eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

RESULTS

The Board of Directors of eSun Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
CONTINUING OPERATIONS			
TURNOVER	*2*	**270,131**	289,780
Cost of sales		**(207,932)**	(256,679)
Gross profit		**62,199**	33,101
Other revenue	*3*	**33,602**	62,758
Marketing expenses		**(42,075)**	(42,194)
Administrative expenses		**(203,768)**	(167,253)
Other operating gains		**2,779**	4,751
Other operating expenses		**(86,311)**	(66,943)
Gain on disposal of a partial interest in a subsidiary		**–**	499,969
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**(233,574)**	324,189
Finance costs	*4*	**(7,183)**	(8,954)
Share of profits and losses of jointly-controlled entities		**(92,308)**	(32,147)
Provision for amounts due from jointly-controlled entities		**–**	(763)
Share of profits and losses of associates		**(71,256)**	642,044
PROFIT/(LOSS) BEFORE TAX	*5*	**(404,321)**	924,369
Tax	*6*	**560**	(18)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(403,761)**	924,351

	Notes	**2008** *HK$'000*	2007 *HK$'000*
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	*8*	**(1,068)**	(35,827)
PROFIT/(LOSS) FOR THE YEAR		**(404,829)**	888,524
Attributable to:			
Equity holders of the parent		**(385,476)**	895,710
Minority interests		**(19,353)**	(7,186)
		(404,829)	888,524
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		

	2008	2007 (Restated)
– Basic		
– For profit/(loss) for the year	**(HK$0.35)**	HK$1.07
– For profit/(loss) from continuing operations	**(HK$0.35)**	HK$1.11
– Diluted		
– For profit for the year	**N/A**	HK$1.06
– For profit from continuing operations	**N/A**	HK$1.10

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**77,206**	80,180
Goodwill		**35,202**	35,202
Film rights		**110,934**	139,059
Film products		**60,430**	59,545
Music catalogs		**108,556**	61,645
Interests in jointly-controlled entities		**1,076,802**	972,146
Interests in associates	*9*	**2,557,469**	2,620,179
Available-for-sale investments		**65,006**	51,631
Loan receivables		**63,445**	–
Deposits, prepayments and other receivables		**110,369**	83,408
Deferred tax assets		**753**	434
Total non-current assets		**4,266,172**	4,103,429
CURRENT ASSETS			
Due from a jointly-controlled entity		**3,608**	90,842
Loan receivables		**17,000**	50,607
Inventories		**4,693**	4,630
Equity investments at fair value through profit or loss		**9,592**	17,806
Films under production		**93,714**	33,560
Debtors	*10*	**64,447**	50,931
Deposits, prepayments and other receivables		**158,446**	164,331
Cash and cash equivalents		**1,652,980**	1,126,017
Total current assets		**2,004,480**	1,538,724
CURRENT LIABILITIES			
Creditors, accruals and provision	*11*	**398,834**	434,135
Tax payable		**3,199**	8,204
Finance lease payables		**92**	65
Promissory notes		**20,000**	10,000
Total current liabilities		**422,125**	452,404
NET CURRENT ASSETS		**1,582,355**	1,086,320
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,848,527**	5,189,749
NON-CURRENT LIABILITIES			
Finance lease payables		**(218)**	(194)
Promissory notes		**(31,269)**	(50,219)
Interest-bearing other borrowings		**(150,027)**	(143,939)
Deferred tax liabilities		**–**	(44)
Total non-current liabilities		**(181,514)**	(194,396)
Net assets		**5,667,013**	4,995,353
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*12*	**620,366**	413,577
Reserves		**4,700,865**	4,255,641
		5,321,231	4,669,218
Minority interests		**345,782**	326,135
Total equity		**5,667,013**	4,995,353

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand except when otherwise indicated.

2. SEGMENT INFORMATION

(a) Business segments

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

	Continuing operations												Discontinued operation			
	Media and entertainment		Film production and distribution		Advertising agency		Cosmetics		Corporate and others		Total		Satellite television		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:																
Sales to external customers	**112,890**	138,988	**107,529**	97,166	**26,229**	31,112	**23,483**	22,514	**–**	–	**270,131**	289,780	**564**	2,130	**270,695**	291,910
Other revenue	**4,525**	2,452	**754**	1,557	**–**	–	**3**	7	**–**	–	**5,282**	4,016	**–**	43	**5,282**	4,059
Total	**117,415**	141,440	**108,283**	98,723	**26,229**	31,112	**23,486**	22,521	**–**	–	**275,413**	293,796	**564**	2,173	**275,977**	295,969
Segment results	**(38,349)**	(33,403)	**(35,921)**	(28,185)	**(843)**	(1,080)	**(2,069)**	(4,362)	**(164,161)**	(167,255)	**(241,343)**	(234,285)	**(1,068)**	(35,827)	**(242,411)**	(270,112)
Unallocated interest and other gains											**28,320**	58,742	**–**	–	**28,320**	58,742
Gain on disposal of a partial interest in a subsidiary	**–**	–	**–**	–	**–**	–	**–**	–	**–**	499,969	**–**	499,969	**–**	–	**–**	499,969
Gain on the sale of equity investments at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**12**	1,270	**12**	1,270	**–**	–	**12**	1,270
Gain on disposal of available-for-sale investments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1,834	**–**	1,834	**–**	–	**–**	1,834
Fair value losses on equity investments at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**(8,163)**	(3,341)	**(8,163)**	(3,341)	**–**	–	**(8,163)**	(3,341)
Impairment of available-for-sale investments	**(1,000)**	–	**–**	–	**–**	–	**–**	–	**(11,400)**	–	**(12,400)**	–	**–**	–	**(12,400)**	–
Profit/(loss) from operating activities											**(233,574)**	324,189	**(1,068)**	(35,827)	**(234,642)**	288,362
Finance costs											**(7,183)**	(8,954)	**–**	–	**(7,183)**	(8,954)
Share of profits and losses of jointly-controlled entities	**(6,085)**	(429)	**(28,766)**	(5,533)	**–**	–	**–**	–	**(57,457)**	(26,185)	**(92,308)**	(32,147)	**–**	–	**(92,308)**	(32,147)
Provision for amounts due from jointly-controlled entities	**–**	(763)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(763)	**–**	–	**–**	(763)
Share of profits and losses of associates	**(7)**	53	**–**	(5,292)	**–**	–	**–**	–	**(71,249)**	647,283	**(71,256)**	642,044	**–**	–	**(71,256)**	642,044
Profit/(loss) before tax											**(404,321)**	924,369	**(1,068)**	(35,827)	**(405,389)**	888,542
Tax											**560**	(18)	**–**	–	**560**	(18)
Profit/(loss) for the year											**(403,761)**	924,351	**(1,068)**	(35,827)	**(404,829)**	888,524

	Continuing operations												Discontinued operation			
	Media and entertainment		Film production and distribution		Advertising agency		Cosmetics		Corporate and others		Total		Satellite television		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	246,424	293,154	583,315	499,681	6,302	11,977	12,292	13,063	1,704,806	1,071,263	2,553,139	1,889,138	3,034	945	2,556,173	1,890,083
Interests in jointly-controlled entities	(1,912)	(1,855)	42,733	85,299	–	–	–	–	1,039,589	979,544	1,080,410	1,062,988	–	–	1,080,410	1,062,988
Interests in associates	121	(36)	–	–	–	–	–	–	2,557,348	2,620,215	2,557,469	2,620,179	–	–	2,557,469	2,620,179
Unallocated assets											76,600	68,903	–	–	76,600	68,903
Total assets											6,267,618	5,641,208	3,034	945	6,270,652	5,642,153
Segment liabilities	38,842	47,634	80,190	84,202	6,779	10,676	8,738	9,375	236,075	278,516	370,624	430,403	670	1,943	371,294	432,346
Unallocated liabilities											232,345	214,454	–	–	232,345	214,454
Total liabilities											602,969	644,857	670	1,943	603,639	646,800
Other segment information:																
Depreciation	2,823	2,369	262	147	45	225	166	161	3,954	2,020	7,250	4,922	–	4,221	7,250	9,143
Impairment of film rights	–	–	14,000	5,000	–	–	–	–	–	–	14,000	5,000	–	–	14,000	5,000
Amortisation of film rights	–	–	20,363	15,851	–	–	–	–	–	–	20,363	15,851	–	–	20,363	15,851
Amortisation of film products	–	–	41,729	41,377	–	–	–	–	–	–	41,729	41,377	–	–	41,729	41,377
Amortisation of music catalogs	3,923	1,555	–	–	–	–	–	–	–	–	3,923	1,555	–	–	3,923	1,555
Write-off of bad debts	166	–	–	–	–	–	–	27	–	–	166	27	2	–	168	27
Recovery of bad debts	–	–	–	25	–	–	–	–	168	168	168	193	–	–	168	193
Provision for doubtful debts	573	–	156	–	–	–	–	–	–	–	729	–	–	–	729	–
Provision for other receivables	600	–	831	5,000	–	–	–	–	–	–	1,431	5,000	–	–	1,431	5,000
Write-back of provision for doubtful debts	–	–	290	–	–	–	26	–	–	–	316	–	–	–	316	–
Reversal of provision for advances to artistes	1,718	–	–	–	–	–	–	–	–	–	1,718	–	–	–	1,718	–
Provision for advances to artistes	15,000	20,143	–	–	–	–	–	–	–	–	15,000	20,143	–	–	15,000	20,143
Provision for indemnity	–	–	–	–	–	–	–	–	–	25,000	–	25,000	–	–	–	25,000
Provision for inventories	5	–	610	711	–	–	606	4	–	–	1,221	715	–	–	1,221	715
Impairment of films under production	–	–	241	18,160	–	–	–	–	–	–	241	18,160	–	–	241	18,160
Reversal of impairment of items of property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	1,257	–	1,257	–
Impairment of items of property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	–	6,079	–	6,079
Impairment of goodwill arising from acquisition of a subsidiary	880	–	–	–	–	–	–	–	–	–	880	–	–	–	880	–
Impairment of goodwill arising from acquisition of a jointly-controlled entity	–	3,500	–	–	–	–	–	–	–	–	–	3,500	–	–	–	3,500
Provision for amounts due from jointly-controlled entities	–	763	–	–	–	–	–	–	–	–	–	763	–	–	–	763
Additions of property, plant and equipment	1,636	10,766	286	179	–	–	30	58	2,301	6,688	4,253	17,691	–	42	4,253	17,733
Additions of film rights	–	–	6,238	26,047	–	–	–	–	–	–	6,238	26,047	–	–	6,238	26,047
Additions of film products	–	–	1,183	–	–	–	–	–	–	–	1,183	–	–	–	1,183	–
Additions of films under production	–	–	101,826	35,958	–	–	–	–	–	–	101,826	35,958	–	–	101,826	35,958
Additions of music catalogs	50,834	63,200	–	–	–	–	–	–	–	–	50,834	63,200	–	–	50,834	63,200

(b) **Geographical segments**

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

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

3. OTHER REVENUE

	2008	2007
	HK$'000	*HK$'000*
Bank interest income	**23,391**	49,078
Interest income on loan receivables	**4,329**	9,664
Dividend income from an unlisted investment	**160**	–
Dividend income from listed investments	**164**	–
Others	**5,558**	4,016
Attributable to continuing operations reported in the consolidated income statement	**33,602**	62,758
Other revenue attributable to a discontinued operation	**–**	43
	33,602	62,801

4. FINANCE COSTS

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

5. PROFIT/(LOSS) BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
Cost of film rights, license rights and film products	**66,347**	86,540
Cost of artiste management services, advertising agency services, and services for entertainment events provided	**120,434**	154,779
Cost of inventories sold	**21,151**	15,360
Total cost of sales	**207,932**	256,679
Impairment of film rights **	**14,000**	5,000
Impairment of films under production #	**241**	18,160
Impairment of goodwill arising from acquisition of a subsidiary **	**880**	–
Impairment of goodwill arising from acquisition of a jointly-controlled entity **	**–**	3,500
Gain on the sale of equity investments at fair value through profit or loss *	**(12)**	(1,270)
Gain on disposal of available-for-sale investments *	**–**	(1,834)
Amortisation of film rights #	**20,363**	15,851
Amortisation of film products #	**41,729**	41,377
Amortisation of music catalogs #	**3,923**	1,555
Depreciation ## @	**7,250**	9,143
Provision for doubtful debts **	**729**	–
Write-back of provision for doubtful debts *	**(316)**	–
Provision for other receivables ^	**1,431**	5,000
Provision for advances to artistes #	**15,000**	20,143
Reversal of provision for advances to artistes #	**(1,718)**	–
Loss on disposal of items of property, plant and equipment **	**44**	190
Impairment/(reversal of impairment) of items of property, plant and equipment @	**(1,257)**	6,079
Fair value losses on equity investments at fair value through profit or loss **	**8,163**	3,341
Impairment of available-for-sale investments **	**12,400**	–
Write-off of bad debts **	**168**	27
Recovery of bad debts *	**(168)**	(193)
Provision for inventories #	**1,221**	715
Foreign exchange losses/(gains), net	**726**	(2,243)
Provision for indemnity **	**–**	25,000

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

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

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

\## Depreciation charge of HK$2,293,000 was included in "Cost of sales" of the discontinued operation for the year ended 31 December 2007, further details of which are set out in note 8.

@ The disclosures presented in this note include those amounts charged in respect of the discontinued operation, further details of which are set out in note 8.

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

6. TAX

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in Hong Kong for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

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

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

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

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

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

The weighted average number of ordinary shares in issue during the year ended 31 December 2007 used in the basic and diluted earnings per share calculation have been restated to reflect the changes in the number of ordinary shares as a result of the rights issue in the current year (note 12(b)).

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

8. DISCONTINUED OPERATION

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

The results of the satellite television business for both years are presented below:

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

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

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

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

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

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

The weighted average number of ordinary shares in issue during the year ended 31 December 2007 used in the basic loss per share calculation has been restated to reflect the changes in the number of ordinary shares as a result of the rights issue in the current year (note 12(b)).

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

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

9. INTERESTS IN ASSOCIATES

The balance mainly includes the Group's interests in Lai Sun Development Company Limited ("LSD").

A cross holding position has been existing between LSD and the Company since 7 December 2004. As at 31 December 2008, the Group's interest in LSD was 36.72% (2007: 36.72%) and LSD and its subsidiaries (the "LSD Group") held in aggregate 36.08% (2007: 34.52%) in the issued share capital of the Company.

During the year ended 31 December 2008, the Group's share of loss of the LSD Group included in the Group's share of profits and losses of associates, after taking into account the cross-holdings between the Group and the LSD Group, for the year ended 31 December 2008 was HK$71,249,000 (2007: profit of HK$647,283,000). The Group's share of net assets of the LSD Group was included in the Group's interests in associates.

10. DEBTORS

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

Trade debtors include receivables for advertising, sales of products, licensing income and distribution commission from music publishing, film products and film rights. Trading terms with customers are largely on credit. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

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

11. CREDITORS, ACCRUALS AND PROVISION

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

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

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

12. SHARE CAPITAL

	2008		2007	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.50 each	**2,000,000**	**1,000,000**	2,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,240,732**	**620,366**	827,155	413,577

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

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

Notes:

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

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

13. POST BALANCE SHEET EVENTS

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

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

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

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

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2008 (2007: Nil) at the forthcoming Annual General Meeting. No interim dividend was paid or declared in respect of the year ended 31 December 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview of results

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

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

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

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

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

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

OPERATIONS REVIEW

Macao Studio City

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

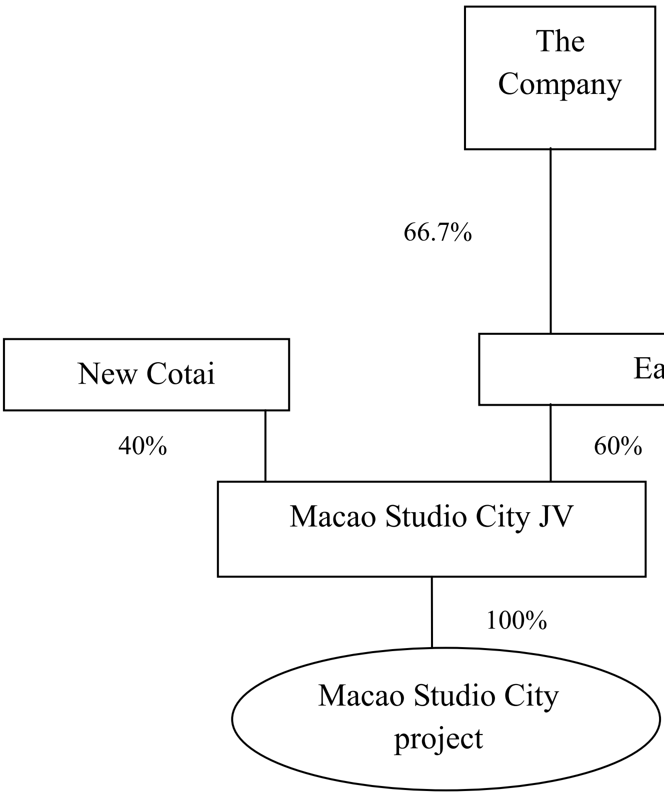
Joint venture arrangements

Macao Studio City joint venture

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

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

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



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

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

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

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

Project progress

Gross Floor Areas

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

Construction-in-progress

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

Financing

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

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

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

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

Media and entertainment

Film production and distribution – MAEG

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

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

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

Film production joint venture

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

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

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

Film library

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

Live entertainment

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

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

Music production, distribution and publishing

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

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

Following the acquisition of music libraries containing over 3,000 songs and 400 music videos in late 2007 and in 2008, the Group has, during the period under review, greatly enhanced its position to expand into the new media distribution business. During the year under review, the Group steadily grew its position in the market for music publishing and generated a stable and recurring cash flow.

Television drama and content production, and distribution

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

LSD

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

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

For the year under review, the Group reported an operating loss (before taking into account the Group's share of LSD's loss as mentioned above) of approximately HK$314,227,000 (2007: profit of HK$248,427,000). Since LSD holds a 36.08% equity interest in the Company, LSD is required to equity account for the operating loss of the Group. As the Group also holds a 36.72% equity interest in LSD, the Group is required to further take up LSD's share of the Group's operating results. The effect of such recurring process leads to the Group taking up a further loss of HK$46,702,000 (2007: profit of HK$36,482,000) and such amount is included in the Group's share of profits and losses of associates.

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

Development properties

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

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

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

Wood Road Project, Wanchai

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

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

Tai Po Road Project

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

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

Yau Tong Project

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

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

Other matters relating to the Company

Planned share placement

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

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

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

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

OUTLOOK

Macao Studio City

In view of its planned scale, unique positioning in Macau and combination of proposed facilities within it, we firmly believe Macao Studio City will, in due course, become one of the region's major entertainment destinations and will be an important platform for the Group to expand and monetise its entertainment and media expertise. Accordingly, the Group remains firmly committed to this project.

Media and entertainment

Film production and distribution

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

Film production joint venture

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

Live entertainment

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

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

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

Music production, distribution and publishing

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

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

Television drama and content production, and distribution

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

LSD

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

Investment properties

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

Development properties

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

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

Other matters relating to the Company

Funding needs and outstanding litigation with Passport

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

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

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

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

As at 31 December 2008, the Group had unsecured promissory notes payables of HK$20,000,000 falling due within one year and of HK$31,269,000 falling due within the second year. The promissory notes payables are interest-free, except for an amount of HK$30,000,000 which bears interest at 3.5% per annum. As at 31 December 2008, there exist unsecured other borrowings from a former shareholder of the Company in the principal amount of HK$112,938,000 which is interest-bearing at the HSBC prime rate per annum and is not repayable within one year. The Group recorded interest accruals of HK$37,089,000 for the other borrowings as at 31 December 2008. In addition, certain land and buildings of the Group with a carrying amount of HK$60,487,000, were pledged to a bank to secure general banking facilities granted to the Group which were not utilised by the Group as at 31 December 2008. Also, the Group had finance lease payables of HK$92,000 falling due within one year, HK$87,000 falling due within the second year and HK$131,000 falling due within the third to fifth years, as at 31 December 2008.

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 4% as at 31 December 2008. All of the Group's borrowings are denominated in Hong Kong dollars, the majority of which are floating rate debts. No financial instruments for hedging purposes were employed by the Group during the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report save for the deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive Directors of the Company is appointed for a specific term. However, at each annual general meeting, the Directors for the time being shall retire from office by rotation once every three years pursuant to the Bye-laws of the Company and a retiring Director shall be eligible for re-election.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 December 2008 have been reviewed by the audit committee of the Company. The audit committee comprises four independent non-executive Directors, namely Mr. Tong Ka Wing, Carl, Mr. Alfred Donald Yap, Mr. Low Chee Keong and Dr. Ng Lai Man, Carmen.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 27 May 2009. Notice of the Annual General Meeting together with the Company's Annual Report for 2008 will be despatched to shareholders in due course.

By Order of the Board
Lien Jown Jing, Vincent
Chairman

Hong Kong, 9 April 2009

As at the date of this announcement, the executive directors of the Company are, Mr. Lam Kin Ngok, Peter, Miss Leung Churk Yin, Jeanny, Mr. Cheung Wing Sum, Ambrose and Mr. Low Kit Leong; the non-executive directors are Mr. Lien Jown Jing, Vincent, Mr. Lam Kin Ming, Madam U Po Chu and Mr. Lo Kwok Kwei, David and the independent non-executive directors are Mr. Tong Ka Wing, Carl, Mr. Alfred Donald Yap, Mr. Low Chee Keong and Dr. Ng Lai Man, Carmen.