eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2005

RESULTS

The Directors of eSun Holdings Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2005 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
TURNOVER	3	**140,984**	152,781
Cost of sales		**(123,353)**	(139,432)
Gross profit		**17,631**	13,349
Other revenue	4	**12,258**	7,953
Marketing expenses		**(21,937)**	(17,017)
Administrative expenses		**(88,212)**	(67,154)
Other operating gains		**13,874**	17,616
Other operating expenses		**(656)**	(7,376)
Loss on deemed disposal of an associate		**—**	(4,705)
LOSS FROM OPERATING ACTIVITIES		**(67,042)**	(57,334)
Finance costs	5	**(12,593)**	(13,884)
Loss on settlement of a debt		**—**	(101,892)
Share of profits and losses of jointly-controlled entities		**(2,304)**	(1,971)
Provision for amounts due from jointly-controlled entities		**(2,381)**	(1,011)
Share of profits and losses of associates		**295,505**	30,683
Amortisation of goodwill on acquisition of an associate		**—**	(2,122)
PROFIT/(LOSS) BEFORE TAX	6	**211,185**	(147,531)
Tax	7	**(717)**	2,014
PROFIT/(LOSS) FOR THE YEAR		**210,468**	(145,517)
Attributable to:			
Equity holders of the parent		**210,468**	(145,517)
Minority interests		**—**	—
		210,468	(145,517)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— BASIC		**HK29.35 cents**	HK(21.68) cents
— DILUTED		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**207,713**	166,029
Interests in jointly-controlled entities		**223**	1,125
Interests in associates	9	**1,632,930**	1,515,217
Film rights		**187,187**	190,684
Total non-current assets		**2,028,053**	1,873,055
CURRENT ASSETS			
Inventories		**2,872**	—
Equity investment at fair value through profit or loss/ short term investment		**22**	22
Self-produced and purchased programmes		**234**	795
Properties held for sale		**—**	2,700
Debtors and deposits	10	**78,549**	63,242
Cash and cash equivalents		**177,080**	18,472
Total current assets		**258,757**	85,231
CURRENT LIABILITIES			
Creditors and accruals	11	**108,603**	108,714
Tax payable		**3,321**	2,919
Finance lease payables		**29**	40
Interest-bearing bank and other borrowings		**4,000**	170,971
Loan from a director		**—**	9,659
Total current liabilities		**115,953**	292,303
NET CURRENT ASSETS / (LIABILITIES)		**142,804**	(207,072)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,170,857**	1,665,983
NON-CURRENT LIABILITIES			
Finance lease payables		**(133)**	(2)
Interest-bearing bank and other borrowings		**(126,474)**	(19,000)
Loan from a related company		**—**	(13,339)
Total non-current liabilities		**(126,607)**	(32,341)
Net assets		**2,044,250**	1,633,642
EQUITY			
Equity attributable to equity holders of the parent:			
Issued capital	12	**372,592**	335,592
Reserves		**1,671,462**	1,297,854
		2,044,054	1,633,446
Minority interests		**196**	196
Total equity		**2,044,250**	1,633,642

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31st December, 2005

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						Minority interests	Total equity
	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
At 1st January, 2004	335,592	2,888,269	891,289	—	(2,336,304)	1,778,846	196	1,779,042
Exchange realignment	—	—	—	—	117	117	—	117
Total income and expense recognised directly in equity	—	—	—	—	117	117	—	117
Net loss for the year (restated)	—	—	—	—	(145,517)	(145,517)	—	(145,517)
At 31st December, 2004	335,592	2,888,269	891,289	—	(2,481,704)	1,633,446	196	1,633,642
At 1st January, 2005								
As previously reported	335,592	2,888,269	891,289	—	(2,283,818)	1,831,332	196	1,831,528
Prior year adjustment	—	—	—	—	(197,886)	(197,886)	—	(197,886)
As restated, before opening adjustment	335,592	2,888,269	891,289	—	(2,481,704)	1,633,446	196	1,633,642
Opening adjustment	—	—	—	3,914	(3,914)	—	—	—
As restated, after opening adjustment	335,592	2,888,269	891,289	3,914	(2,485,618)	1,633,446	196	1,633,642
Exchange realignment	—	—	—	—	(65)	(65)	—	(65)
Total income and expense recognised directly in equity	—	—	—	—	(65)	(65)	—	(65)
Net profit for the year	—	—	—	—	210,468	210,468	—	210,468
Issue of shares	37,000	118,400	—	—	—	155,400	—	155,400
Share issue expenses	—	(4,734)	—	—	—	(4,734)	—	(4,734)
Share of reserve movement of associates	—	—	—	49,539	—	49,539	—	49,539
At 31st December, 2005	372,592	3,001,935	891,289	53,453	(2,275,215)	2,044,054	196	2,044,250

NOTES TO FINANCIAL STATEMENTS

31st December, 2005

1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards "HKASs") affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilites
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets

The adoption of HKASs 2, 7, 8, 10, 12, 14, 18, 19, 21, 23, 27, 28, 31, 32, 33, 37, 38, 39 Amendment, HKFRS 2 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates and jointly-controlled entities was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates and jointly-controlled entities is presented net of the Group's share of tax attributable to associates and jointly-controlled entities.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(i) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

In prior years, goodwill arising on acquisitions of an associate on or after 1st January, 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation at 1st January, 2005 and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). The effect of the change in accounting policy to these financial statements are set out in note 2 to the announcement.

(ii) HKAS 17 — Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the leasehold interest in land and buildings of the Group is separated into leasehold land and buildings. The leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(iii) HKAS 16 — Property, Plant and Equipment and HK-Int 2 — The Appropriate Accounting Policies for Hotel Properties

In prior years, hotel properties held by the Group's associates were stated at cost less any impairment losses.

Upon the adoption of HKAS 16 and HK-Int 2, hotel properties are now stated at cost less accumulated depreciation and any impairment losses.

The retrospective application of this accounting policy by the Group's associates has resulted in the restatement of results and net assets of the associates being equity accounted for by the Group, further details of which are set out in note 2 to the announcement.

(iv) HKAS 39 — Financial Instruments

In prior years, equity securities and advances to investees of the Group's associates intended to be held for a continuing strategic or long term purpose were accounted for as long term investments. These long term investments were stated at cost less any impairment losses, on an individual investment basis. When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the income statement for the period in which it arises. Where the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the income statement to the extent of the amount previously charged.

Upon the adoption of HKAS 39 by the Group's associates, such long term investments or investments that are not classified in any of the other categories of financial assets as defined in HKAS 39 were redesignated as available-for-sale investments as at 1st January, 2005. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investments are sold, collected or otherwise disposed of or until the investments are determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement of the Group's associates.

Upon initial application of this HKAS by the Group's associates, any change in fair value of the previous carrying amount of available-for-sale investments are recognised as an opening adjustment of the balance of the investment revaluation reserve against accumulated losses at 1st January, 2005. This change only results in a change in accounting policy of the Group's associates is set out in note 2 to the announcement.

(v) HKAS 40 — Investment Property

In prior years, changes in the fair values of investments properties of the Group's associates were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement of the Group's associates to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of these investment properties are included in the income statement of the Group's associates in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The retrospective application of this accounting policy by the Group's associates has resulted in the restatement of results and net assets of the Group's associates being equity accounted for by the Group, further details of which are set out in note 2 to the announcement.

(vi) HK(SIC)-Int 21 — Income Taxes — Recovery of Revalued Non-depreciable Assets

In prior years, deferred tax arising on the revaluation of investment properties of the Group's associates was recognised based on the tax rates that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the investment properties of the Group's associates is determined on the basis that these properties will be recovered through use. Accordingly, the profits tax rate has been applied to the calculation of deferred tax.

The retrospective application of this accounting policy by the Group's associates has resulted in the restatement of results and net assets of the Group's associates being equity accounted for by the Group, further details of which are set out in note 2 to the announcement.

2. SUMMARY OF THE EFFECTS OF CHANGES IN THE ACCOUNTING POLICIES

Pursuant to HKAS 8, which outlines the disclosure requirements when a change in accounting policy has a material effect on the current year's and prior years' amounts presented, the amount of adjustment for each financial statement line item affected by the adoption of the new and revised HKFRSs and the impact to the basic earnings/(loss) per share to the Group's financial statements are summarised as follows:

	Impact of new and revised HKFRSs on consolidated balance sheet as at					Impact of new and revised HKFRSs on consolidated income statement for the year ended		
	Decrease in interests in associates/ net assets	Increase in investment revaluation reserve	Decrease in investment property revaluation reserve	Decrease/ (increase) in accumulated losses	Decrease in total equity	Decrease in amortisation of goodwill on acquisition of an associate	Increase in share of profits and losses of associates	Increase in loss on settlement of a debt
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31st December, 2005	(39,515)	53,453	(288,285)	195,317	(39,515)	1,661	197,570	—
31st December, 2004 — note 9	(197,886)	—	—	(197,886)	(197,886)	—	—	(197,886)
Increase in basic earnings per share for the year ended 31st December, 2005 — HK cents						0.23	27.55	—
Increase in basic loss per share for the year ended 31st December, 2004 — HK cents						—	—	(29.48)

3. SEGMENT INFORMATION

(a) Business segments:

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2005 and 2004.

	Media and entertainment		Satellite television		Advertising agency		Cosmetics*		Corporate and others*		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Segment revenue:												
Sales to external customers	**67,648**	82,784	**4,351**	3,652	**44,472**	53,244	**24,513**	13,101	**—**	—	**140,984**	152,781
Other revenue	**2,367**	4,715	**—**	—	**101**	265	**—**	—	**7,847**	2,927	**10,315**	7,907
Total	**70,015**	87,499	**4,351**	3,652	**44,573**	53,509	**24,513**	13,101	**7,847**	2,927	**151,299**	160,688
Segment results	**(8,208)**	(10,076)	**(28,748)**	(31,296)	**4,723**	2,543	**1,592**	(4,703)	**(39,238)**	(18,499)	**(69,879)**	(62,031)
Unallocated interest and other gains											**1,943**	46
Gain/(loss) on disposal of short term investments	**—**	(597)	**—**	—	**—**	—	**—**	—	**—**	8	**—**	(589)
Unrealised holding loss on a short term investment	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(12)	**—**	(12)
Gain on disposal of a long term investment	**—**	1,885	**—**	—	**—**	—	**—**	—	**—**	—	**—**	1,885
Gain on disposal of properties held for sale	**—**	—	**—**	—	**—**	—	**—**	—	**894**	—	**894**	—
Gain on disposal of investment properties	**—**	—	**—**	—	**—**	—	**—**	—	**—**	8,072	**—**	8,072
Loss on deemed disposal of an associate	**—**	(4,705)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(4,705)
Loss from operating activities											**(67,042)**	(57,334)
Finance costs											**(12,593)**	(13,884)
Loss on settlement of a debt	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(101,892)	**—**	(101,892)
Share of profits and losses of jointly-controlled entities	**(2,304)**	(1,971)	**—**	—	**—**	—	**—**	—	**—**	—	**(2,304)**	(1,971)
Provision for amounts due from jointly-controlled entities	**(2,381)**	(1,011)	**—**	—	**—**	—	**—**	—	**—**	—	**(2,381)**	(1,011)
Share of profits and losses of associates	**8,986**	16,793	**—**	—	**—**	—	**—**	—	**286,519**	13,890	**295,505**	30,683
Amortisation of goodwill on acquisition of an associate	**—**	(2,122)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(2,122)
Profit/(loss) before tax											**211,185**	(147,531)
Tax											**(717)**	2,014
Profit/(loss) for the year											**210,468**	(145,517)

	Media and entertainment		Satellite television		Advertising agency		Cosmetics*		Corporate and others*		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Segment assets	**265,542**	235,580	**207,525**	166,516	**9,850**	19,117	**13,320**	2,224	**157,388**	18,485	**653,625**	441,922
Interests in associates	**130,596**	123,179	**—**	—	**—**	—	**—**	—	**1,502,334**	1,392,038	**1,632,930**	1,515,217
Interests in jointly-controlled entities	**223**	1,125	**—**	—	**—**	—	**—**	—	**—**	—	**223**	1,125
Unallocated assets											**32**	22
Total assets											**2,286,810**	1,958,286
Segment liabilities	**15,821**	11,564	**71,368**	63,238	**7,667**	21,213	**8,320**	5,444	**3,680**	6,575	**106,856**	108,034
Unallocated liabilities											**135,704**	216,610
Total liabilities											**242,560**	324,644
Other segment information:												
Depreciation	**112**	128	**4,362**	4,316	**42**	36	**110**	54	**549**	395	**5,175**	4,929
Amortisation of goodwill on acquisition of an associate	**—**	2,122	**—**	—	**—**	—	**—**	—	**—**	—	**—**	2,122
Amortisation of film rights	**3,497**	6,971	**—**	—	**—**	—	**—**	—	**—**	—	**3,497**	6,971
Amortisation of self-produced and purchased programmes	**488**	374	**—**	—	**—**	—	**—**	—	**—**	—	**488**	374
Provision for bad and doubtful debts	**—**	2,545	**—**	—	**—**	21	**—**	246	**—**	315	**—**	3,127
Write-back of provision for bad and doubtful debts	**—**	—	**—**	—	**—**	—	**2,750**	—	**168**	168	**2,918**	168
Impairment loss of self-produced and purchased programmes	**—**	2,385	**—**	—	**—**	—	**—**	—	**—**	—	**—**	2,385
Capital expenditure	**256**	121	**44,572**	25,444	**147**	35	**245**	325	**1,708**	907	**46,928**	26,832

* During the year, the cosmetic business of the Group constituted a reportable business segment in accordance with the requirements of HKAS 14 "Segment Reporting" ("HKAS 14"). Accordingly, the comparative figures for the cosmetic business segment for the year ended 31st December, 2004, which were previously included in the "Corporate and others" segment were separately disclosed as "Cosmetics" segment to confirm to current year's presentation.

(b) Geographical segments:

The following table presents the revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		PRC-Mainland (including Macau)		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Segment revenue:						
Sales to external customers	**92,214**	98,918	**48,770**	53,863	**140,984**	152,781
Other segment information:						
Segment assets	**2,139,555**	1,854,164	**147,223**	104,100	**2,286,778**	1,958,264
Unallocated assets					**32**	22
Total assets					**2,286,810**	1,958,286
Capital expenditure	**2,388**	1,210	**44,540**	25,622	**46,928**	26,832

4. OTHER REVENUE

	2005	2004
	HK$'000	*HK$'000*
Bank interest income	**1,943**	46
Interest income on an amount due from Furama Hotel Enterprise Limited ("FHEL")	**7,739**	693
Gross rental income	**—**	2,062
Others	**2,576**	5,152
	12,258	7,953

5. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**10,870**	11,100
Interest on loans from a director and a related company	**1,361**	2,401
Interest on finance leases	**7**	8
Refinancing charges of bank borrowings	**355**	375
	12,593	13,884

6. PROFIT / (LOSS) BEFORE TAX

	2005	2004
	HK$'000	*HK$'000*
The Group's profit/(loss) after tax is arrived at after charging/(crediting):		
Cost of film rights and licence rights	**5,665**	8,037
Cost of self-produced and purchased programmes	**21,582**	18,196
Cost of services provided	**78,207**	107,546
Cost of inventories sold	**17,899**	5,653
Total cost of sales	**123,353**	139,432
Amortisation of film rights*	**3,497**	6,971
Depreciation	**5,175**	4,929
Provision for bad and doubtful debts	**—**	3,127
Impairment loss of self-produced and purchased programmes	**—**	2,385
Loss on disposal of short term investments	**—**	589
Amortisation of self-produced and purchased programmes	**488**	374
Loss on disposal of items of property, plant and equipment	**69**	54
Unrealised holding loss on a short term investment	**—**	12
Write-back of provision for bad and doubtful debts	**(2,918)**	(168)
Write-back of provision for inventories	**(1,727)**	—
Gain on disposal of properties held for sale	**(894)**	—
Gain on disposal of investment properties	**—**	(8,072)
Gain on recovery from the Holdback Funds and Earnout Funds in connection with the litigation relating to the disposal of Delta Hotels Limited	**—**	(7,300)
Gain on disposal of a long term investment	**—**	(1,885)

* *This item is included in the cost of film rights and licence rights.*

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004:17.5%) 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, interpretations and practices in respect thereof.

	2005	2004
	HK$'000	*HK$'000* (Restated)
Provision for tax for the year:		
Hong Kong	**629**	1,628
Elsewhere	**70**	137
	699	1,765
Prior years' under/(over) provisions:		
Hong Kong	**18**	—
Elsewhere	**—**	(3,779)
	18	(3,779)
Total tax charge/(credit) for the year	**717**	(2,014)

No deferred tax has been provided as the Group and the Company did not have any significant temporary differences which gave rise to a deferred tax liability at the balance sheet date for both years presented.

The share of tax attributable to associates and jointly-controlled entities that amounted to tax charge of HK$73,450,000 (2004: tax credit of HK$45,000) and tax charge of HK$69,000 (2004:HK$3,000), respectively, is included in "Share of profits and losses of associates and jointly-controlled entities" on the face of the consolidated income statement.

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

The calculation of basic earnings/(loss) per share amount is based on the net profit for the year attributable to ordinary equity holders of the parent for the year of HK$210,468,000 (2004 (restated): net loss of HK$145,517,000) and the weighted average of 717,206,847 (2004:671,184,929) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31st December, 2005 and 2004 have not been shown as no diluting events existed during these years.

9. INTERESTS IN ASSOCIATES

Interest in LSD

On 28th June, 2004, the Company and its wholly-owned subsidiary, Golden Pool Enterprises Limited, LSD and its wholly-owned subsidiary, FHEL entered into an agreement (the "Settlement Agreement") concerning the settlement of the amount due from FHEL of HK$1,500,040,000 (the "Debt"). The principal terms of the Settlement Agreement included (i) cash settlement of HK$20 million; (ii) the issue of 5,200 million ordinary shares in LSD at an issue price of HK$0.50 per share (the "LSD Shares"), which represented 40.8% of the enlarged issued capital of LSD; and (iii) the Term Loan. Further details of the Settlement Agreement are set out on the Company's circular dated 15th September, 2004. The Settlement Agreement was completed on 7th December, 2004 (the "Completion Date").

As reported in the prior year's financial statements, a premium on settlement of the Debt of HK$95,994,000 (the "Premium") was recorded on the Completion Date. As a result of the retrospective application of HKAS16, HKAS 40, HK-Int 2 and HK(SIC)-Int 21 by LSD as described in note 1 to the announcement, the Group's share of consolidated net assets of LSD on the Completion Date was affected and was decreased by HK$197,886,000. The Premium was then restated and resulted in a loss on the settlement of the Debt of HK$101,892,000 (the "Loss") on the Completion Date. The Loss represented the difference between the restated recoverable amount of the settlement and the carrying amount of the Debt on the Completion Date.

As at 31st December, 2004, the Group's interest in LSD was 40.8%. On the same date, the LSD Group also held an aggregate of a 42.54% equity interest in the Company. This constituted a cross holding between the Group and LSD. Therefore, the Group's share of results in the LSD Group for 2004 and the subsequent accounting periods also includes the results of the Group which are shared by the LSD Group while LSD is equity accounting for the Group's results.

As at 31st December, 2005, the LSD Group's interest in eSun was diluted from 42.54% to 38.31% as a result of the Company's issuing of 74 million new shares to certain third parties during the year.

10. DEBTORS AND DEPOSITS

Trading terms with customers are largely on credit. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise 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 aged analysis of the trade debtors as at the respective balance sheet dates is as follows:

	2005 *HK$'000*	2004 *HK$'000*
Trade debtors:		
Less than 30 days	**10,122**	6,141
31-60 days	**4,134**	2,367
61-90 days	**1,560**	1,299
Over 90 days	**2,071**	9,589
	17,887	19,396
Other receivables, prepayments and deposits	**60,662**	43,846
	78,549	63,242

The above aged analysis, stated net of provisions for doubtful debts, was prepared based on the dates when goods are delivered or the services are provided.

Included in trade debtors and other receivables are amounts due from the Group's associates of HK$480,000 (2004: HK$719,000) and due from related companies of HK$2,788,000 (2004: HK$831,000). These balances arose from the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable on similar credit terms to those offered to major customers of the Group.

11. CREDITORS AND ACCRUALS

An aged analysis of the trade creditors as at the respective balance sheet dates is as follows:

	2005 *HK$'000*	2004 *HK$'000*
Trade creditors:		
Less than 30 days	**5,564**	3,256
31-60 days	**2,891**	2,448
61-90 days	**1,029**	2,237
Over 90 days	**2,311**	13,441
	11,795	21,382
Other creditors and accruals	**96,808**	87,332
	108,603	108,714

The above aged analysis was prepared based on the dates of receipt of the goods and services purchased.

Included in other creditors and accruals as at 31st December, 2005 is an amount of HK$46,000,000 (2004: HK$46,000,000) received from Lai Fung Holdings Limited ("Lai Fung") as an earnest money paid for the participation rights in the Group's proposed residential property development project in Macau.

On 29th June, 2005, both parties entered into a supplemental memorandum of cooperation to extend the long stop date to no later than December 2005. In the event that East Asia-Televisão Por Satélite, Limitada ("EAST") fails to obtain the Approval, Lai Fung shall have the right to withdraw from this transaction during January, 2006. On 28th December, 2005, both parties entered into a second supplemental memorandum of cooperation to further extend the long stop date to no later than 30th June, 2006 and Lai Fung shall have the right to withdraw from this transaction during July 2006 in the event that the Approval cannot be obtained by EAST. The rights and conditions attached to each party remain unchanged.

On 31st March, 2006, EAST and Lai Fung entered into an agreement to terminate the memorandum of cooperation (the "Termination Agreement"). EAST should refund the earnest money of HK$46,000,000 to Lai Fung within seven business days from 31st March, 2006. No further claim or matter was outstanding under the memorandum of cooperation upon the full refund of the earnest money.

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

12. SHARE CAPITAL

	2005		2004	
	Number of shares *'000*	**Nominal value** *HK$'000*	Number of shares *'000*	Nominal value *HK$'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	**745,185**	**372,592**	671,185	335,592

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

	Number of ordinary shares *'000*	**Issued share capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1st January, 2004, 31st December, 2004 and 1st January, 2005	671,185	335,592	2,888,269	3,223,861
Issue of shares (a)	74,000	37,000	118,400	155,400
Share issue expenses	—	—	(4,734)	(4,734)
At 31st December, 2005	745,185	372,592	3,001,935	3,374,527

(a) On 28th April, 2005, the Company entered into a subscription agreement with Asset Managers (China) Fund Co., Ltd. (the "Subscriber") pursuant to which the Company agreed to issue and allot 74 million new ordinary shares of the Company at a subscription price of HK$2.10 per share. The subscription was completed on 19th May, 2005. Proceeds of approximately HK$150 million, after deduction of share issue expenses of HK$4.7 million, were brought in to the Group as its general working capital.

(b) Subsequent to the balance sheet date, the Company completed a placement and issued and allotted a total number of 74,518,000 ordinary shares of the Company at a price of HK$5.80 per share, and further details of which are set out under the heading "Post Balance Sheet Events" below.

13. CONTINGENT LIABILITIES

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

	2005 *HK$'000*	2004 *HK$'000*
Guarantee given to LSD in connection with the disposal of an associate to LSD	**25,000**	25,000

14. COMPARATIVE AMOUNTS

As further explained in notes 1 and 2 to the announcement, due to the adoption of new and revised HKFRSs 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, certain prior year and opening adjustments have been made and certain comparative amounts have been restated and reclassified to conform to the current year's presentation and accounting treatment.

As further explained in note 3 to the announcement, the cosmetics segment, and the corporate and others segment are reclassified as two separate business segments. Accordingly, the comparative amounts for the "Corporate and others" segment were separately reclassified to conform to the current year's presentation.

SUMMARY OF AUDITORS' REPORT

Scope limitation on the carrying value of film rights

The Group recorded film rights with an aggregate carrying value of HK$187,187,000 as at 31st December, 2005. The directors engaged an independent third party (the "Valuer") to perform a valuation of the Group's rights, titles and interests to 127 films (the "127 Film Rights") which had a carrying value of HK$187,073,000 as at 31st December, 2005 in order to provide them with a reference to assess if there is any impairment in value of the Group's total film rights as at that date. Having regard to the valuation performed by the Valuer and the current market conditions, the directors are of the opinion that there is no impairment in value of the Group's film rights as at 31st December, 2005. The auditors have been unable to obtain sufficient reliable information to carry out the audit procedures required by the Hong Kong Standard on Auditing 620 "Using the Work of an Expert" ("HKSA 620") issued by the HKICPA, to satisfy themselves as to (i) the competence and objectivity of the Valuer; and (ii) the adequacy of the scope of the Valuer's work on the 127 Film Rights. Accordingly, the auditors have been unable to carry out adequate audit procedures to assess the carrying amount of the film rights as at 31st December, 2005. Included in the consolidated income statement for the year ended 31st December, 2005 is an amortisation charge on the Group's film rights of HK$3,497,000. The auditors are also unable either to obtain sufficient reliable information, or to carry out alternative audit procedures to satisfy themselves as to the appropriateness of the basis of computation of the amortisation charge.

Any adjustments that might have been found necessary in respect of the above would have a consequential impact on the net assets of the Group as at 31st December, 2005 and the net profit attributable to equity holders of the parent for the year then ended.

In forming their opinion the auditors also evaluated the overall adequacy of the presentation of information in the financial statements. The auditors believe that their audit provides a reasonable basis for their opinion.

Qualified opinion arising from scope limitation

Except for any adjustments that might have been found to be necessary had the auditors been able to obtain sufficient evidence relating to the carrying value of the film rights as set out in the basis of opinion section, in their opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2005 and of the profit and cash flows of the Group for the year then ended and have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on their work relating to the film rights above, the auditors have not obtained all the information and explanations that they considered necessary for the purpose of their audit.

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st December, 2005 (2004: Nil) at the forthcoming Annual General Meeting. No interim dividend was paid or declared in respect of the year ended 31st December, 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Results

Turnover for the year fell by 8% to HK$141 million from HK$152.8 million in 2004. The decrease is attributable mainly to the decline in revenue from entertainment event production and a reduction in advertising agency income; the reduction in these two major categories of income was partially offset by an increase in music production and distribution activities and an increase in sale of personal care products. While turnover fell, marketing and administrative expenses, including expenses related to the Cotai project, rose with the result that the loss from operating activities widened to HK$67 million in 2005 from HK$57 million in 2004.

The operating loss has been offset by a dramatically improved share of profits and losses of associates, amounting to HK$295.5 million (2004: HK$30.7 million). This dramatic improvement was due to a full year contribution from Lai Sun Development Company Limited ("LSD") which became an associate on 7th December, 2004. The contribution from our other major associate, Media Asia Entertainment Group Limited ("MAEG") fell due to the dilution of the Group's interest in MAEG on its issue of new shares in connection with its listing in Singapore and the 17% drop in MAEG's earnings in 2004.

The Group's profits attributable to equity holders of the parent in 2005 amounted to HK$210.5 million which represents a sharp reversal of the loss (restated) of HK$145.5 million recorded for 2004. We believe this reversal is a harbinger of the dramatic improvement that we expect in the longer term prospects of the Group.

Cotai Project

The Group has long been evaluating various possible development plans for its Cotai site and has held lengthy discussions with relevant interested parties, including international hotel groups, shopping mall developers, entertainment and related companies, and venue and arena management companies, as well as relevant parties from the financial and investment communities, at times seeking research and advice from consultants.

The current master development plan for our Cotai site, which will be subject to approval from the Macau authorities, encompasses the following elements: 2 hotels with a total of around 1,150 rooms, hotel apartments with a total gross floor area around 145,000 square metres, retail space of approximately 90,000 square metres and entertainment facilities of around 125,000 square metres in total, including a theatre with a seating capacity of around 2,500, an event centre/arena, television studio facilities and other entertainment facilities. Phase I involves the construction of some 340,000 square metres of gross floor area and Phase II approximately 215,000 square metres of gross floor area.

Media and Entertainment

During the year, the Group produced 6 events and participated and co-invested in 15 other events with various partners in Hong Kong. These 21 events involved a total of 138 shows. By comparison in 2004, the Group produced and co-invested in 13 events involving 109 shows in Hong Kong. In addition, we arranged 20 live entertainment events for various artists in Malaysia, the USA and the PRC in 2005 including Kelly Chen China Tour and Andy Lau Vision Tour.

Since the establishment of our music production and distribution business in July, 2004, the Group has produced and distributed 37 versions of albums for various artists, movie soundtracks, concerts and compilations as at 31st December 2005. These albums have been distributed across the region in Hong Kong, Malaysia, Taiwan, Singapore and the PRC. 32 albums were released in 2005, comparing to 5 titles in 2004.

Satellite Television

In 2005, the Group produced over 660 hours of local production, plus 100 hours of syndication programs which were broadcast through NOW Broadband TV and Hong Kong Broadband Network Digital TV with aggregate homepass of over 600,000 residential subscribers by year-end 2005. EAST-TV has captured 9.4% and 8.8% of viewers on these two platforms respectively.

Film Production and Distribution

During 2005 MAEG released six films, and a TV series. *Initial D* and Wait *'Til You're Older* were the two top grossing Chinese language films in Hong Kong in 2005 and were the only two Chinese language films to rank among the top ten films at the Hong Kong box office last year. *Initial D* actually was the top revenue generator at the Hong Kong box office in 2005 outperforming the several hyped Hollywood blockbusters released during the year. The strong performance of these two films, enabled us to maintain our top position in the Chinese language film market in Hong Kong where we gained market share in a contracting market.

Prospects

Cotai

Given the substantial development potential of our Cotai site, the Group has been carefully assessing alternative development plans so as to maximize its value. Given the value of the site, we intend to sell an interest in the entire site so as to provide capital for funding the equity portion of our share of the construction cost of the master development plan and also to provide capital for the development of other Group's businesses. We expect the project company will be able to raise debt and other financing for development against the security represented by the intrinsic value of the raw undeveloped land. Our site has increased exponentially in value since it was acquired in 2001 and we look for a further substantial increase in value after completion of the project.

As previously announced, we have been in negotiations with potential joint venture partners for the development of our site and we will make an announcement as soon as practicable after agreement is concluded.

Media and Entertainment

The Group has scheduled in 2006 a total of 17 events with 106 live entertainment shows, with additional events currently under discussion. In addition, the Group has also planned 5 major international tours for various artists including Kelly Chen and Sammi Cheng in 7 countries.

The Group's music production and distribution arm currently represents artists including Leon Lai, Denise Ho, Michael Wong, Janice, and Charles Ying. In late 2005, the Group also entered into record production management agreements with Sammi Cheng and Andy Hui. The Group will continuously explore other exclusive distribution arrangements with singers and music groups.

Through MAEG, we have recently entered into an arrangement with CapitaLand and MGM Mirage under which we are assisting in their bid for Singapore's planned Integrated Resort at Marina Bay and we have also signed a memorandum of understanding, whereby, should they be awarded the right to develop this Integrated Resort, we shall be their entertainment partner for Asian content.

Satellite Television

The group received approval in February 2006 from the State Administration of Radio, Film and Television in China for downlink rights to the Chinese Mainland. This approval represents an important new chapter for the satellite television business and an expansion targeting PRC audiences will be planned in close co-ordination with the Group's other media and entertainment operations.

In Hong Kong, the Group plans to strengthen its positioning both as a television channel service and a multimedia content provider. In March 2006 the Group and Sina.com (Hong Kong) Limited have jointly presented a new EAST TV portal on Sina TV at sina.com.hk and the Group is in discussion to provide content to IPTV and pay television operators in the Asia Pacific region.

Associates

MAEG has five films scheduled for released in 2006 including, in the autumn, a film titled *The Banquet*, starring Zhang Ziyi, Daniel Wu and directed by Feng Xiaogang. MAEG is very excited by the prospects for this film which is its biggest co-production to date. MAEG has the distribution rights to the remake of its highly successful blockbuster *Infernal Affairs* by Warner Brothers, tentatively titled *The Departed*, and directed by Oscar-nominated Martin Scorsese, and starring Leonardo DiCarpio, Matt Demon and Jack Nicholson, for the Greater China markets of the PRC, Hong Kong and Taiwan. *The Departed* is likely to be released late in 2006 or early in 2007.

LSD's property investment income and income from hotel operations are expected to continue growing steadily. It aims to improve the return on its Hong Kong property investment portfolio and its hotel assets. In particular, it is assessing the redevelopment potential of the Ritz-Carlton Hong Kong site in the light of the strong demand for and limited new supply of prime office accommodation in Central.

POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following events occurred:

(a) In February 2006, a total number of 29,807,396 share options was granted to certain directors and employees of the Company. Out of the total share options granted, 7,451,849 share options were granted on 14th February, 2006 and 22,355,547 share options were granted on 24th February, 2006. These share options will be vested separately in four tranches during the exercise period of four calendar years commencing from 1st January, 2007 and ending on 31st December, 2010, at an exercise price from HK$4 to HK$5.5 per share. The closing prices of the Company's shares at the dates of grant were HK$3.2 per share on 14th February, 2006 and HK$3.6 per share on 24th February, 2006. The fair values of these share options as at 14th February, 2006 and 24th February, 2006 were estimated to be approximately HK$4,363,620 and HK$19,485,542, respectively.

    At the date of approval of these financial statements, the Company had 29,807,396 share options outstanding under the New Option Scheme, which represented approximately 3.6% of the Company's shares in issue at that date.

(b) Pursuant to a placing agreement entered into between the Company and the placing agents dated 15th March, 2006, a total of 74,518,000 ordinary shares of the Company were issued and allotted to not less than six institutional investors for cash at a subscription price of HK$5.80 per share on 29th March, 2006 (the "Placement"). The net proceeds of the Placement of approximately HK$425 million are intended to be used primarily to finance the Macau project and as general working capital of the Group.

(c) On 31st March, 2006, EAST and Lai Fung entered into an agreement to terminate the memorandum of cooperation (the "Termination Agreement"). EAST should refund the earnest money of HK$46,000,000 to Lai Fung within seven business days from 31st March, 2006. No further claim or matter was outstanding under the memorandum of cooperation upon the full refund of the earnest money.

Liquidity, Financial Resources, Charge on Assets, Gearing and Capital Commitments

As at 31st December, 2005, the Group had cash equivalents of HK$177,080,000, of which about 97% were denominated in Hong Kong dollar currency,

As at 31st December, 2005, the bank borrowings of HK$4,000,000 which fall due within one year, are secured by fixed charges over the Group's land and buildings with an aggregate net book value of HK$66,292,000. The Group also has unsecured other borrowings from an ex-shareholder of the Company with principal amount of HK$112,938,000 which bears interest at the HSBC prime rate per annum and is not repayable within one year. The Group recorded an interest accruals of HK13,536,000 for the other borrowings as at 31st December, 2005. In addition, the finance lease payables of HK$162,000 fall due within a period of five years with HK$29,000 fall due within one year, HK$31,000 fall due within the second year and HK$102,000 fall due within the third to fifth years, as at 31st December, 2005.

The Group's gearing remained at low level. The debt to equity ratio was only 6%, expressed as a percentage of total borrowings to total net assets as at 31st December, 2005. All of the Group's borrowings are denominated in Hong Kong dollars and the majority of which are floating rate debts. As at 31st December, 2005, the Group did not employ financial instruments for hedging purpose.

Future capital expenditures will mainly consist of the land premium and construction cost for the EAST-TV City in COTAI City in Macau. As at 31st December, 2005, the capital commitments contracted for in respect of this project amounted to HK$155,000 (2004: HK$36,633,000).

The Group believes that its cash holdings, together with the net proceeds from the recent placing of shares and available banking facilities will be sufficient to fund its working capital requirements.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group at the balance sheet date are set out in note 13 to the announcement above.

EMPLOYEES AND REMUNERATION POLICIES

The Group employed a total of approximately 220 employees as at 31st December, 2005. The total staff costs including pension contributions for the year ended 31st December, 2005 were approximately HK$49,317,000 (excluding directors' remuneration). Pay rates for employees are maintained at competitive level, salary and bonuses are rewarded on a performance related basis. Other staff benefits include free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes. The Company adopted a share option scheme ("Existing Share Option Scheme") for its directors and employees on 25th November, 1996. Pursuant to an ordinary resolution passed at a special general meeting held on 23rd December, 2005, a new share option scheme was adopted in accordance with Chapter 17 of the Listing Rules (the "New Share Option Scheme"), and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. On the same date, the Existing Share Option Scheme was terminated.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules on the Stock Exchange throughout the accounting period covered by the Annual Report save for the following deviations from code provisions A.4.1, A.4.2 and B.1.1.

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election.

None of the existing Non-executive Directors of the Company is appointed for a specific term. However, all Directors of the Company are subject to the retirement provisions of the Company which provides that the Directors for the time being shall retire from office by rotation at each annual general meeting and a retiring Director shall be eligible for re-relection.

Code Provision A.4.2

Under code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under Bye-law 87, the Directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring Diretor shall be eligible for re-election.

Bye-law 87 was amended on 23rd December, 2005 and was not amended at the commencement of the period under review.

Code Provision B.1.1

Code provision B.1.1 requires Issuers to establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.

The remuneration committee of the Company, which has been duly established on 16th September, 2005, was not set up at the commencement of the period under review.

The annual results of the Company for the year ended 31st December, 2005 have been reviewed by the audit committee of the Company. The audit committee comprises three independent non-executive directors, namely Mr. Alfred Donald Yap, Mr. Low Chee Keong and Mr. Tong Ka Wing, Carl.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 24th May, 2006.

Notice of the Annual General Meeting together with the Company's Annual Report for 2005 will be dispatched to shareholders on or before 30th April, 2006.

By Order of the Board
Lien Jown Jing, Vincent
Chairman

Hong Kong, 7th April, 2006

As at the date of this announcement, the executive directors of the Company are Mr Lien Jown Jing, Vincent, Mr Lee Po On, Mr Lam Kin Ngok, Peter, Mr. Cheung Wing Sum, Ambrose and Mr Liu Ngai Wing, the non-executive directors are Mr Lam Kin Ming, Madam Tam Wai Chu, Maria and Madam U Po Chu and the independent non-executive directors are Mr Alfred Donald Yap, Mr Low Chee Keong and Mr Tong Ka Wing, Carl.