



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2001

RESULTS

The Board of Directors of eSun Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2001 are as follows:

	Notes	2001 HK\$'000	2000 HK\$'000 (Restated)
TURNOVER			
Continuing operations		84,376	50,012
Discontinued operations		—	156,936
	(2)	84,376	206,948
Cost of sales		(94,644)	(124,694)
Gross profit/(loss)		(10,268)	82,254
Other revenue	(3)	86,577	132,000
Marketing expenses		(4,516)	(8,230)
Administrative expenses		(103,999)	(102,157)
Other operating expenses, net		(38,214)	(51,523)
Gain on disposal of interests in associates		3,855	11,612
Gain/(loss) on disposal of short term investments		(65,853)	15,389
Impairment of goodwill arising on acquisition of associates and a jointly-controlled entity		(32,990)	—
Unrealised holding loss on short term investments		—	(351,206)
Gain on disposal of subsidiaries		—	23,596
Loss on disposal of a long term investment		—	(20,000)
Prior year adjustment:	(4)		
Impairment of goodwill arising on acquisition of associates		—	(595,610)
Impairment of goodwill arising on acquisition of subsidiaries		—	(227,445)
LOSS FROM OPERATING ACTIVITIES	(2), (5)	(165,408)	(1,091,320)
Finance costs	(6)	(4,141)	(15,819)
Share of profits and losses of:			
Associates		(7,216)	(7,153)
A jointly-controlled entity		(2,658)	—
LOSS BEFORE TAX		(179,423)	(1,114,292)
Tax	(7)	(2,130)	(14,875)
LOSS BEFORE MINORITY INTERESTS		(181,553)	(1,129,167)
Minority interests		(135)	462
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(181,688)	(1,128,705)
LOSS PER SHARE — BASIC	(8)	32.36 cents	304.73 cents

Notes:

(1) Impact of new and revised Statements of Standard Accounting Practice ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised) : "Events after the balance sheet date"
- SSAP 14 (Revised) : "Leases"
- SSAP 18 (Revised) : "Revenue"
- SSAP 26 : "Segment reporting"
- SSAP 28 : "Provisions, contingent liabilities and contingent assets"
- SSAP 29 : "Intangible assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- SSAP 32 : "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12 : "Business combinations — subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13 : "Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

(2) Segment information

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, 2001 is as follows:

(a) By activity:

	(Discontinued) Hotel and restaurant operations		Hotel management		Media and entertainment		Satellite television		Advertising agency		Corporate and other		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover														
Sales to external customers	—	156,936	4,955	4,160	—	—	—	—	79,421	45,852 [#]	—	—	84,376	206,948
Segment results	—	43,949	2,316	1,840	(14,338)	(5,759)	(49,425)	(7,203)	1,873	3,265	14,261	(3,591)	(45,313)	32,501
Dividend income and unallocated interest and other gains													7,932	19,843
Gain on disposal of interests in associates		5,060			3,855						6,552		3,855	11,612
Gain/(loss) on disposal of short term investments									(65,853)	15,389	(65,853)		(65,853)	15,389
Impairment of goodwill arising on acquisition of associates and a jointly-controlled entity					(32,990)								(32,990)	—
Unrealised holding loss on short term investments											(351,206)		—	(351,206)
Gain on disposal of subsidiaries		22,127									1,469		—	23,596
Loss on disposal of a long term investment													—	(20,000)
Impairment of a long term investment													(29,871)	—
Impairment of an investment in an associate													(3,168)	—
Prior year adjustment:														
Impairment of goodwill arising on acquisition of associates													—	(595,610)
Impairment of goodwill arising on acquisition of subsidiaries											(32,868)		—	(227,445)
Loss from operating activities													(165,408)	(1,091,320)

[#] During the year, the Directors have reviewed the operations of the Group's advertising agency services and consider that it is more appropriate to record the income earned from such services on a gross basis instead of on a net commission income basis. Accordingly, the amount of the Group's advertising income for the year ended 31st December, 2000 has been reclassified to conform with the current year's presentation.

(b) By geographical area:

	Hong Kong		Elsewhere in the PRC		Canada		Other areas		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	22,800	125,940	56,621	36,695	—	11,177	4,955	33,136	84,376	206,948
Sales to external customers	22,800	125,940	56,621	36,695	—	11,177	4,955	33,136	84,376	206,948
Segment results	(46,105)	4,789	(826)	1,910	—	(6,709)	1,618	32,511	(45,313)	32,501
Dividend income and unallocated interests and other gains									7,932	19,843
Gain on disposal of interest in associates									3,855	11,612
Gain/(loss) on disposal of short term investments									(65,853)	15,389
Impairment of goodwill arising on acquisition of associates and a jointly-controlled entity									(32,990)	—
Unrealised holding loss on short term investments									—	(351,206)
Gain on disposal of subsidiaries									—	23,596
Loss on disposal of a long term investment									—	(20,000)
Impairment of a long term investment									(29,871)	—
Impairment of an investment in an associate									(3,168)	—
Prior year adjustment:										
Impairment of goodwill arising on acquisition of associates									—	(595,610)
Impairment of goodwill arising on acquisition of subsidiaries									—	(227,445)
Loss from operating activities									(165,408)	(1,091,320)
Other revenue										
									2001 HK\$'000	2000 HK\$'000
Interest income									82,784	126,119
Dividend income from a long term investment									—	1,000
Others									3,793	4,881
									86,577	132,000
Prior year adjustment										

Due to the adoption of SSAP 30 and Interpretation 13, the Group has adopted a policy to assess goodwill eliminated against reserves for impairment. As a result, the Group has performed an assessment of the fair value of the goodwill previously eliminated against reserves and has recognized an impairment of such goodwill of HK\$823,055,000 as at 31st December, 2000. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30.

This prior year adjustment has resulted in impairment of goodwill in the amounts of HK\$595,610,000 and HK\$227,445,000 arising on acquisition of associates and subsidiaries, respectively, being charged to the consolidated profit and loss account for the year ended 31st December, 2000; a consequential increase in the amount of accumulated losses of HK\$823,055,000 and a consequential increase in the amount of contributed surplus of HK\$823,055,000, previously reported in reserves as at 31st December, 2000. This prior year adjustment has had no effect on the current year.

(5) Loss from operating activities

	2001 HK\$'000	2000 HK\$'000
This is arrived at after charging/(crediting):		
Amortisation of goodwill on acquisition of associates and a jointly-controlled entity	1,763	—
Depreciation	8,224	12,295
Loss/(gain) on disposal of fixed assets	792	(1,015)
Impairment of an investment in an associate	3,168	—
Impairment of a long term investment	29,871	—
Write off of deposits paid	3,412	—
	41,140	11,570

(6) Finance costs

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	1,947	13,169
Interest on finance leases	17	3
Bank charges	2,177	1,229
Exchange differences arising from translation of bank loans and other borrowings	—	1,418
	4,141	15,819

(7) Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. 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, interpretation and practices in respect thereof.

	2001 HK\$'000	2000 HK\$'000
Provision for tax for the year:		
Hong Kong	3,195	14,000
Elsewhere	393	645
Deferred	699	—
	4,287	14,645
Prior year's over provisions:		
Hong Kong	(3,000)	—
Elsewhere	(942)	(42)
	(3,942)	(42)
Associates:		
Hong Kong	1,785	92
Elsewhere	—	180
	1,785	272
Tax charge for the year	2,130	14,875

(8) **Loss per share**

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$181,688,000 (2000 – restated: HK\$1,128,705,000), and the weighted average of 561,493,823 (2000: 370,393,088) ordinary shares in issue during the year, after taking into account the effect of the rights issue during the year.

The diluted loss per share for the years ended 31st December, 2001 and 2000 has not been shown because the options outstanding during these years had no dilutive effect on the basic loss per share for these years.

(9) **Reserves**

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2001				
As previously reported	2,822,477	68,234	(1,168,088)	1,722,623
Prior year adjustment: SSAP 30 — impairment of goodwill (note 4)	—	823,055	(823,055)	—
As restated	2,822,477	891,289	(1,991,143)	1,722,623
Issue of rights shares	65,985	—	—	65,985
Shares issued as partial consideration for acquisition of a jointly-controlled entity	2,800	—	—	2,800
Share issue expenses	(2,629)	—	—	(2,629)
Exchange realignments	—	—	(1,356)	(1,356)
Loss for the year	—	—	(181,688)	(181,688)
At 31st December, 2001	2,888,633	891,289	(2,174,187)	1,605,735

(10) **Comparative amounts**

Due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made (note 4) and certain comparative amounts have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview of Results

The year under review witnessed a gradual and orderly shift in business direction of the Group. Since the last quarter of the year ended 31st December, 2000, the Group had increased in stages its investment in satellite television operation and film and entertainment production. This transformation is still in progress as at the date of this announcement but solid foundations have been laid.

During this transitional period, the operating results of the Group had been affected to a certain degree, when contributions from businesses being phased out decreased whilst new businesses being developed had yet to make any significant positive contributions. For the year ended 31st December, 2001, the Group reported a net loss attributable to shareholders of HK\$181,688,000, compared with a restated net loss of HK\$1,128,705,000 for 2000. The figures for the year 2000 had been restated following the adoption of Statement of Standard Accounting Practice ("SSAP") 30 and Interpretation 13 issued by the Hong Kong Society of Accountants. Consequent upon a review and assessment of the fair value of the goodwill previously eliminated against reserves in accordance with the provision of SSAP 31, it was decided by the Board that an impairment of goodwill amounting to approximately HK\$823,055,000 as at 31st December, 2000 should be recognized. This change in accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30.

This prior year adjustment has resulted in amounts of HK\$595,610,000 and HK\$227,445,000, representing impairment of goodwill arising on acquisition of associates and subsidiaries, respectively, being charged to the consolidated profit and loss account for the year ended 31st December, 2000. The recognition of the abovementioned impairment in value of the investments acquired had been made in accordance with the requirement of SSAP 31 and after careful and thorough evaluation of the potential for growth and development of principally the Internet-related assets involved.

The net loss for the year under review was partly attributable to the discontinuation of contributions from the hotel and restaurant operations of the Group, which had been the biggest contributor of turnover and operating profit for the year 2000. Revenue for the year from the Group's advertising agency services, which the Group acquired in July 2000, remained stable when compared with the annualised figure for the 6-month operation in 2000, although the profit margin attained was thin.

Lower interest income also had an unfavourable impact on the results. The bulk of interest income of the Group was derived from the outstanding indebtedness due from Furama Hotel Enterprises Limited. Consequent upon completion of the reorganization agreement entered into with Lai Sun Development Company Limited in July 2000, the amount of this indebtedness had been reduced from HK\$1.9 billion to approximately HK\$1.5 billion, and applicable interest rates had also been revised downwards.

In addition to the above factors, a loss of HK\$65,853,000 on disposal of the Group's holdings in SUNDAY Communications Limited and other short term investments, and a write off of goodwill totalling HK\$32,990,000 on the acquisition of two associates and one joint venture during the year under review had been recorded. As the Group no longer holds any significant listed short term investments, it is expected that losses of similar magnitude will not be recurring in the year ending 31st December, 2002.

Satellite Television Operation

As reported in the last interim report of the Company, the television programme production centre of East Asia Satellite Television Limited ("EAST") commenced operation in the second quarter of 2001. Daily broadcast of programmes in Chinese produced by EAST at its Aberdeen, Hong Kong, production centre on the "Life Channel" of EAST commenced in July 2001.

Progress in the construction work of the EAST Television City in COTAI City in Macau Special Administrative Region is slightly behind schedule due to finalisation of detailed design plans.

Films Production and Distribution

During the year under review, the Group increased its equity interest in Media Asia Holdings Ltd. ("MAH") to 35.13%. The core businesses of MAH are the production, provision and distribution of films, television programmes and other media-related consumer products. In view of the recent revival of activities in the Hong Kong movie industry, a number of potential film projects are being evaluated by MAH.

During the year, the Group acquired a 50% interest in The Artiste Campus International Limited, which specialises in the provision of agency services for artistes in the entertainment industry. The Group believes that, through this joint venture, the Group will have greater access to media and entertainment talents, which should complement other film production and entertainment operations of the Group.

Entertainment

East Asia Entertainment Limited, a wholly-owned subsidiary of the Company, had organised and participated in the production of a series of pop concerts and entertainment shows in Hong Kong since the last quarter of the year under review. These projects are complementary to other operations of the Group and will achieve the objective of raising the profile of the East Asia Entertainment group.

Internet-related Operations

As foreshadowed in the last interim report, the Group has been reviewing the performance of the Internet-related operations closely. A loss for these operations had been reported for the year under review and during 2001, operation of a website of the Group had been discontinued.

Prospects

The Group aims to be a leading Chinese language movie and television programme content provider for distribution through terrestrial, cable TV and satellite channels primarily to viewers in the Greater China region and to Chinese-speaking viewers around the world.

Since the launch of the EAST "Life Channel" in July 2001, continuous improvements had been made to raise the quality of programmes. The programme production capacity of the Group will be substantially boosted when the EAST TV-City in Macau Special Administrative Region is completed in the year 2003. It is expected that in addition to potential advertising revenue of the satellite television channel, the sale of television programmes will be another important source of revenue for the EAST operation in the future.

Due to the nature of the movie industry, the Group does not expect that any significant contributions will be derived from the potential film projects currently under consideration by MAH in the financial year ending 31st December, 2002. However, the Group is confident that MAH, with its experience and strengths in the local movie and entertainment industry, will be able to select projects with the best potential.

In contrast to film production, organising pop concerts and entertainment shows will generate revenue in a shorter time span. The Group will be organising a number of concerts by popular and leading singers during the year 2002. As stated above, projects of this nature will complement the other operations of the Group and will help raise the profile of the East Asia Entertainment group.

The Group believes that whilst certain Internet-related projects will complement the satellite television and movie and entertainment businesses of the Group and therefore should be retained, the investment costs of other Internet-related projects should be written down to more realistic levels as a matter of prudence, pending any possible improvement in market conditions and sentiment.

Liquidity and Financial Resources

As at 31st December, 2001, the Group had cash and cash equivalents of HK\$53,865,000. The total bank borrowings, due within one year and secured by the Group's land and buildings, was HK\$25,000,000. The Group's gearing was considered low, as the debt to equity ratio was only 1%, expressed as a percentage of total bank borrowings to total net assets.

Future capital expenditures will mainly consist of the land and construction cost for the EAST-TV City in COTAI City in Macau.

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

Employees and Remuneration Policies

The Group employed a total of approximately 170 employees as at 31st December, 2001. The total staff costs including net pension contributions for the year was approximately HK\$36,000,000 million. Pay rates for employees are maintained at competitive levels, salary and bonuses are rewarded on a performance related basis. Other staff benefits include free hospitalization insurance plan, subsidized 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.

The Company would like to record a vote of thanks to Mr. Stephen Hung, formerly the vice-chairman, for his services and contributions to the Company during his tenure of office.

Contingent Liabilities

The Group's contingent liabilities not provided for in the financial statements at the balance sheet date were as follows:

	2001 HK\$'000	2000 HK\$'000
Guarantees given to third parties in connection with restaurant operations	—	446
Guarantee given to Lai Sun Development Company Limited ("LSD") in connection with the disposal of an associate to LSD (Note)	25,000	25,000
	<u>25,000</u>	<u>25,446</u>

Note:

In connection with the Reorganisation Agreement entered on 1st June, 2000, 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 for a total area of 1,430 mu (approximately 953,340 square metres) of the land ("the 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 certificates, 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 a final dividend in respect of the year ended 31st December, 2001 (2000: Nil) at the forthcoming Annual General Meeting. No interim dividend was paid or declared in 2001 (2000: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 27th May, 2002.

Notice of the Annual General Meeting together with the Company's Annual Report for 2001 will be dispatched to shareholders on or before 30th April, 2002.

PUBLICATION OF INFORMATION ON STOCK EXCHANGE WEBSITE

The Annual Report of the Company, which will contain all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Stock Exchange Listing Rules, will be published on the website of the Stock Exchange on or before 30th April, 2002.

By Order of the Board
Lien Jown Jing, Vincent
Chairman