



eSun Holdings Limited

(formerly known as Lai Sun Hotels International Limited)

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2000

RESULTS

The Board of Directors of eSun Holdings Limited (the "Company") announces that the audited consolidated results for the Company and its subsidiaries (the "Group") for the year ended 31st December, 2000 are as follows:

	2000 HK\$'000	1999 HK\$'000
TURNOVER		
Continuing operations	17,600	8,997
Discontinued operations	<u>156,936</u>	<u>365,697</u>
(Note a)	<u>174,536</u>	<u>374,694</u>
Cost of sales	<u>(92,282)</u>	<u>(174,097)</u>
Gross Profit	<u>82,254</u>	<u>200,597</u>
Other revenue (Note b)	147,389	132,703
Marketing expenses	(8,230)	(16,094)
Administrative expenses	(102,157)	(86,754)
Other operating expenses, net	(51,523)	(131,693)
Unrealised holding gain/(loss) on short term investments	(351,206)	220
Gain on disposal of subsidiaries	23,596	58,306
Gain on disposal of associates	11,612	—
Loss on disposal of a long term investment	(20,000)	—
Provisions for diminutions in values of associates	—	(116,224)
Write-off of goodwill	—	(83,362)
Loss on disposal of a property	—	(158,645)
Provisions for diminutions in values of fixed assets	—	(1,030,470)
Provisions for impairments in values of long term investments	—	(55,157)
LOSS FROM OPERATING ACTIVITIES	(268,265)	(1,286,573)
Finance costs (Note c)	<u>(15,819)</u>	<u>(38,390)</u>
Attributable profits less losses related to associates	<u>(7,153)</u>	<u>2,761</u>
LOSS BEFORE TAX	(291,237)	(1,322,202)
Tax (Note d)	<u>(14,875)</u>	<u>(4,649)</u>
LOSS BEFORE MINORITY INTERESTS	(306,112)	(1,326,851)
Minority interests	<u>462</u>	<u>442,100</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	(305,650)	(884,751)
LOSS PER SHARE-BASIC (Note e)	82.52 cents	242.51 cents

Notes:

(a) Turnover

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations for the year ended 31st December, 2000 is as follows:

	Turnover		Contribution to loss from operating activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Hotel and restaurant operations	156,936	333,684	15,321	28,688
Hotel management fee income	4,160	8,997	1,456	3,413
Media and entertainment operations	—	—	(9,354)	—
Advertising income	13,440	—	2,500	—
Property investment	—	32,013	—	24,691
	<u>174,536</u>	<u>374,694</u>	<u>9,923</u>	<u>56,792</u>
Unallocated general and administrative expenses, net of other income			(49,466)	(69,029)
Unrealised holding gain/(loss) on short term investments			(351,206)	220
Interest income received and receivable on the amount due from and deposits paid to Furama Hotel Enterprises Limited ("FHEL")			107,276	108,537
Gain on disposal of subsidiaries			23,596	58,306
Gain on disposal of associates			11,612	—
Loss on disposal of a long term investment			(20,000)	—
Compensation received and receivable from Lai Sun Development Company Limited ("LSD")			—	2,459
Provisions for diminutions in values of associates			—	(116,224)
Write-off of goodwill			—	(83,362)
Loss on disposal of a property			—	(158,645)
Provisions for diminutions in values of fixed assets			—	(1,030,470)
Provisions for impairments in values of long term investments			—	(55,157)
			<u>(268,265)</u>	<u>(1,286,573)</u>

	Turnover		Contribution to loss from operating activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By geographical area:				
The People's Republic of China				
Hong Kong	127,079	212,707	12,064	30,738
Other areas	3,145	32,013	1,909	24,691
Canada	11,177	65,064	(7,337)	3,349
United States of America	—	2,494	—	2,137
Others	33,135	62,416	3,287	(4,123)
	<u>174,536</u>	<u>374,694</u>	<u>9,923</u>	<u>56,792</u>

Unallocated general and administrative expenses, net of other income			(49,466)	(69,029)
Unrealised holding gain/(loss) on short term investments			(351,206)	220
Interest income received and receivable on the amount due from and deposits paid to FHEL			107,276	108,537
Gain on disposal of subsidiaries			23,596	58,306
Gain on disposal of associates			11,612	—
Loss on disposal of a long term investment			(20,000)	—
Compensation received and receivable from LSD			—	2,459
Provisions for diminutions in values of associates			—	(116,224)
Write-off of goodwill			—	(83,362)
Loss on disposal of a property			—	(158,645)
Provisions for diminutions in values of fixed assets			—	(1,030,470)
Provisions for impairments in values of long term investments			—	(55,157)
			<u>(268,265)</u>	<u>(1,286,573)</u>

(b) Other Revenue

	2000 HK\$'000	1999 HK\$'000
Interest income	126,119	117,002
Dividend income from long term investments	1,000	—
Gain on disposal of short term investments	15,389	2,055
Compensation on investments in subsidiaries	—	2,459
Others	<u>4,881</u>	<u>11,187</u>
	<u>147,389</u>	<u>132,703</u>

(c) Finance Costs

	2000 HK\$'000	1999 HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	13,169	38,015
Interest on finance leases	3	—
Exchange differences arising from retranslation of bank loans and other borrowings	1,418	1,565
Bank charges	<u>1,229</u>	<u>3,641</u>
Total finance costs	<u>15,819</u>	<u>43,221</u>
Interest capitalised	—	(4,831)
	<u>15,819</u>	<u>38,390</u>

(d) Tax

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made in the prior year as the Group had no assessable profits arising in Hong Kong for the year ended 31st December, 1999. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2000 HK\$'000	1999 HK\$'000
Provision for tax for the year:		
Hong Kong	14,000	—
Overseas	645	4,262
Prior year's under/(over) provisions:		
Overseas	(42)	56
	<u>14,603</u>	<u>4,318</u>
Share of tax attributable to associates:		
Hong Kong	92	—
Overseas	180	331
	<u>272</u>	<u>331</u>
Tax charge for the year	<u>14,875</u>	<u>4,649</u>

(e) Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$305,650,000 (1999: HK\$884,751,000) and the weighted average of 370,393,088 (1999: 364,828,618) ordinary shares in issue during the year, adjusted to reflect the five-to-one share consolidation during the year. The loss per share for the year ended 31st December, 1999 was adjusted accordingly.

The diluted loss per share for the years ended 31st December, 2000 and 1999 has not been shown because the warrants and options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

(f) The depreciation charges for the year in respect of owned and leased fixed assets are HK\$12,293,000 and HK\$2,000 (1999: HK\$19,456,000 and HK\$21,000) respectively.

(g) In the prior year, the amortisation charges in respect of goodwill arising on acquisition of subsidiaries and associates debited to the profit and loss account were HK\$431,000 and HK\$116,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Whilst the year in 2000 was the "Year of Change", the Group embarked on a development phase to direct its resources towards the development of its core competency in the media arena.

The Group reported a net loss attributable to shareholders of HK\$305,650,000 for 2000 compared to a net loss of HK\$884,751,000 for 1999. Loss per share was Hong Kong 82.52 cents for the year (1999: Hong Kong 242.51 cents). The loss attributable to shareholders was mainly due to a provision of HK\$351,050,000 for diminution in value on the 295 million SUNDAY Communications Limited shares acquired during the year. This was partly offset by a gain of HK\$8,562,000 on disposal of investment in subsidiaries and associates.

Turnover was HK\$174,536,000 for 2000 (1999: HK\$374,694,000) representing a decrease of 53% when compared to the prior year. The Group discontinued its hotel and related businesses since July 2000 and total revenue dropped by 57%, equivalent to HK\$208,761,000 due to the disposal of hotel operations. During the year, the Group also recorded an advertising revenue of HK\$13,440,000 which was generated by a new subsidiary acquired in June 2000.

The Group achieved a gross profit of HK\$82,254,000 for 2000 (1999: HK\$200,597,000) which was mainly generated from the hotel and restaurant operations. For the first six months of 2000, the hotel industry in Hong Kong showed a significant recovery. The Ritz-Carlton Hong Kong achieved a 65% growth in turnover, with occupancy rate rising from 63% in 1999 to 79% in 2000, and average room rate per night increasing from HK\$1,513 in 1999 to HK\$1,531 in 2000. Turnover of Caravelle Hotel, Ho Chi Minh City increased by 5%. Occupancy rate declined slightly to 40% during the period from 45% in 1999, but average room rate per night increased from US\$58 in 1999 to US\$71 in 2000. The Group had ceased to account for the hotels' results since July 2000.

In June 2000, the Group entered into a Reorganisation Agreement with LSD ("the Agreement") and disposed of its investment in and operation of hotels and restaurants to LSD for a total consideration of approximately HK\$685 million. The assets disposed of mainly comprised a 65% interest in The Ritz-Carlton Hong Kong, a 26.01% interest in Caravelle Hotel, Ho Chi Minh City, Vietnam, and a 31.25% interest in The Furama Resort, Danang, Vietnam. Details of the reorganisation contemplated in the Agreement have been disclosed as a connected transaction to shareholders in a circular dated 13th June, 2000. The connected transaction was approved by the shareholders of both the Company and LSD on 29th June, 2000.

After completion of the Agreement, the Group successfully shifted its principal activities from hotel-related businesses to the media/entertainment business sector. The Company also changed its name to eSun Holdings Limited (formerly Lai Sun Hotels International Limited) on 10th July, 2000 to reflect the change of its business direction. The Group will focus its resources to develop a range of capabilities including media production, broadcasting, and entertainment and have a seamless integration of a multitude of terrestrial and non-terrestrial broadcasting and communications capabilities.

The repayment term of the Agreement has been extended subsequently to 31st December, 2002. The Group has been receiving interest income at a rate of 5% per annum on the indebtedness of approximately HK\$1,500,040,000 due from FHEL, a wholly-owned subsidiary of LSD. Interest income from FHEL was HK\$107,276,000 in 2000 which provided a constant cash flow to the Group for developing its media, entertainment and Internet related business.

Investment by Acquisitions

To achieve its strategic objectives, the Group had streamlined its operations by reorganising its assets in 2000.

To expedite the Group's penetration of and gaining a foothold in the media/entertainment sector, the Group acquired certain assets which comprised a 25% interest in HKATV.com Limited, a 90% interest in Vision Communications (GZ) Limited, 100% interest in 4th and 5th floor and roof of East Commercial Block of South Horizons, Hong Kong and a 9.87% interest in SUNDAY Communications Limited (totalling 295 million shares), and three Internet joint ventures from LSD for a total consideration of HK\$1,085 million pursuant to the Agreement completed in June 2000.

During the period under review, the Group also made additional strategic investments in the media/entertainment business sector, comprising (i) a 26.3% interest in Media Asia Holdings Ltd., (ii) a 50% interest in Coolala International Limited, (iii) a 50% interest in Eastweek.com.hk Limited, and (iv) a 50% interest in three comics with Internet rights. The investments would strengthen the Group's content production capability for both media and Internet related businesses.

The Group also accounted for goodwill/capitalized charges of HK\$823,055,000 arising on acquisition of subsidiaries and associates during the year under review. The purchased goodwill was eliminated against contributed surplus in the balance sheet.

Prospects

The Directors will continue to evaluate strategic investments in the media/entertainment business sector. With the joint venture companies' strong content production capability, the Group aims to be the leading Chinese-language multimedia content provider including movie and TV programs for distribution through terrestrial, cable TV and satellite channels to Chinese-speaking viewers around the world.

In line with the strategic direction of the Group, it has committed after the balance sheet date to invest not less than HK\$300 million to develop a program production centre named East Asia Satellite Television City ("EAST-TV City") in Cotai City in the Macau Special Administrative Region ("MSAR"). The site covers approximately 150,000 square meters of land and construction work of EAST-TV City will commence in the second quarter of 2001 with completion scheduled for early 2003. The EAST-TV City production complex will consist of nine production studios, location filming and post-production facilities, and a tourist theme park with studio touring service, restaurants and shops. The Group plans to produce approximately 5,000 hours of programs per annum. The tourist theme park will also generate income to the Group and promote the tourism industry in MSAR.

This new project is held through a newly-formed company, East Asia Satellite Television Limited ("EAST-HK"). EAST-HK plans for a soft launch of satellite television broadcasting in July 2001, as the Group has committed to lease a satellite channel based in MSAR. An office with a gross area of approximately 22,000 square feet at the East Commercial Block of South Horizons, Aberdeen, Hong Kong is being set up. There will be approximately 180 employees working in Hong Kong, MSAR and Guangzhou upon commencement of the soft launch. The establishment of EAST-HK enables the Group to commence broadcasting and build up its own brand in the market before the opening of EAST-TV City in MSAR.

The Directors of the Company believe the investment in satellite television broadcasting, content production and EAST-TV City should generate operating profits for the Group in the future.

Liquidity and Financial Resources

As at 31st December, 2000, the Group had cash and cash equivalents of HK\$50,829,000. There were no bank borrowings as at the balance sheet date.

The Company allotted 188,528,309 new ordinary shares by means of rights issue to shareholders in January 2001, the rights shares have been fully allotted and subscribed, and contributed approximately HK\$160 million working capital to the Group.

Future capital expenditures will mainly consist of refurbishment and television equipment costs for setting up a new office at South Horizons, Aberdeen, Hong Kong and the construction cost for the EAST-TV City in MSAR.

The Group believes its cash holding, liquid asset value and future revenue will be sufficient to fund capital expenditure and working capital requirements.

Subsequent Events

- On 16th January, 2001, the Group announced that the rights issue of 188,528,309 new ordinary shares became unconditional and had been fully subscribed by the shareholders and the underwriter, the rights issue contributed approximately HK\$160,000,000 working capital to the Group.
- On 9th February, 2001, the Group entered into an agreement to acquire 50% stake in The Artiste Campus International Limited ("ACL") (formerly known as Union Holding Limited) from Mr. Chan Chee Kheong ("Mr. Chan") for a total consideration of HK\$7,600,005 comprising (i) HK\$2,000,005 in cash and (ii) the balance of HK\$5,600,000 by the allotment and issue of a total of 5,600,000 new shares of the Company. The allotment of 5,600,000 new shares to Mr. Chan was completed on 4th April, 2001. ACL is engaged in the provision of agency services for artists in the entertainment industry.

The joint venture provides an opportunity for the Group to participate in drama production and strengthen its film distribution operations.

- On 6th April, 2001, the Group announced that the shareholding percentage of LSD's equity interest in the Company had been reduced. LSD held 285,512,791 shares in the Company out of a total of 565,584,927 shares then in issue and its interest decreased, by way of dilution, from approximately 50.48% to approximately 49.99%.

Employees and Remuneration Policies

The Group employs a total of approximately 82 employees. The total staff costs including net pension contributions for the year was approximately HK\$67 million, which included the staff costs paid to employees for the discontinued hotel and restaurant operations. Pay rates for employees are maintained at competitive levels and salary and bonuses are rewarded on a performance related basis. Other staff benefits include Mandatory Provident Fund, free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programs. The Company adopted a share option scheme for its directors and employees on 25th November, 1996.

Contingent Liabilities

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

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to third parties in connection with restaurant operations	446	460	—	—
Guarantee given to LSD in connection with the disposal of an associate to LSD (Note)	25,000	—	25,000	—
	<u>25,446</u>	<u>460</u>	<u>25,000</u>	<u>—</u>

Note: In connection with the Agreement, the Group disposed of its 45% interest in Guangzhou International Golf Club Ltd. ("GIGC") to LSD, GIGC owns and operates a golf club in Xiancun, Zhencheng, Guangdong Province, the People's Republic of China.

GIGC has not obtained valid land use rights over a total area of 1,430 mu (approximate 953,338.10 square metres) of the land ("Land") on which the golf club is situated which would show unencumbered ownership over such Land upon completion of the transaction. As a result, the Group entered into a Deed of Undertaking and Indemnity with LSD on 30th June, 2000.

The Group has undertaken to indemnify LSD or any of its subsidiaries against all losses and charges suffered or sustained, directly or indirectly, in connection with GIGC not having obtained the land use right certificate, and all other relevant documents of the Land on which the golf club is situated or not showing unencumbered ownership over the Land. The aggregate liability of the Group under the indemnity created is limited to a maximum of HK\$25,000,000.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year ended 31st December, 2000 (1999: Nil) at the forthcoming Annual General Meeting. No interim dividend was paid or declared in 2000 (1999: Nil).

ANNUAL GENERAL MEETING

Notice of the Annual General Meeting together with the Company's Annual Report for 2000 will be dispatched to the members on or before 28th April, 2001.

PUBLICATION OF ANNUAL REPORT ON STOCK EXCHANGE WEBSITE

The Annual Report of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange of Hong Kong on or before 27th April, 2001.

By Order of the Board
Lien Jown Jing, Vincent
Chairman