31 December 2010, CapitaLand has made an aggregate capital contribution of approximately HK$312 million (2009: HK$312 million) to EAST (Holdings), which is proportional to its effective interest of 20% in Cyber One.

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

The directors consider that the fair value of the Put Option depends on the possibility and timing of certain events (including whether and when EAST (Macau) will obtain the (gazetted) land grant modification for the Macao Studio City as well as the probability of exercising the Put Option).

Notes to Financial Statements
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36. PUT OPTION (continued)

After taking into consideration the litigation between the Group and New Cotai, including the proceedings initiated by the Group in October 2009 and the proceedings initiated by New Cotai and related parties in October 2010, and the prevailing progress and uncertainties as regards obtaining the abovementioned land grant modification (details as set out in note 46 to the financial statements), the directors have reassessed the fair value of the Put Option at HK$143,684,000 (2009: HK$118,328,000) as at 31 December 2010. Fair value loss on the Put Option for the year of HK$25,356,000 (2009: HK$118,328,000) was recognised in the consolidated income statement for the year ended 31 December 2010.

The fair value of the Put Option as at 31 December 2010 and 2009 has been determined (i) by using a Black-Scholes model with key inputs including estimated valuation of the underlying property of Cyber One, expected volatility and risk-free rate; and (ii) with reference to the estimation by the Company's directors of the probability of the Put Option being exercised.

37. DEFERRED TAX ASSETS

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

		Group Tax losses	
	Note	**2010 HK$'000**	2009 HK$'000
At 1 January		**423**	753
Deferred tax charged to the income statement during the year	11	**(94)**	(330)
At 31 December		**329**	423

At 31 December 2010, the Group has tax losses arising in Hong Kong of HK$1,099,855,000 (2009: HK$1,367,299,000) 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 Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland 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 Mainland China in respect of earnings generated from 1 January 2008.

37. DEFERRED TAX ASSETS (continued)

At 31 December 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$3,407,000 at 31 December 2010 (2009: HK$6,127,000).

38. SHARE CAPITAL

Shares

	2010		2009	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,000,000**	**1,000,000**	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,240,732**	**620,366**	1,240,732	620,366

Share options

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

Notes to Financial Statements
31 December 2010

39. SHARE OPTION SCHEME

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

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

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

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

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

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

39. SHARE OPTION SCHEME (continued)

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

	2010		2009	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**5.42**	**13,340**	5.20	25,056
Granted during the year	**1.67**	**7,440**	–	–
Exercised during the year	**–**	**–**	–	–
Lapsed during the year	**6.01**	**(3,246)**	5.54	(2,891)
At 31 December	**3.72**	**17,534**	5.15	22,165

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

2010

Number of options '000	**Exercise price*** HK$ per share	**Exercise period**
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##
1,269	6.52	1-1-11 to 31-12-11
2,480	1.40	1-1-11 to 31-12-13
2,480	1.70	1-1-12 to 31-12-13
2,480	1.90	1-1-13 to 31-12-13
17,534		

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39. SHARE OPTION SCHEME (continued)

2009

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

* 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.

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

\## A total of 8,825,838 share options lapsed an expiration of the exercise period from 1 January 2010 to 31 December 2010 in accordance with the terms of the Share Option Scheme.

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

The fair value of the share options granted during the year ended 31 December 2010 was HK$2,323,000. The Group recognised a share option expense of HK$2,078,000 (2009: HK$3,694,000) (Note 40) during the year ended 31 December 2010.

39. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year ended 31 December 2010 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	**22 April 2010**
Dividend yield (%)	–
Expected volatility (%)	58.17%
Historical volatility (%)	58.17%
Risk-free interest rate (%)	1.59%
Expected life of option (year)	3.7 years
Closing share price (HK$ per share)	1.02

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 2010, the Company had 17,533,648 share options outstanding under the Share Option Scheme which represented approximately 1.41% of the Company's shares in issue as at those dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,533,648 additional ordinary shares of the Company and additional share capital of approximately HK$8,767,000 and share premium of approximately HK$56,407,000 (before issue expenses).

On 1 January 2011, a total of 8,825,838 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 8,707,810 share options outstanding under the Share Option Scheme, which represented approximately 0.70% of the Company's shares issued as at that date.

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40. RESERVES

Group

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009		4,227,678	891,289	29,515	159,613	27,513	–	(634,743)	4,700,865
Profit for the year		–	–	–	–	–	–	68,553	68,553
Other comprehensive income for the year:									
Exchange realignment		–	–	–	–	(248)	–	–	(248)
Fair value gain of an available-for-sale investment		–	–	–	25,355	–	–	–	25,355
Share of reserve movements of associates		–	–	(1,845)	71,672	(166)	–	2,410	72,071
Share of reserve movements of jointly-controlled entities		–	–	–	–	6	–	–	6
Total comprehensive income/(loss) for the year		–	–	(1,845)	97,027	(408)	–	70,963	165,737
Equity-settled share option arrangements	39	–	–	3,694	–	–	–	–	3,694
Release of reserves upon lapse of share options		–	–	(15,778)	–	–	–	15,778	–
At 31 December 2009 and 1 January 2010		4,227,678	891,289	15,586	256,640	27,105	–	(548,002)	4,870,296

40. RESERVES (continued)

Group (continued)

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Investment revaluation reseve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2010		4,227,678	891,289	15,586	256,640	27,105	–	(548,002)	4,870,296
Profit for the year		–	–	–	–	–	–	853,278	853,278
Other comprehensive income for the year:									
Exchange realignment		–	–	–	–	2,861	–	–	2,861
Fair value gain of an available-for-sale investment		–	–	–	150	–	–	–	150
Release of reserves upon realisation of available-for-sale investment		–	–	–	(25,505)	–	–	–	(25,505)
Share of reserve movements of associates		–	–	(175)	49,736	91,886	2,100	400	143,947
Share of reserve movements of jointly-controlled entities		–	–	–	–	251	–	–	251
Release of reserves upon disposal of an associate		–	–	(4,715)	(281,021)	(1,696)	(2,100)	6,815	(282,717)
Total comprehensive income/(loss)for the year		–	–	(4,890)	(256,640)	93,302	–	860,493	692,265
Equity-settled share option arrangements	39	–	–	2,078	–	–	–	–	2,078
Release of reserves upon lapse of share options		–	–	(10,147)	–	–	–	10,147	–
Disposal of partial interests in a subsidiary to non-controlling interests		–	–	–	–	–	13,754	–	13,754
At 31 December 2010		**4,227,678**	**891,289**	**2,627**	**-**	**120,407**	**13,754**	**322,638**	**5,578,393**
Retained by:									
Company and subsidiaries		4,227,678	891,289	2,627	–	28,553	13,754	394,374	5,558,275
Jointly-controlled entities		–	–	–	–	388	–	(209,267)	(208,879)
Associates		–	–	–	–	91,466	–	137,531	228,997
At 31 December 2010		**4,227,678**	**891,289**	**2,627**	**-**	**120,407**	**13,754**	**322,638**	**5,578,393**
Company and subsidiaries		4,227,678	891,289	10,696	25,355	25,692	–	(2,131,240)	3,049,470
Jointly-controlled entities		–	–	–	–	137	–	(177,914)	(177,777)
Associates		–	–	4,890	231,285	1,276	–	1,761,152	1,998,603
At 31 December 2009		4,227,678	891,289	15,586	256,640	27,105	–	(548,002)	4,870,296

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.

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40. RESERVES (continued)

Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2009		4,227,678	845,455	22,780	(1,625,462)	3,470,451
Loss for the year and total comprehensive loss for the year	12	–	–	–	(143,181)	(143,181)
Equity-settled share option arrangements	39	–	–	3,694	–	3,694
Release of reserves upon lapse of share options		–	–	(15,778)	15,778	–
At 31 December 2009 and 1 January 2010		4,227,678	845,455	10,696	(1,752,865)	3,330,964
Profit for the year and total comprehensive income for the year	12	–	–	–	2,306,626	2,306,626
Equity-settled share option arrangements	39	–	–	2,078	–	2,078
Release of reserves upon lapse of share options		–	–	(10,147)	10,147	–
At 31 December 2010		4,227,678	845,455	2,627	563,908	5,639,668

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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(i) The balance of the consideration payable to LSG pursuant to the Share Swaps Transactions (detailed in note 9 to the financial statements) of HK$78,353,000 has not yet been due for payment and is included in creditors and accruals in the consolidated statement of financial position as at 31 December 2010.

(ii) During the year ended 31 December 2010, prepayment of HK$15,200,000 (2009: HK$11,200,000) was transferred to music catalogs.

(iii) During the year ended 31 December 2010, 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$283,000 (2009: HK$234,000).

(iv) During the year ended 31 December 2009, prepayment of HK$4,131,000 was transferred to property, plant and equipment.

42. COMMITMENTS

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

	Group	
	2010	2009
	HK$'000	HK$'000
Commitments in respect of:		
Acquisition of furniture, fixtures and equipment	**57**	50
Capital contributions payable to jointly-controlled entities to be established	**11,752**	5,681
Contribution to an available-for-sale investment	**69**	16,856
	11,878	22,587

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 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.

Notes to Financial Statements
31 December 2010

42. COMMITMENTS (continued)

(a) (continued)

On 16 October 2008, New Cotai issued a notice of termination of the MOU (dated 15 October 2008) 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 2010 and 31 December 2009, which is proportional to its effective interest of 40%.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for	**280,834**	279,340

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

(b) As at 31 December 2010, the Group and the Company leased certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years (2009: one to three years).

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**8,779**	7,161
In the second to fifth years, inclusive	**7,562**	5,810
	16,341	12,971

	Company	
	2010	2009
	HK$'000	HK$'000
Within one year	**2,941**	2,931
In the second to fifth years, inclusive	**2,093**	4,677
	5,034	7,608

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group
31 December 2010

Financial assets

	Financial assets at fair value through profit or loss- held for trading HK$'000	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Investments in jointly-controlled entities (Note 20)	–	–	571,568	–	571,568
Investments in associates (Note 21)	–	–	1,457	–	1,457
Available-for-sale investments	–	–	–	77,946	77,946
Debtors	–	–	122,736	–	122,736
Financial assets included in deposits, prepayments and other receivables	–	–	80,520	–	80,520
Equity investments at fair value through profit or loss	2,083	–	–	–	2,083
Held-to-maturity debt investments	–	51,561	–	–	51,561
Due from a jointly-controlled entity	–	–	513	–	513
Loan receivable	–	–	11,000	–	11,000
Pledged deposit	–	–	12,960	–	12,960
Cash and cash equivalents	–	–	1,089,144	–	1,089,144
	2,083	51,561	1,889,898	77,946	2,021,488

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Creditors	–	21,849	21,849
Other creditors	–	125,285	125,285
Finance lease payables	–	444	444
Interest-bearing bank borrowings	–	11,820	11,820
Interest-bearing other borrowings	–	161,321	161,321
Put option	143,684	–	143,684
	143,684	320,719	464,403

Notes to Financial Statements
31 December 2010

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group

31 December 2009

Financial assets

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

Financial liabilities

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

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company	
	2010	2009
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Due from subsidiaries (Note 16)	**5,707,020**	3,126,467
Financial assets included in deposits, prepayments and other receivables	**78**	16
Cash and cash equivalents	**786,536**	1,003,558
	6,493,634	4,130,041

Financial liabilities

	Company	
	2010	2009
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Interest-bearing other borrowings	**161,321**	155,673
Promissory notes	**–**	32,319
	161,321	187,992

44. FAIR VALUE HIERARCHY

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

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

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

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

Assets measured at fair value as at 31 December 2010 and 2009:

Group

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2010				
Equity investments at fair value through profit or loss (Note 25)	**2,083**	**–**	**–**	**2,083**
2009				
Available-for-sale equity investment (Note 22)	–	29,250	–	29,250
Equity investments at fair value through profit or loss (Note 25)	2,809	–	–	2,809
	2,809	29,250	–	32,059

Liabilities measured at fair value as at 31 December 2010 and 2009:

Group

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2010				
Put option (Note 36)	**–**	**–**	**143,684**	**143,684**
2009				
Put option (Note 36)	–	–	118,328	118,328

44. FAIR VALUE HIERARCHY (continued)

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

Put option

	Group HK$'000
At 1 January 2009	–
Loss recognised in the consolidated income statement	118,328
At 31 December 2009 and 1 January 2010	118,328
Loss recognised in the consolidated income statement	25,356
At 31 December 2010	**143,684**

The Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2010 and 2009.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, interest-bearing other borrowings, put option, finance leases, promissory notes, pledged deposit, and cash and cash equivalents. The main purpose of these financial instruments is to raise 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, and held-to-maturity debt investments, available-for-sale investments, equity investments at fair value through profit or loss which are held by the Group for investment purpose.

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

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31 December 2010

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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.

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 before tax (through the impact on floating rate time deposits, loan receivable and borrowings) and the Group's and the Company's equity.

	Group			**Company**	
	Increase in interest rate (in percentage)	**Increase in profit before tax HK$'000**	**Increase in equity HK$'000**	**Increase in interest rate (in percentage)**	**Increase in equity HK$'000**
2010					
Time deposits, loan receivable and borrowings denominated in Hong Kong dollars	**0.5%**	**3,966**	**3,966**	**0.5%**	**3,302**
2009					
Time deposits, loan receivable and borrowings denominated in Hong Kong dollars	0.5%	5,299	5,299	0.5%	4,326

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

(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 Renminbi against Hong Kong dollars.

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.

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

	Increase in RMB rate %	Increase in equity HK$'000
2010		
If Hong Kong dollars weaken against RMB	**5**	**6,793**
2009		
If Hong Kong dollars weaken against RMB	10	12,034

(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 assets, held-to-maturity debt investments, amounts due from associates and jointly-controlled entities, loan receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

(iii) Credit risk (continued)

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

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

(iv) Liquidity risk

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

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

Group

	2010				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade creditors	–	20,834	1,015	–	21,849
Other creditors	46,932	78,353	–	–	125,285
Finance lease payables	–	–	132	314	446
Interest-bearing bank borrowings	–	–	11,820	–	11,820
Interest-bearing other borrowings	–	–	–	166,968	166,968
Put option *	–	–	143,684	–	143,684
	46,932	99,187	156,651	167,282	470,052

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

(iv) Liquidity risk (continued)

Group

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

* Were the put option to become exercisable and be exercised, the total contractual amount payable by the Group based on the conditions prevailing as at 31 December 2010 would be approximately HK$971 million (2009: HK$971 million). Further details of the put option are set out in note 36 to the consolidated financial statements.

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk (continued)

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

Company

	2010				
	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	**–**	**–**	**–**	**161,321**	**161,321**

	2009				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing other borrowings	155,673	–	–	–	155,673
Promissory note	–	–	32,319	–	32,319
	155,673	–	32,319	–	187,992

(v) Equity price risk

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Equity price risk (continued)

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

	Carrying amount of equity investments HK$'000	Increase in profit before tax HK$'000	Increase in equity HK$'000
2010			
Investments listed in:			
Hong Kong – Held-for-trading	**2,083**	**104**	**104**
2009			
Investments listed in:			
Hong Kong – Held-for-trading	2,809	140	140
Unlisted investment at fair value			
– Available-for-sale	29,250	1,237	1,237

Capital management

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

The capital structure of the Group consists of debts which include interest-bearing bank borrowings, interest-bearing other borrowings, promissory notes, cash and cash equivalents, pledged deposit and equity attributable to owners of the parent. The Group manages its capital structure and makes adjustments to it, in the light of changes in the economic and financial market conditions. To maintain or adjust the capital structure, the Group may adjust its policy of dividend payment to shareholders, issue new shares, raise new borrowings 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 2010 was 2.14 (2009: 2.96).

No changes were made in the objectives, policies or processes of capital management by the Group during the years ended 31 December 2010 and 31 December 2009.

46. LITIGATION

(a) Litigation with New Cotai

EAST (Holdings) is the holding company of a 60% interest in Cyber One, of which 66.7% is held indirectly by the Company and 33.3% is held by CapitaLand, a wholly-owned subsidiary of CapitaLand Limited. New Cotai is the US joint venture partner holding a 40% interest in Cyber One.

Cyber One, the jointly-controlled joint venture company responsible for the MSC project, has yet to receive approval from the Macau government in relation to its application for a land grant modification on land use and to increase the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. In connection with that application, the Macau government requested, and has repeated its request for, further particulars from the joint venture concerning plans for the project, in respect of which EAST (Holdings) and New Cotai have yet to formulate an agreed response, although EAST (Holdings) and New Cotai made separate submissions in May 2010 in response to the Macau government. In the event of prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau government would exercise its rights, including but not limited to its rights to re-possess the plot of land.

On 29 October 2009, EAST (Holdings) commenced legal proceedings (HCA 2189/2009) in the Hong Kong SAR against New Cotai and parties interested in that company (the "New Cotai Parties"). Amongst other things, EAST (Holdings) is claiming damages of approximately HK$689 million for breach or inducing breaches of contract and, by way of derivative action on behalf of members of the Cyber One group, damages of approximately US$2.385 billion (approximately HK$18.6 billion) for, amongst other things, breaches of fiduciary duties and dishonestly assisting breaches of fiduciary duties owed to such members of the Cyber One group. EAST (Holdings) is also seeking an order by way of a petition (under HCMP 2218/2009) requiring New Cotai to transfer its interests in the Cyber One group to EAST (Holdings). The proceedings are being pursued in the context of a desire on the part of the Company to protect EAST (Holdings)'s interests in the development and progress the MSC project.

46. LITIGATION (continued)

(a) Litigation with New Cotai (continued)

The New Cotai Parties made several interlocutory applications to the Court to challenge certain of these claims. By judgement dated 16 July 2010, the Court struck out certain claims, including the derivative claims by the Company made on behalf of members of the Cyber One group. The aforesaid judgement, if not overturned on appeal, will have the effect of preventing EAST (Holdings) from proceeding with the derivative claims in Hong Kong. However, EAST (Holdings) may consider proceeding with the derivative claims in the jurisdictions where relevant members of the Cyber One group are incorporated. EAST (Holdings) might also procure the relevant members of the Cyber One group to proceed with the claims in Hong Kong directly in the event EAST (Holdings) is successful in securing control of the Cyber One group through the litigation. On 30 July 2010, EAST (Holdings) obtained leave to appeal the aforesaid judgement. The appeal has been fixed for 12 and 13 May 2011. EAST (Holdings) intends to pursue that appeal vigorously. It is noted that no challenge was made in these applications with regard to the claim for damages of approximately HK$689 million for breach of contract by the New Cotai Parties.

The New Cotai Parties filed their defence on 27 September 2010. EAST (Holdings) filed its reply on 5 November 2010. The New Cotai Parties further filed a rejoinder on 20 December 2010.

In October 2010, New Cotai and related parties issued three sets of proceedings against EAST (Holdings), the Company and related parties:

On 14 October 2010, New Cotai Entertainment LLC commenced an action (HCA 1545 of 2010) in the Hong Kong High Court against EAST (Macau), the Company, EAST (Holdings), CapitaLand and CapitaLand Limited seeking specific performance of the execution of a casino lease, and damages for breach of contract and inducing or procuring breach of contract for failure to execute the casino lease. The Company and EAST (Holdings) filed their defence on 9 December 2010. New Cotai Entertainment LLC filed its reply on 20 December 2010. EAST (Macau) is not represented. The CapitaLand entities are represented by Freshfields, and are applying to set aside service of the proceedings on them.

A summary of EAST (Holdings) and the Company's defence is as follows:

1. in circumstances where EAST (Macau) has not been able to obtain the gazetted land grant modification and substantive development of the MSC project has not yet commenced, doubts exist as to whether EAST (Macau) would be immediately exposed to liability if it signed and executed the casino lease;

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46. LITIGATION (continued)

(a) Litigation with New Cotai (continued)

2. by email dated 5 December 2008, the joint venture's legal counsel advised that the validity of the casino lease was in doubt as the subject premises were not available, and that EAST (Macau) should seek external legal advice on this issue;

3. the directors of Cyber One nominated by EAST (Holdings) have tried to procure EAST (Macau) to seek appropriate legal advice on EAST (Macau)'s obligation to enter into the casino lease and its obligations under that lease, and have acted reasonably by doing so;

4. nevertheless, both New Cotai and New Cotai Entertainment LLC have impeded and frustrated EAST (Holdings)'s efforts in this regard; and

5. as a result, EAST (Macau) has not been able to seek independent advice and, therefore, has not executed the casino lease.

EAST (Holdings) and the Company consider that their defence has merit, particularly in light of the current status of the MSC project.

Also on 14 October 2010, the directors of Cyber One nominated by New Cotai commenced an action (HCA 1546 of 2010) against Cyber One and EAST (Holdings) seeking an indemnity of all costs and expenses incurred by them in defending the legal proceedings commenced against them by EAST (Holdings). EAST (Holdings) has been advised by its legal advisers that EAST (Holdings) should not be side tracked by satellite litigation and should instead focus on the core proceedings. EAST (Holdings) agrees, therefore, in principle, that Cyber One can pay the New Cotai nominated directors' claim for an indemnity, subject to certain conditions. For example, the New Cotai nominated directors must show that their legal expenses have been reasonably and properly incurred and provide sufficient evidence to the Cyber One board of what those expenses are. Further any payment by Cyber One must be premised on an undertaking given by the New Cotai nominated directors that if it is ultimately judicially determined that the directors were not entitled to the indemnity, they will repay the legal expenses to Cyber One.

The New Cotai nominated directors have refused to agree to some of the conditions requested by EAST (Holdings). For example, they will not agree that their legal expenses must have been reasonably incurred. They have also failed to date to produce any details of those expenses to either Cyber One or EAST (Holdings). As a result, it has been impossible for EAST (Holdings) to resolve this matter with the New Cotai nominated directors. Accordingly, EAST (Holdings) filed a protective defence on 12 January 2011.

46. LITIGATION (continued)

(a) Litigation with New Cotai (continued)

On 29 October 2010, New Cotai also presented to the Hong Kong High Court a counter petition (HCMP 2185 of2010) seeking an order requiring EAST (Holdings) to transfer its interests in the Cyber One group to New Cotai. Essentially, New Cotai's petition is the mirror-image of EAST (Holdings)'s petition. The Court has directed that the two petitions be heard at the same time, and that the evidence filed in each petition will stand as evidence in the other petition also. Thus, the evidence which New Cotai filed in support of its own petition also stands in opposition to EAST (Holdings)'s petition. EAST (Holdings) filed its own evidence in opposition to New Cotai's petition on 14 February 2011. New Cotai is to file its evidence in reply on or before 3 May 2011.

The New Cotai Parties also accepted EAST (Holdings)'s and the Company's proposal that all the litigation proceedings discussed above (i.e. HCA 2189/2009, HCA 1545/2010, HCA 1546/2010, HCMP 2218/2009 and HCMP 2185/2010) be heard at the same time, and that the evidence filed in the petition proceedings will also stand as evidence in the three High Court actions HCA 2189/2009, HCA 1545/2010 and HCA 1546/2010.

Discovery in the three High Court actions took place on 21 March 2011. The parties have agreed to attend before the Court at a date to be filed soon after 3 May 2011 to discuss the directions for setting down the petitions and the three High Court actions for trial. This will include directions for expert evidence. No trial date has been set yet. It is expected that the trial of these proceedings will not take place before the fourth quarter of 2011.

The outcome of all these proceedings remains inherently uncertain. However, the directors continue to believe that EAST (Holdings)'s core claims are well-founded and that the litigation is necessary in order to protect the interest of all of the Company's shareholders and, ultimately, to preserve the potential of the MSC project. Further, in the event of prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau government would exercise its rights, including but not limited to its rights to re-possess the plot of land.

46. LITIGATION (continued)

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

In December 2008, the Company had sought to raise approximately HK$60 million through a share placement exercise (with the prospect of raising an additional HK$60 million if the placees exercised the accompanying warrants in full). The placing shares would have represented approximately 8.82% of the enlarged issued share capital of the Company (and the shares issued on the full exercise of the warrants would have represented approximately 8.10% of the further enlarged issued share capital of the Company). The placing, which was primarily intended to finance the Group's media and entertainment businesses and otherwise for general working capital purposes, did not ultimately proceed in light of the fact that Passport, who was then a substantial shareholder of the Company, obtained an ex-parte injunction temporarily restraining the Company from proceeding with the placing (Passport and its affiliates disposed of their entire shareholdings in the Company on 30 April 2010). Although the long-stop date for the placing was extended once, with the injunction order remaining in place and the conditions to the placing remaining unfulfilled, the placing agreement lapsed on 9 January 2009.

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

47. EVENTS AFTER THE REPORTING PERIOD

On 23 March 2011, the board of directors of the Company requested a suspension of trading in the shares of the Company on the Stock Exchange pending the release of an announcement regarding a possible acquisition of a controlling interest in a company listed in Hong Kong, which may constitute a notifiable transaction of the Company. The announcement of the possible acquisition is currently being reviewed by the regulatory authorities.

As the announcement of the possible acquisition is still subject to approval by the regulatory authorities and has not been published, the Company is unable to disclose any further details about the possible acquisition at this time. Further information of the possible acquisition will be published as soon as the regulatory authorities are satisfied with and approved the contents of the announcement.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2011.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 27 May 2011 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements of the Company and the reports of the directors and the independent auditors for the year ended 31 December 2010;

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

3. To determine a maximum number of Directors at 20 and authorise the Board to appoint additional Directors up to such maximum number;

4. To re-appoint Messrs. Ernst and Young as the independent auditors of the Company and to authorise the Directors to fix their remuneration; and

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

   "**THAT**:

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

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

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

(i) a Rights Issue (as hereinafter defined); or

(ii) an issue of shares in the Company upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into ordinary shares in the Company); or

(iii) an issue of shares in the Company as scrip dividends pursuant to the Bye-laws of the Company from time to time; or

(iv) an issue of shares in the Company under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares in the Company or rights to acquire shares in the Company,

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest 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 and/or the Hong Kong branch 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
eSun Holdings Limited
Kwok Siu Man
Company Secretary

Hong Kong, 26 April 2011

Registered Office:	*Principal Office:*
Clarendon House	11th Floor, Lai Sun Commercial Centre
2 Church Street	680 Cheung Sha Wan Road
Hamilton HM 11	Kowloon, Hong Kong
Bermuda	

Notes:

(1) A Member entitled to attend and vote at the above Annual General Meeting (the "AGM") is entitled to appoint one (or, if he holds two or more shares, more than one) proxy 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 (the "Registrar"), 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 AGM 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 in person and voting at the AGM or at any of its adjourned meeting should they so wish.

(3) To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the Registrar's above office not later than 4:00 p.m. on Tuesday, 24 May 2011 for registration.

(4) *Where there are joint registered holders of any share in the Company, any one of such joint holders may attend and vote at the AGM or its adjourned meeting, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the AGM or its adjourned meeting, personally or by proxy, that one of such holders so present whose name stands first in the register/branch register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.*

(5) *Concerning agenda item 2 of this Notice,*

   (i) *in accordance with Bye-law 86(2) of the Company' Bye-laws, Messrs. Lui Siu Tsuen, Richard and Cheung Sum, Sam (appointed executive directors of the Company on 1 July 2010 and 1 March 2011 respectively) and Mr. Albert Thomas da Rosa, Junior (appointed a non-executive director of the Company on 19 July 2010) will retire at the AGM and, being eligible, offer themselves for re-election;*

   (ii) *in accordance with Bye-law 87 of the Company's Bye-laws, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Miss Leung Churk Yin, Jeanny will retire by rotation at the AGM and, being eligible, offer themselves for re-election; and*

   (iii) *in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the aforesaid Directors are set out in the "Biographical Details of Directors" section of the Annual Report 2010 of the Company.*

   For the purpose of their re-election as directors of the Company at the forthcoming AGM, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Members of the Company.

(6) *Concerning agenda item 4 above, subject to the approval of Members at the AGM, Messrs. Ernst and Young will be re-appointed independent auditors of the Company for 2011. Members should note that in practice, independent auditors' remuneration for 2011 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such auditors' remuneration as operating expenses for the year ending 31 December 2011, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for financial year 2011 is required, and is hereby sought, at the AGM.*

(7) *The Ordinary Resolution under agenda item 5 of this Notice relates to the granting of a general mandate to the Directors 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 new shares under the general mandate.*

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

(i) the chairman of the meeting; or

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

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

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

In accordance with the relevant requirements under the Listing Rules and for good corporate governance practice, the chairman of the AGM would exercise his power under the Bye-laws of the Company to put each of the resolutions set out in this Notice and any other resolutions properly put to the AGM to the vote by way of a poll.

Music Awards
音樂獎項

Best Sales Releases, Local Live Recordings –
最暢銷本地現場錄製音像出品 –
Sammi Cheng (Love Mi) 鄭秀文 (Love Mi 世界巡迴演唱會香港站 Live)
Miriam Yeung (Ladies & Gentlemen) 楊千嬅 (Ladies & Gentlemen 世界巡迴演唱會香港站 Live)

Ten Best Sales Local Artist 十大銷量本地歌手 –
Sammi Cheng 鄭秀文, Andy Lau 劉德華, Miriam Yeung 楊千嬅, Denise Ho 何韻詩,
Janice Vidal 衛蘭 and 及 JW

Ten Best Sales Releases, Cantonese 十大暢銷廣東唱片 –
Sammi Cheng 鄭秀文 (Faith 信), Andy Lau 劉德華 (Unforgettable 忘不了的),
Janice Vidal 衛蘭 (Wish), Janice Vidal 衛蘭 (Love Diaries) and 及 JW (Los Angeles)

Ten Best Sales Releases, Mandarin 十大暢銷國語唱片 –
Sammi Cheng 鄭秀文 (信者得愛) and 及 Denise Ho 何韻詩 (HOCC's New Album in 2010 無名詩)

The Best Sales Local Female Vocalist 全年最高銷量本地女歌手 –
Sammi Cheng 鄭秀文

The Best Sales Cantonese Release 全年最高銷量廣東唱片 –
Sammi Cheng 鄭秀文 (Faith 信)

The Best Sales Mandarin Release 全年最高銷量國語唱片 –
Denise Ho 何韻詩 (HOCC's New Album in 2010 無名詩)

The Best Sales Local New Female Vocalist 最暢銷本地女新人 –
JW

Hong Kong Top Sales Music Awards 2010 presented by the IFPI
(i.e. International Federation of the Phonographic Industry
(Hong Kong Group) Limited)
由國際唱片業協會(香港會)有限公司頒發之香港唱片銷量大獎 2010

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