eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
CONTINUING OPERATIONS			
TURNOVER	2	**359,455**	270,131
Cost of sales		**(237,513)**	(207,932)
Gross profit		**121,942**	62,199
Other revenue	3	**24,461**	33,602
Marketing expenses		**(92,274)**	(42,075)
Administrative expenses		**(233,421)**	(203,768)
Other operating gains		**16,060**	2,779
Other operating expenses		**(140,453)**	(86,311)
Fair value loss on a put option	12	**(118,328)**	–
LOSS FROM OPERATING ACTIVITIES		**(422,013)**	(233,574)
Finance costs	4	**(6,758)**	(7,183)
Share of profits and losses of jointly-controlled entities		**(43,313)**	(92,308)
Share of profits and losses of associates		**521,276**	(71,256)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	5	**49,192**	(404,321)
Income tax	6	**(154)**	560
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**49,038**	(403,761)

	Notes	2009 *HK$'000*	2008 *HK$'000*
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	*8*	**–**	(1,068)
PROFIT/(LOSS) FOR THE YEAR		**49,038**	(404,829)
Attributable to:			
Owners of the parent		**68,553**	(385,476)
Minority interests		**(19,515)**	(19,353)
		49,038	(404,829)

EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT *7*

	2009	2008
Basic and diluted		
– For profit/(loss) for the year	**HK$0.06**	(HK$0.35)
– For profit/(loss) from continuing operations	**HK$0.06**	(HK$0.35)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**84,761**	77,206
Goodwill		**–**	35,202
Film rights		**72,568**	110,934
Film products		**68,538**	60,430
Music catalogs		**115,249**	108,556
Interests in jointly-controlled entities		**1,044,869**	1,076,802
Interests in associates	9	**3,152,538**	2,557,469
Available-for-sale investments		**90,338**	65,006
Loan receivables		**–**	63,445
Deposits, prepayments and other receivables		**102,362**	110,369
Deferred tax assets		**423**	753
Total non-current assets		**4,731,646**	4,266,172
CURRENT ASSETS			
Due from a jointly-controlled entity		**1,844**	3,608
Loan receivables		**11,000**	17,000
Inventories		**3,769**	4,693
Equity investments at fair value through profit or loss		**2,809**	9,592
Held-to-maturity debt investments		**120,724**	–
Films under production		**130,823**	93,714
Debtors	10	**89,096**	64,447
Deposits, prepayments and other receivables		**103,286**	158,446
Pledged deposit		**12,600**	–
Cash and cash equivalents		**1,341,437**	1,652,980
Total current assets		**1,817,388**	2,004,480
CURRENT LIABILITIES			
Creditors and accruals	11	**411,683**	398,834
Tax payable		**2,434**	3,199
Finance lease payables		**92**	92
Promissory notes		**32,319**	20,000
Interest-bearing bank borrowings		**11,418**	–
Interest-bearing other borrowings		**155,673**	–
Total current liabilities		**613,619**	422,125
NET CURRENT ASSETS		**1,203,769**	1,582,355
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,935,415**	5,848,527
NON-CURRENT LIABILITIES			
Finance lease payables		**(196)**	(218)
Promissory notes		**–**	(31,269)
Interest-bearing other borrowings		**–**	(150,027)
Put option	12	**(118,328)**	–
Total non-current liabilities		**(118,524)**	(181,514)
Net assets		**5,816,891**	5,667,013

EQUITY			
Equity attributable to owners of the parent			
Issued capital	*13*	**620,366**	620,366
Reserves		**4,870,296**	4,700,865
		5,490,662	5,321,231
Minority interests		**326,229**	345,782
Total equity		**5,816,891**	5,667,013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2009

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 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.

2. OPERATING SEGMENT INFORMATION

Segment revenue / results:

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

Segment assets / liabilities:

	Continuing operations								Discontinued operation			
	Media and entertainment		Film production and distribution		Corporate and others		Total		Satellite television		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**272,260**	246,424	**521,254**	583,315	**1,339,960**	1,723,400	**2,133,474**	2,553,139	**-**	3,034	**2,133,474**	2,556,173
Interests in jointly-controlled entities	**3,759**	(1,912)	**60,666**	42,733	**982,288**	1,039,589	**1,046,713**	1,080,410	**-**	-	**1,046,713**	1,080,410
Interests in associates	**(220)**	121	**-**	-	**3,152,758**	2,557,348	**3,152,538**	2,557,469	**-**	-	**3,152,538**	2,557,469
Unallocated assets							**216,309**	76,600	**-**	-	**216,309**	76,600
Total assets							**6,549,034**	6,267,618	**-**	3,034	**6,549,034**	6,270,652
Segment liabilities	**50,896**	38,842	**87,747**	80,190	**391,368**	251,592	**530,011**	370,624	**-**	670	**530,011**	371,294
Unallocated liabilities							**202,132**	232,345	**-**	-	**202,132**	232,345
Total liabilities							**732,143**	602,969	**-**	670	**732,143**	603,639

Other segment information:

	Media and entertainment 2009	Media and entertainment 2008	Film production and distribution 2009	Film production and distribution 2008	Corporate and others 2009	Corporate and others 2008	Total 2009	Total 2008	Satellite television 2009	Satellite television 2008	Consolidated 2009	Consolidated 2008
Depreciation	**3,120**	2,823	**272**	262	**4,564**	4,165	**7,956**	7,250	**-**	-	**7,956**	7,250
Impairment of film rights	**-**	-	**39,628**	14,000	**-**	-	**39,628**	14,000	**-**	-	**39,628**	14,000
Amortisation of film rights	**-**	-	**5,526**	20,363	**-**	-	**5,526**	20,363	**-**	-	**5,526**	20,363
Amortisation of film products	**-**	-	**77,626**	41,729	**-**	-	**77,626**	41,729	**-**	-	**77,626**	41,729
Amortisation of music catalogs	**4,507**	3,923	**-**	-	**-**	-	**4,507**	3,923	**-**	-	**4,507**	3,923
Write-off of bad debts	**-**	166	**-**	-	**3**	-	**3**	166	**-**	2	**3**	168
Recovery of bad debts	**-**	-	**-**	-	**168**	168	**168**	168	**-**	-	**168**	168
Provision for doubtful debts	**-**	573	**71**	156	**-**	-	**71**	729	**-**	-	**71**	729
Provision for advances to artistes	**597**	15,000	**-**	-	**-**	-	**597**	15,000	**-**	-	**597**	15,000
Provision for other receivables	**-**	600	**-**	831	**-**	-	**-**	1,431	**-**	-	**-**	1,431
Reversal of provision for doubtful debts	**1**	-	**1**	290	**-**	26	**2**	316	**-**	-	**2**	316
Reversal of provision for other receivables	**-**	-	**182**	-	**-**	-	**182**	-	**-**	-	**182**	-
Reversal of provision for advances to artistes	**273**	1,718	**-**	-	**-**	-	**273**	1,718	**-**	-	**273**	1,718
Provision for inventories	**-**	5	**593**	610	**296**	606	**889**	1,221	**-**	-	**889**	1,221
Impairment of films under production	**-**	-	**779**	241	**-**	-	**779**	241	**-**	-	**779**	241
Reversal of impairment of items of property, plant and equipment	**-**	-	**-**	-	**-**	-	**-**	-	**-**	1,257	**-**	1,257
Impairment of goodwill arising from acquisition of subsidiaries	**-**	880	**35,202**	-	**-**	-	**35,202**	880	**-**	-	**35,202**	880
Additions of property, plant and equipment	**868**	1,636	**268**	286	**14,766**	2,331	**15,902**	4,253	**-**	-	**15,902**	4,253
Additions of film rights	**-**	-	**6,788**	6,238	**-**	-	**6,788**	6,238	**-**	-	**6,788**	6,238
Additions of film products	**-**	-	**1,195**	1,183	**-**	-	**1,195**	1,183	**-**	-	**1,195**	1,183
Additions of films under production	**-**	-	**122,427**	101,826	**-**	-	**122,427**	101,826	**-**	-	**122,427**	101,826
Additions of music catalogs	**11,200**	50,834	**-**	-	**-**	-	**11,200**	50,834	**-**	-	**11,200**	50,834

Geographical information:

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

Information about a major customer:

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

3. OTHER REVENUE

	2009	2008
	HK$'000	*HK$'000*
Bank interest income	**1,741**	23,391
Interest income on loan receivables	**3,815**	4,329
Interest income on held-to-maturity debt investments	**4,173**	–
Interest income from an amount due from a jointly-controlled entity	**1,546**	–
Consultancy service income from a jointly-controlled entity	**4,539**	–
Distribution income from unlisted available-for-sale investments	**4,873**	160
Dividend income from listed investments	**237**	164
Others	**3,537**	5,558
Attributable to continuing operations reported in the consolidated income statement	**24,461**	33,602

4. FINANCE COSTS

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

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

5. PROFIT/(LOSS) BEFORE TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of film rights, licence rights and film products	**82,995**	66,347
Cost of artiste management services, advertising agency services, and services for entertainment events provided	**128,783**	120,434
Cost of inventories sold	**25,735**	21,151
Total cost of sales	**237,513**	207,932
Impairment of film rights **	**39,628**	14,000
Impairment of films under production #	**779**	241
Impairment of goodwill arising from acquisition of subsidiaries **	**35,202**	880
Impairment of available-for-sale investments **	**–**	12,400
Reversal of impairment of items of property, plant and equipment @	**–**	(1,257)
Fair value gains on realised equity investments at fair value through profit or loss *	**(13,154)**	(12)
Amortisation of film rights #	**5,526**	20,363
Amortisation of film products #	**77,626**	41,729
Amortisation of music catalogs #	**4,507**	3,923
Depreciation	**7,956**	7,250
Provision for doubtful debts **	**71**	729
Reversal of provision for doubtful debts *	**(2)**	(316)
Provision for other receivables #	**–**	1,431
Reversal of provision for other receivables#	**(182)**	–
Provision for advances to artistes #	**597**	15,000
Reversal of provision for advances to artistes #	**(273)**	(1,718)
Loss on disposal of items of property, plant and equipment **	**65**	44
Fair value losses on unrealised equity investments at fair value through profit or loss **	**433**	8,163
Loss on disposal of an available-for-sale investment**	**234**	–
Write-off of bad debts **	**3**	168
Recovery of bad debts *	**(168)**	(168)
Provision for inventories #	**889**	1,221
Foreign exchange losses, net	**347**	726

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

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

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

@ The disclosure presented in this note includes the amount credited in respect of the discontinued operation, further details of which are set out in note 8.

6. INCOME TAX

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

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

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

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

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

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

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

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

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 year ended 31 December 2008 are presented below:

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

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

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

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

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

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

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 2009, the Group's interest in LSD was 36.72% (2008: 36.72%) and LSD and its subsidiaries (the "LSD Group") held in aggregate 36.08% (2008: 36.08%) in the issued share capital of the Company.

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

10. DEBTORS

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

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

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

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

11. 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:

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

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

12. PUT OPTION

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

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

(i) the purchase consideration paid for such shares; and
(ii) any associated joint venture capital contributions made up to that time, net of any benefits had or received by CapitaLand in respect of such shareholding.

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

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

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

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

After taking into consideration the litigation between the Group and New Cotai, LLC ("New Cotai"), initiated by the Group in October 2009, and the prevailing progress and uncertainties as regards obtaining the abovementioned land grant modification (details as set out in note 14), the directors have reassessed the fair value of the Put Option at HK$118 million as at 31 December 2009.

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

13. SHARE CAPITAL

	2009		2008	
	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**	1,240,732	620,366

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

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

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

14. LITIGATION

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

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

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

(b) Litigation with New Cotai

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

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

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

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2009 (2008: Nil) at the forthcoming Annual General Meeting. No interim dividend was paid or declared in respect of the year ended 31 December 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF RESULTS

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

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

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

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

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

BUSINESS REVIEW

Macao Studio City

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

Project progress

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

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

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

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

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

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

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

Financing

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

EAST (Holdings)*'s option*

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

Media and entertainment

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

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

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

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

Live entertainment

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

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

Music production, distribution and publishing

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

Television drama and content production

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

New media

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

Lai Sun Development Company Limited ("LSD")

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

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

OUTLOOK

Macao Studio City

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

Media and entertainment

Film production and distribution

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

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

Live entertainment

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

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

Music production, distribution and publishing

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

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

Television drama and content production, and distribution

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

New media

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

PRC Artist Management

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

LSD

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

Other matters relating to the Company

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

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

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

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

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

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

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

The Group's debt to equity ratio, expressed as a percentage of total borrowings to total net assets, remained low at approximately 3% as at 31 December 2009. All of the Group's borrowings, except for the secured bank borrowings of HK$11,418,000 which are denominated in Renminbi, are denominated in Hong Kong dollars and the majority of which are floating rate debts. No financial instruments for hedging purposes were employed by the Group during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 since their last election 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 2009 have been reviewed by the audit committee of the Company. The audit committee comprises four independent non-executive directors, namely Dr. Ng Lai Man, Carmen, Mr. Tong Ka Wing, Carl, Mr. Alfred Donald Yap and Mr. Low Chee Keong.

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 2009 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 Friday, 28 May 2010. Notice of the Annual General Meeting together with the Company's Annual Report for 2009 will be despatched to shareholders in due course.

By Order of the Board
Lien Jown Jing, Vincent
Chairman

Hong Kong, 16 April 2010

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