eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

RESULTS

The board of directors (the "Board") of eSun Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with the comparative figures of 2009 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
TURNOVER	*3*	**459,020**	359,455
Cost of sales		**(348,684)**	(237,513)
Gross profit		**110,336**	121,942
Other revenue	*4*	**18,077**	24,461
Marketing expenses		**(64,124)**	(92,274)
Administrative expenses		**(234,780)**	(233,421)
Other operating gains		**30,010**	16,060
Other operating expenses		**(103,232)**	(140,453)
Fair value loss on a put option	*5*	**(25,356)**	(118,328)
LOSS FROM OPERATING ACTIVITIES		**(269,069)**	(422,013)
Finance costs	*6*	**(7,226)**	(6,758)
Gain on shares swap transactions	*7*	**610,007**	—
Share of profits and losses of jointly-controlled entities		**(31,353)**	(43,313)
Share of profits and losses of associates	*11*	**541,685**	521,276
PROFIT BEFORE TAX	*8*	**844,044**	49,192
Income tax expense	*9*	**(1,267)**	(154)
PROFIT FOR THE YEAR		**842,777**	49,038

	Note	2010 HK$'000	2009 HK$'000
Attributable to:			
Owners of the parent		**853,278**	68,553
Non-controlling interests		**(10,501)**	(19,515)
		842,777	49,038
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	*10*		
		2010	2009
Basic and diluted		**HK$0.69**	HK$0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**80,032**	84,761
Goodwill		**—**	—
Film rights		**60,624**	72,568
Film products		**86,765**	68,538
Music catalogs		**92,530**	115,249
Investments in jointly-controlled entities		**1,037,169**	1,044,869
Investments in associates	*11*	**4,345,306**	3,152,538
Available-for-sale investments		**77,946**	90,338
Deposits, prepayments and other receivables		**99,747**	102,362
Deferred tax assets		**329**	423
Total non-current assets		**5,880,448**	4,731,646
CURRENT ASSETS			
Due from a jointly-controlled entity		**513**	1,844
Loan receivable		**11,000**	11,000
Inventories		**5,317**	3,769
Equity investments at fair value through profit or loss		**2,083**	2,809
Held-to-maturity debt investments		**51,561**	120,724
Films under production		**91,657**	130,823
Debtors	*12*	**122,736**	89,096
Deposits, prepayments and other receivables		**110,163**	103,286
Pledged deposit		**12,960**	12,600
Cash and cash equivalents		**1,089,144**	1,341,437
Total current assets		**1,497,134**	1,817,388
CURRENT LIABILITIES			
Creditors and accruals	*13*	**540,999**	411,683
Tax payable		**3,555**	2,434
Finance lease payables		**130**	92
Promissory note		**—**	32,319
Interest-bearing bank borrowings		**11,820**	11,418
Interest-bearing other borrowings		**—**	155,673
Put option	*5*	**143,684**	—
Total current liabilities		**700,188**	613,619
NET CURRENT ASSETS		**796,946**	1,203,769
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,677,394**	5,935,415
NON-CURRENT LIABILITIES			
Finance lease payables		**(314)**	(196)
Interest-bearing other borrowings		**(161,321)**	—
Put option	*5*	**—**	(118,328)
Total non-current liabilities		**(161,635)**	(118,524)
Net assets		**6,515,759**	5,816,891

	Note	2010 HK$'000	2009 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**620,366**	620,366
Reserves		**5,578,393**	4,870,296
		6,198,759	5,490,662
Non-controlling interests		**317,000**	326,229
Total equity		**6,515,759**	5,816,891

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2010

1. BASIS OF PREPARATION

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

Segment revenue / results:

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

Segment assets / liabilities:

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

Other segment information:

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

Geographical information:

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

Information about a major customer:

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

4. OTHER REVENUE

	2010	2009
	HK$'000	*HK$'000*
Bank interest income	**1,658**	1,741
Interest income on loan receivables	**—**	3,815
Interest income on held-to-maturity debt investments	**1,502**	4,173
Interest income from an amount due from a jointly-controlled entity	**2,055**	1,546
Consultancy service income from a jointly-controlled entity	**3,834**	4,539
Distribution income from unlisted available-for-sale investments	**3,100**	4,873
Dividend income from listed investments	**4**	237
Others	**5,924**	3,537
	18,077	24,461

5. FAIR VALUE LOSS ON A PUT OPTION

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 "CapitaLand Transaction"), the Group granted CapitaLand a right (but not the obligation) at nil consideration, to sell or put back (the "Put Option") to the Group all (and not some) of the shares of EAST (Holdings) then held by CapitaLand at that time, in exchange for the return of:

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

The principal asset of EAST (Holdings) is its investment in Cyber One 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 ("MSC").

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

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

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

After taking into consideration the litigation between the Group and New Cotai, LLC ("New Cotai"), including the proceedings initiated by the Group in October 2009 and the proceedings initiated by New Cotai and related parties in October 2010, and the prevailing progress and uncertainties as regards obtaining the abovementioned land grant modification (details as set out in note 15), the directors have reassessed the fair value of the Put Option at HK$143,684,000 (2009: HK$118,328,000) as at 31 December 2010. Fair value loss on the Put Option for the year of HK$25,356,000 (2009: HK$118,328,000) was recognised in the consolidated income statement for the year ended 31 December 2010.

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. GAIN ON SHARES SWAP TRANSACTIONS

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

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

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

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

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

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

Notes:

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

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

8. PROFIT BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Cost of film rights, licence rights and film products	**116,431**	82,995
Cost of artiste management services, advertising agency services, and services for entertainment events provided	**210,127**	128,783
Cost of inventories sold	**22,126**	25,735
Total cost of sales	**348,684**	237,513
Impairment of film rights **	**3,033**	39,628
Impairment of film products #	**10,065**	—
Impairment of music catalogs **	**33,094**	—
Impairment of films under production #	**1,059**	779
Impairment of goodwill arising from acquisition of subsidiaries **	**—**	35,202
Share of net income from entertainment events organised by co-investors *	**(3,099)**	(2,256)
Fair value losses/(gains) on realised equity investments at fair value through profit or loss *	**56**	(13,154)
Fair value losses on unrealised equity investments at fair value through profit or loss **	**197**	433
Fair value gains of an available-for-sale investment (transfer from investment revaluation reserve upon realisation) *	**(25,505)**	—
Amortisation of film rights #	**12,604**	5,526
Amortisation of film products #	**93,463**	77,626

Amortisation of music catalogs #	**4,825**	4,507
Depreciation	**8,678**	7,956
Provision for doubtful debts **	**116**	71
Reversal of provision for doubtful debts *	**—**	(2)
Reversal of provision for other receivables #	**(500)**	(182)
Provision for advances to artistes #	**—**	597
Reversal of provision for advances to artistes #	**(2,345)**	(273)
Loss on disposal of items of property, plant and equipment **	**98**	65
Loss on disposal of an available-for-sale investment **	**—**	234
Write-off of bad debts **	**129**	3
Recovery of bad debts *	**(168)**	(168)
Provision for /(reversal of provision for) inventories #	**(1,374)**	889
Foreign exchange losses/(gains), net	**(747)**	347

* These items are included in "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.

9. INCOME TAX EXPENSE

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

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

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

The calculation of basic earnings per share is based on:

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

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

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

11. INVESTMENTS IN ASSOCIATES

The balances as at 31 December 2010 and 31 December 2009 mainly include the Group's interests in Lai Fung and LSD respectively. As further detailed in note 7, upon completion of the Shares Swap Transactions on 30 September 2010, LSD ceased to be an associate of the Group while Lai Fung has become a 40.58%-owned associate of the Group.

Interests in Lai Fung

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

Interests in LSD

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

During the year ended 31 December 2010, the Group's share of profit of the LSD Group including in the Group's share of profits and losses of associates, after taking into account the cross-holdings between the Group and the LSD Group, for the period from 1 January 2010 to the Completion Date was HK$402,681,000 (year ended 31 December 2009: HK$522,104,000). The Group's share of net assets of the LSD Group was included in the Group's investments in associates as at 31 December 2009.

12. DEBTORS

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

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

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:

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

13. 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:

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

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

Note: The balance represents the balance of the consideration for the Shares Swap Transactions (Note 7) payable to LSG. The amount is unsecured, interest-free and payable on 31 March 2011.

14. SHARE CAPITAL

	2010		2009	
	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

15. LITIGATION

(a) Litigation with New Cotai

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

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

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

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

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

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

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

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

1. in circumstances where EAST (Macau) has not been able to obtain the gazetted land grant modification and substantive development of the MSC project has not yet commenced, doubts exist as to whether EAST (Macau) would be immediately exposed to liability if it signed and executed the casino lease;
2. by email dated 5 December 2008, the joint venture's legal counsel advised that the validity of the casino lease was in doubt as the subject premises were not available, and that EAST (Macau) should seek external legal advice on this issue;
3. the directors of Cyber One nominated by EAST (Holdings) have tried to procure EAST (Macau) to seek appropriate legal advice on EAST (Macau)'s obligation to enter into the casino lease and its obligations under that lease, and have acted reasonably by doing so;
4. nevertheless, both New Cotai and New Cotai Entertainment LLC have impeded and frustrated EAST (Holdings)'s efforts in this regard; and
5. as a result, EAST (Macau) has not been able to seek independent advice and, therefore, has not executed the casino lease.

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

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

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

On 29 October 2010, New Cotai also presented to the Hong Kong High Court a counter petition (HCMP 2185 of 2010) seeking an order requiring EAST (Holdings) to transfer its interests in the Cyber One group to New Cotai. Essentially, New Cotai's petition is the mirror-image of EAST (Holdings)'s petition. The Court has directed that the two petitions be heard at the same time, and that the evidence filed in each petition will stand as evidence in the other petition also. Thus, the evidence which New Cotai filed in support of its own petition also stands in opposition to EAST (Holdings)'s petition. EAST (Holdings) filed its own evidence in opposition to New Cotai's petition on 14 February 2011. New Cotai is to file its evidence in reply on or before 26 April 2011.

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

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

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

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

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

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

16. EVENTS AFTER THE REPORTING PERIOD

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

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

ORDINARY DIVIDEND

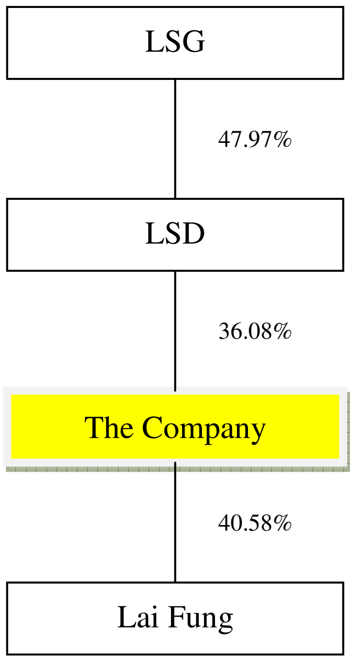
The Board does not recommend the payment of a final ordinary dividend for the financial year ended 31 December 2010 (2009: Nil) for shareholder's approval at the forthcoming Annual General Meeting. No interim ordinary dividend was paid or declared in respect of the year ended 31 December 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REORGANISATION

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

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



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

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

OVERVIEW OF ANNUAL RESULTS

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

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

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

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

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

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

BUSINESS REVIEW

Macao Studio City

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

Project progress

There is no progress on the Macao Studio City ("MSC") project over the year, essentially because of the continuing litigations between joint venture partners.

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

Cyber One has yet to receive approval from the Macau government in relation to its application for a land grant modification on land use and to increase the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. Since 2009, there have been disputes and ongoing litigations between EAST (Holdings) and New Cotai on the land grant modification and development of the project. Details of the litigations are set out in note 15 to the consolidated financial statements of the Group for the year ended 31 December 2010.

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

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

Financing

To date, the parties have contributed a total of US$200 million 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.

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

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

Live entertainment

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

Music production, distribution and publishing

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

Although the Group has expanded its music library through acquisition in 2007 and 2008 and achieved a positive contribution to the performance of the Group from the exploitation of the music library through new media distribution, the pace of development and performance of this music publishing business was still lagged behind the scheduled plan in 2010. It is noted that the performance of the music publishing business depends on, among other things, the new media distributor(s) capability, the available channels for new media/digital distribution and the receptiveness of the public (in general) to use such distribution method for music.

Television drama, content production, and distribution

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

New Media

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

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

LSD

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

Lai Fung

Following the completion of the Reorganisation on 30 September 2010, the Group held 40.58% shareholding interest in Lai Fung, which has become an associate of the Group. During the current period since Lai Fung has become an associate of the Group, Lai Fung's results were mainly contributed by (i) rental income from its investment properties portfolio; (ii) recognition of revenue and profits from sale of property units at Guangzhou West Point; and (iii) fair value gain on investment properties.

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 confident about future of the project, with or without the participation of its US project partners.

Media and entertainment

Film production and distribution

MAEG will continue to invest or produce more quality Chinese-language films that appeal to local and international markets, where the Group will further strengthen its positions in these markets.

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

Live entertainment

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

Music production, distribution and publishing

Owing to the continuing challenge of dwindling physical music sales, as well as with the change of consumer's pattern from physical to digital music sales, the Group will continue to explore new media channels for music distribution and adjusting the management's expectation to the public receptiveness of using such distribution method for music. The Group anticipates that our attempt in exploring the new media distribution will be rewarded with increased popularity and music sales amid the population of netizens who now opts to consume music products digitally.

Television drama, content production, and distribution

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

New Media

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

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

Artiste Management

The Group has engaged popular celebrities and potential talents in Hong Kong under artiste management business. This will continuously provide fresh supply of resources to the Group to develop various entertainment projects in different parts of the region.

Lai Fung

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

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

Lai Fung's net gearing level was low by industry standard. Lai Fung will be able to implement its business plan and respond to the challenge of the ever-changing policies. Lai Fung will continue its construction schedules of its existing development projects to fuel growth in turnover and profits for future financial years. Lai Fung is now awaiting improvement in market sentiment in order to launch further pre-sale of properties in its pipeline. Furthermore, as encouraged by its success in revitalising the Shanghai Hong Kong Plaza property, Lai Fung will continue to grow its recurrent income base through upgrade of existing rental properties and addition of new venues through completion of commercial property portions of the new development projects. Lai Fung expects its rental income will increase steadily in the next few years. With the macro-economic condition as mentioned above, Lai Fung will closely monitor the market and cautiously evaluate new investment opportunities.

Other matters relating to the Company

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

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

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

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

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

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

As detailed in note 5 to the financial statements, the Group has an outstanding put option granted to CapitaLand Integrated Resorts Pte. Ltd. ("CapitaLand") in connection with the disposal of its partial interests in the MSC project in year 2007. The Put Option is only exercisable under certain discrete circumstances by 11 September 2011. Were the Put Option to become exercisable and be exercised, the total amount payable by the Group based on the conditions prevailing as at 31 December 2010 would be approximately HK$971 million. In preparation for meeting the funding requirement arising from such, the Group has obtained an unsecured term loan facility of HK$500 million from a finance company for the stated purpose of part financing any possible payment obligations of the Group under the Put Option.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

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 year ended 31 December 2010 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 (including the independent non-executive directors) of the Company is appointed for a specific term. However, all Directors are subject to retirement provisions in the Bye-laws of the Company which provide that the directors for the time being shall retire from office by rotation once every three years since their last election and retiring directors are eligible for re-election. In addition, any person appointed by the Board to fill a casual vacancy or as an additional director (including non-executive director) will hold office only until the next annual general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objective of the relevant code provision and, therefore, does not intend to take any remedial steps in this regard.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprises three independent non-executive Directors, namely Dr. Ng Lai Man, Carmen, Mr. Tong Ka Wing, Carl and Mr. Alfred Donald Yap, and a non-executive director, Mr. Low Chee Keong. It has reviewed the annual results (including the consolidated financial statements) of the Company for the year ended 31 December 2010.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's results for the year ended 31 December 2010 as set out in this preliminary announcement have been agreed by the Group's independent 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 this preliminary announcement.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 27 May 2011. Notice of the Annual General Meeting together with the Company's Annual Report for 2010 will be despatched to shareholders in due course.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 29 March 2011

As at the date of this announcement, the executive directors of the Company are Messrs. Lam Kin Ngok, Peter, Lui Siu Tsuen, Richard, Cheung Wing Sum, Ambrose and Cheung Sum, Sam; the non-executive directors are Mr. Low Chee Keong, Madam U Po Chu, Mr. Lo Kwok Kwei, David, Mr. Albert Thomas da Rosa, Junior and Miss Leung Churk Yin, Jeanny; and the independent non-executive directors are Dr. Ng Lai Man, Carmen, Mr. Tong Ka Wing, Carl and Mr. Alfred Donald Yap.