



eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

RESULTS

The Directors of eSun Holdings Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2002

		Six months ended 30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited) (Restated)
	Notes	HK\$'000	HK\$'000
TURNOVER	3	56,573	44,726
Cost of sales		(59,428)	(41,839)
Gross profit/(loss)		(2,855)	2,887
Other revenue	4	40,256	44,396
Marketing expenses		(4,659)	(727)
Administrative expenses		(56,462)	(68,833)
Other operating income/(expenses), net		2,026	(7,210)
Unrealised holding loss on short term investments		—	(21,850)
LOSS FROM OPERATING ACTIVITIES	3, 5	(21,694)	(51,337)
Finance costs	6	(508)	(2,382)
Share of profits and losses of:			
- Associates		(7,593)	(7,513)
- A jointly-controlled entity		(1,288)	(754)
LOSS BEFORE TAX		(31,083)	(61,986)
Tax	7	(2,216)	3,039
LOSS BEFORE MINORITY INTERESTS		(33,299)	(58,947)
Minority interests		15	498
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(33,284)	(58,449)
LOSS PER SHARE			
- BASIC	8	(5.83 cents)	(10.60 cents)
- DILUTED		N/A	N/A
INTERIM DIVIDEND PER SHARE		—	—

CONDENSED CONSOLIDATED BALANCE SHEET

30th June, 2002

		30th June, 2002 (Unaudited)	31st December, 2001 (Audited)
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets		140,661	141,975
Long term investments		9,182	9,682
Interest in a jointly-controlled entity		—	6,006
Interest in associates		81,625	85,983
Due from Furama Hotel Enterprises Limited		1,500,040	1,500,040
Deferred tax assets		661	661
		1,732,169	1,744,347
CURRENT ASSETS			
Short term investments		587	1,170
Due from a related company		14,699	6,905
Self-produced and purchased programmes		36,387	39,895
Loan receivable		26,262	39,134
Debtors and deposits	9	105,109	76,546
Cash held in trust		—	2,276
Cash and cash equivalents		20,062	53,865
		203,106	219,791

CURRENT LIABILITIES

Creditors and accruals	10	35,292	29,961
Tax payable		19,537	17,397
Finance lease payables		26	27
Interest-bearing bank loans due within one year		20,000	25,000
		74,855	72,385
NET CURRENT ASSETS		128,251	147,406
TOTAL ASSETS LESS CURRENT LIABILITIES		1,860,420	1,891,753
NON-CURRENT LIABILITIES			
Finance lease payables		(96)	(107)
MINORITY INTERESTS		(998)	(319)
		1,859,326	1,891,327
CAPITAL AND RESERVES			
Issued capital		285,592	285,592
Reserves	11	1,573,734	1,605,735
		1,859,326	1,891,327

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30th June, 2002

1. BASIS OF PRESENTATION

The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30th June, 2002 (the "Period") have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No.25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation adopted in these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31st December, 2001 except for the adoption of the following revised and new SSAPs which are effective for the first time for the Period:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 15 (Revised)	:	Cash flow statements
SSAP 25 (Revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the Period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of cash flow statement which classifies cash flows during the Period into operating, investing and financing activities. The condensed consolidated cash flow statement for the Period and the comparative figures have been presented in accordance with these revised SSAPs.

SSAP 25 (Revised) prescribes the presentation and disclosures following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The condensed consolidated financial statements for the Period and comparative figures have been presented in accordance with these revised SSAPs.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on the condensed consolidated financial statements.

3. SEGMENTAL 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 six months ended 30th June, 2002 is as follows:

(a) By activity:

	Hotel management		Media and entertainment		Satellite television		Advertising agency		Corporate and other		Consolidated	
	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001	30th June, 2002	30th June, 2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	2,973	2,618	20,909	—	—	—	32,691	42,108*	—	—	56,573	44,726*
Other revenue	1,560	—	—	—	—	—	—	—	37,193	37,193	38,753	37,193
Total	4,533	2,618	20,909	—	—	—	32,691	42,108*	37,193	37,193	95,326	81,919*
Segment results	3,628	935	(18,513)	(4,706)	(31,984)	(8,071)	120	1,335	23,552	(26,183)	(23,197)	(36,690)
Dividend income and unallocated interest and other gains											1,503	7,203
Unrealised holding loss on short term investments											—	(21,850)
Loss from operating activities											(21,694)	(51,337)

(b) By geographical area:

	Hong Kong		Elsewhere in the PRC		Other areas		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited)	30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited)	30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited)	30th June, 2002 (Unaudited)	30th June, 2001 (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	28,683	14,332	24,937	27,776	2,953	2,618	56,573	44,726*
Other revenue	37,193	37,193	—	—	1,560	—	38,753	37,193
Total	65,876	51,525	24,937	27,776	4,513	2,618	95,326	81,919*
Segment results	(26,516)	(37,557)	(309)	(68)	3,628	935	(23,197)	(36,690)
Dividend income and unallocated interest and other gains							1,503	7,203
Unrealised holding loss on short term investments							—	(21,850)
Loss from operating activities							(21,694)	(51,337)

* The Directors have reviewed the operation of the Group's advertising services and consider that it is more appropriate to record the income earned from such services on a gross basis. Accordingly, the amount of the Group's advertising income for the six months ended 30th June, 2001 has been reclassified to conform with the current period's presentation.

In addition, the Directors considered it is appropriate to exclude from the turnover for the six months ended 30th June, 2001 of HK\$2,440,000 relating to hotel and restaurant business, the operation of which was discontinued since 31st December, 2000.

The above treatments have no effect on the net result of the Group for the six months ended 30th June, 2001 and on its net assets as at that date.

4 OTHER REVENUE

	Six months ended	
	30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited)
	HK\$'000	HK\$'000
Interest income	38,696	40,698
Others	1,560	3,698
	40,256	44,396

5 LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Six months ended	
	30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	9,343	—
Cost of services provided	50,085	41,839
Depreciation of fixed assets	6,825	3,284
Loss on disposal of fixed assets	25	479
Amortisation of goodwill on acquisition of associates and a jointly-controlled entity	—	268
Foreign exchange gain, net	(418)	(160)

6 FINANCE COSTS

	Six months ended	
	30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	500	1,125
Interest on finance leases	8	7
Bank charges	—	1,250
	508	2,382

7 TAX

Hong Kong profits tax has been provided at the rate of 16% (six months ended 30th June, 2001: 16%) on the estimated assessable profits arising in Hong Kong during the Period. 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.

	Six months ended	
	30th June, 2002 (Unaudited)	30th June, 2001 (Unaudited)
	HK\$'000	HK\$'000
Provision for tax for the period:		
Hong Kong	2,200	172
Elsewhere	—	104
	2,200	276
Prior period's over-provisions:		
Hong Kong	—	(3,000)
Elsewhere	—	(535)
	—	(3,535)
Associates:		
Hong Kong	16	220
Elsewhere	—	—
	16	220
Tax charge/(credit) for the period	2,216	(3,039)

8 LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the Period of HK\$33,284,000 (six months ended 30th June, 2001-restated: HK\$58,449,000), and the weighted average of 571,184,927 (six months ended 30th June, 2001: 551,642,093) ordinary shares in issue during the Period.

The diluted loss per share for the periods ended 30th June, 2002 and 2001 has not been shown because the options outstanding during these periods had no dilutive effect on the basic loss per share for these periods.

9 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. The aged analysis of the trade debtors as at 30th June, 2002 is as follows:

	30th June, 2002 (Unaudited)	31st December, 2001 (Audited)
	HK\$'000	HK\$'000

Trade debtors:

Less than 30 days	7,791	4,134
31-60 days	1,373	1,724
61-90 days	401	250
Over 90 days	1,099	3,890
	10,664	9,998

Other debtors and deposits

	94,445	66,548
	105,109	76,546

The above aged analysis, stated net of provision for doubtful debts, was prepared based on the dates when revenue is recognised from the trade transactions.

10 CREDITORS AND ACCRUALS

An aged analysis of trade creditors as at 30th June, 2002 is as follows:

	30th June, 2002 (Unaudited)	31st December, 2001 (Audited)
	HK\$'000	HK\$'000

Trade creditors:

Less than 30 days	10,221	3,224
31-60 days	325	2,853
61-90 days	757	2,827
Over 90 days	2,544	5,861
	13,847	14,765

Other creditors and accruals

	21,445	15,196
	35,292	29,961

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

11 RESERVES

	Share premium	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As 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 12)	—	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 and 1st January, 2002 (Audited)	2,888,633	891,289	(2,174,187)	1,605,735
Exchange realignments	—	—	1,283	1,283
Loss for the Period	—	—	(33,284)	(33,284)
At 30th June, 2002 (Unaudited)	2,888,633	891,289	(2,206,188)	1,573,734

12 PRIOR PERIOD ADJUSTMENT

Following adoption of SSAP 30 and Interpretation 13 for the year ended 31st December, 2001, the Group 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 recognised 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 the 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 Period.

In the prior period unaudited condensed consolidated interim financial statements, the Group had charged to the profit and loss account a total amount of HK\$22,036,000, which forms part of the goodwill of HK\$823,055,000 as mentioned above. Such charge was reversed and the unaudited condensed consolidated profit and loss account was restated accordingly, resulting in a corresponding decrease in net loss attributable to shareholders for the period ended 30th June, 2001 by HK\$22,036,000.

13 CONTINGENT LIABILITIES

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

	30th June, 2002 (Unaudited) HK\$'000	31st December, 2001 (Audited) HK\$'000
Guarantees given to Lai Sun Development Company Limited ("LSD") in connection with disposal of an associate to LSD	<u>25,000</u>	<u>25,000</u>

14 SUBSEQUENT EVENT

No significant events requiring disclosure occurred during the Period.

15 COMPARATIVE AMOUNTS

Following the clarification of an entity as a jointly-controlled-entity, which was previously regarded as an associate of the Group, an amount of HK\$754,000 of share of loss of an associate was reclassified to share of loss of a jointly-controlled entity for the six months ended 30th June, 2001. In addition, due to the adoptions of the new and revised SSAPs as detailed in note 2 to the unaudited condensed consolidated interim financial statements, and for other reasons as further mentioned in note 3 and note 12 to the financial statements, certain comparative amounts have been reclassified and adjusted.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period under review (six months ended 30th June, 2001: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a turnover of HK\$56,573,000 for the six months ended 30th June, 2002, representing an increase of 26.5 % over the figure for the corresponding period last year (as restated). Net loss attributable to shareholders had also been reduced to HK\$33,284,000 from the HK\$58,449,000 reported for last year (as restated), an improvement of 43 %.

The increase in turnover was mainly attributable to the contribution from the media and entertainment business of the Group. This had been partly offset, however, by a drop of 22% in revenue from the advertising agency business, which reported a lower profit for the period.

Due to higher cost of sales recorded in the period under review, a corresponding improvement in gross profit had not been achieved despite the increase in turnover. Loss from operating activities had been reduced to HK\$21,694,000, representing an improvement of 57.7% compared with last year (as restated), mainly due to an 18% reduction in administrative expenses and the absence of unrealised holding loss on short term investments. Interest income was the major contributor to the operating income of the Group.

Satellite Television Operation

The television programme production centre of East Asia Satellite Television Limited ("EAST") in Hong Kong had been operating smoothly. Programmes produced at this centre are being broadcast on the EAST "Life Channel". Continuous efforts have been made to further improve the quality and marketability of the programmes. Work had also started during the period under review to promote the sale of programmes to other potential markets in South East Asia.

A ground-breaking ceremony for the construction work of the EAST Television City in Macau Special Administrative Region was held on 18th September, 2002. Completion of the project has now been rescheduled to the last quarter of 2004.

Overall the EAST operation recorded a loss of HK\$31,984,000 for the period, compared with the loss of HK\$8,071,000 arising from pre-operating expenses for the previous corresponding period.

Film Production & Distribution

Media Asia Holdings Limited ("MAH"), an associated company of the Company, has undertaken a number of film projects during the period under review. It is anticipated that two films will be released by MAH during the last quarter of 2002.

Both MAH and Artiste Campus International Limited, a jointly-controlled entity, which specialises in the provision of agency services for artistes in the entertainment industry, reported operating losses for the half-year under review due to difficult market conditions.

Entertainment

During the period under review, East Asia Entertainment Limited ("EAE"), a wholly-owned subsidiary of the Company, organized two separate pop concerts by Miss Sandy Lam and Mr. Richie Jen, and an entertainment show, Spectaculum. Operating results for Spectaculum fell short of expectations, whilst the results for the two pop concerts were on target.

Internet-related Operations

Following a cost-benefit review of the Company's operations, 15 staff of a wholly-owned subsidiary of the Company engaged in Internet-related operations of the Group had been laid off in mid-June 2002. The total loss recorded for the subsidiary for the half-year ended 30th June, 2002 amounted to approximately HK\$4,600,000. All related work previously carried out by the subsidiary had been awarded to an independent outside contractor.

Prospects

EAST will continue to improve the quality of its television programmes to cater to different sectors of viewers, and to facilitate the promotion of sale of programmes to other markets in South East Asia.

To develop a new source of revenue, EAST has been marketing its services for providing broadcasting facilities and know-how to potential clients. Market response to this new initiative has been satisfactory so far and the Company considers there is further scope for growth in this sector.

Unfavourable conditions in the local economy have had an adverse impact on the local movie industry and as a result, the operations of MAH had also been affected. Although it is expected that difficult market conditions will persist in the short-term, the Company is confident that MAH, with its strengths and solid foundations, will be able to overcome this cyclical market phenomenon.

EAE will continue to focus on the entertainment sector. It organised three pop concerts by Miss Miriam Yeung Tsin-Wa, Mr. Kenny Bee and Miss Elva Hsiao in August 2002 with satisfactory results. These will be followed by a concert by another popular and leading artiste, Miss Chang Hui Mei, in December 2002.

Liquidity and Financial Resources

As at 30th June, 2002, the Group had cash and cash equivalents of HK\$20,062,000, which comprised RMB5,541,000 (equivalent to HK\$5,233,000) and the remaining balance of HK\$14,829,000 representing approximately 74% of total cash and cash equivalents.

As at 30th June, 2002, the bank borrowings of HK\$20,000,000 due within one year is secured by the Group's land and buildings with an aggregate net book value of HK\$73,065,000 and is interest-bearing with an interest charged at 2% above HIBOR per annum. In addition, the Group has finance lease payables of HK\$26,000 and HK\$96,000 which fall due within one year and over one year to five years, respectively, as at 30th June, 2002.

The Group's gearing is considered low, as the debt to equity ratio was only 1%, expressed as a percentage of total bank borrowings to total net assets. As at 30th June, 2002, the Group did not have any financial instruments for hedging purpose, or foreign currency net investment hedged by currency borrowings or other hedging instruments.

Future capital expenditures will mainly consist of the land and construction cost for the EAST-Television City in COTAI City in Macau of approximately HK\$289,000,000.

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

Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 13 to the unaudited condensed consolidated interim financial statements.

Employees and Remuneration Policies

The Group employed a total of approximately 137 employees as at 30th June, 2002. The total staff costs, including net pension contributions, for the period were approximately HK\$33,500,000. Pay rates for employees are maintained at competitive level, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2002, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by the Interim Report of the Company for the six months ended 30th June, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive Directors, Mr. Alfred Donald Yap and Mr. Low Chee Keong during the period covered by the Interim Report of the Company for the six months ended 30th June, 2002. The Interim Report has been reviewed by the audit committee.

The non-executive Directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Bye-laws of the Company.

By Order of the Board
Lien Jown Jing, Vincent
Chairman

Hong Kong, 20th September, 2002