eSun Holdings Limited

Annual Report 2005

(Stock code: 571)

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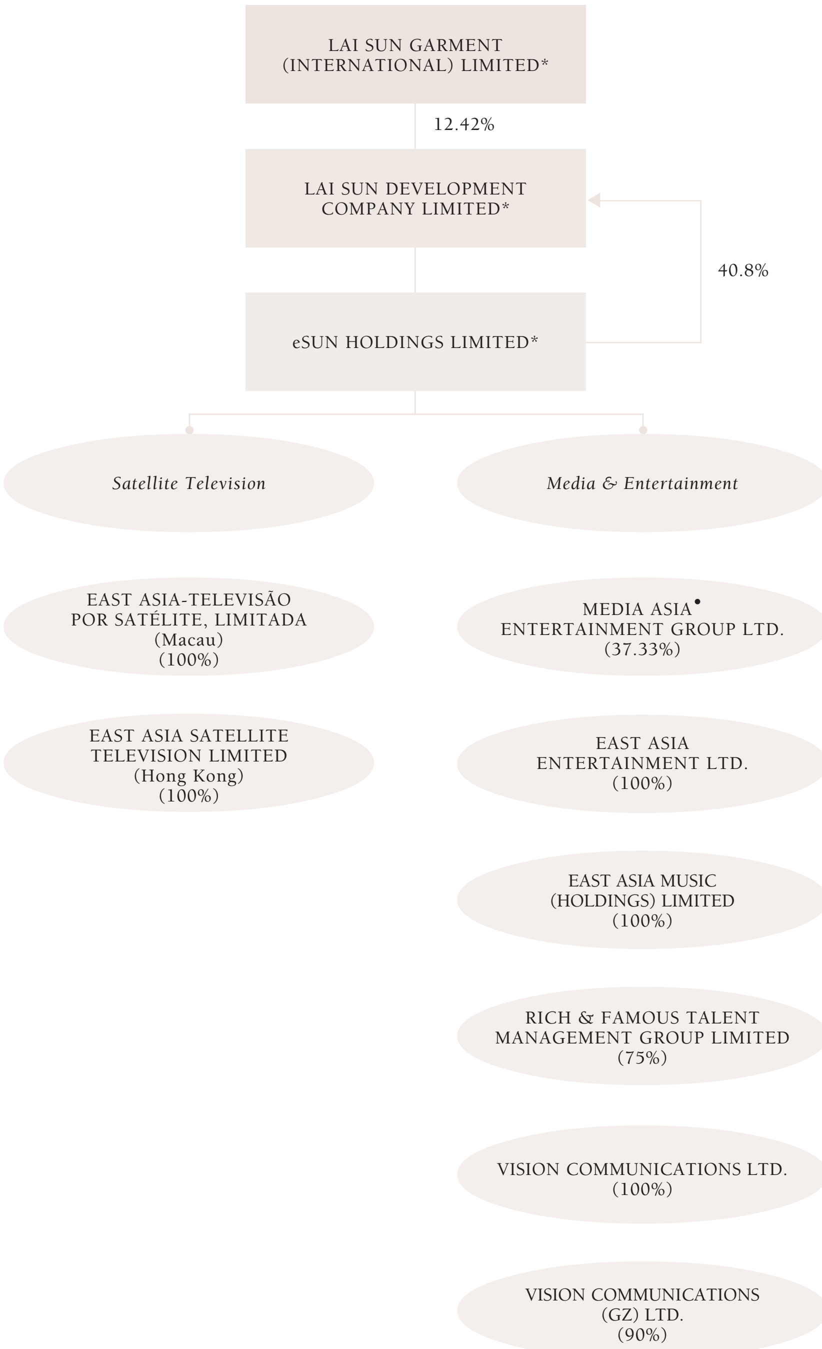
Stock code on Hong Kong Stock Exchange: ***571***

Corporate Profile

eSun Holdings Limited is a member of the Lai Sun Group which had been established in Hong Kong since 1947. The principal activities of the eSun Group comprise the development and operation of and investment in media, entertainment, music production and distribution, advertising agency services, satellite television operations and development of a multiuse complex in Cotai, Macau Special Administrative Region.



* Listed on the Main Board of the Hong Kong Stock Exchange
• Listed on SGX-SESDAQ of Singapore Stock Exchange

Corporate Information

Place of Incorporation
Bermuda

Directors
Executive Directors
Lien Jown Jing, Vincent *(Chairman)*
Lee Po On *(Chief Executive Officer)*
Lam Kin Ngok, Peter
Cheung Wing Sum, Ambrose
Liu Ngai Wing

Non-Executive Directors
Lam Kin Ming
Tam Wai Chu, Maria
U Po Chu
Alfred Donald Yap*
Low Chee Keong*
Tong Ka Wing, Carl*

* *Independent non-executive Directors*

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Secretary and Principal Office
Yeung Kam Hoi
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Share Registrars and Transfer Office in Hong Kong
Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Share Registrars and Transfer Office in Bermuda
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08, Bermuda

Auditors
Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Solicitors
As to Hong Kong Law:
Vincent T. K. Cheung, Yap & Co.
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to Bermuda Law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

Bankers
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

Chairman's Statement

Chairman LIEN Jown Jing, Vincent

BUSINESS REVIEW

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.

Chairman's Statement

BUSINESS REVIEW (continued)

Overview of Results (continued)

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.

Chairman's Statement

BUSINESS REVIEW (continued)

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.

Chairman's Statement

BUSINESS REVIEW (continued)

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 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.

Chairman's Statement

BUSINESS REVIEW (continued)

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 Damon 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

Details of post balance sheet events of the Group subsequent to the balance sheet date are set out in note 35 to the financial statements.

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 33 to the financial statements.

Chairman's Statement

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.

MANAGEMENT AND STAFF

My colleagues on the Board and I would like to record our appreciation of the dedication and hard work of Management and all staff members during the year, and of the continued support of our shareholders and business associates.

Lien Jown Jing, Vincent
Chairman

Hong Kong
7th April, 2006

Report of the Directors

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the development and operation of and investment in media, entertainment, music production and distribution, Internet and technology-oriented businesses, the provision of advertising agency services, satellite television operations and sale of cosmetic products. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

Details of the profit of the Group for the year ended 31st December, 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 29 to 99.

No interim dividend was paid or declared in respect of the year ended 31st December, 2005 (2004: Nil).

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.

SHARE CAPITAL

Details of movement in the Company's share capital during the year, together with the reasons therefor, are set out in note 28 to the financial statements.

DIRECTORS

The Directors of the Company who were in office during the year and those as at the date of this report are as follows:

Lien Jown Jing, Vincent *(Chairman)*	
Lee Po On *(Chief Executive Officer)*	
Lam Kin Ngok, Peter	
Liu Ngai Wing	
Cheung Wing Sum, Ambrose	(appointed on 12th September, 2005)
Lam Kin Ming	
Tam Wai Chu, Maria	
U Po Chu	
Alfred Donald Yap*	
Low Chee Keong*	
Tong Ka Wing, Carl*	
Shiu Kai Wah	(resigned on 12th September, 2005)
Chiu Wai	(resigned on 12th September, 2005)

* *Independent non-executive Directors*

Report of the Directors

DIRECTORS (continued)

Mr. Cheung Wing Sum, Ambrose was appointed an executive director of the Company on 12th September, 2005. In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Cheung retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Lien Jown Jing, Vincent, Mr. Lee Po On, Madam Tam Wai Chu, Maria, Mr. Alfred Donald Yap, Mr. Low Chee Keong and Mr. Tong Ka Wing, Carl will retire by rotation at the forthcoming Annual General Meeting and, being eligible, they offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Save for the unexpired contract entered into with Mr. Cheung Wing Sum, Ambrose, for a fixed term of two years commencing from September 2005, none of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company, or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the notes to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in note 5 to the financial statements, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed below, during the year and up to the date of this report, the following Director of the Company is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

Mr. Lam Kin Ming is a director and the controlling shareholder of Big Honour Investment Ltd. ("Big Honour"), a private company incorporated in Hong Kong. The principal activities of Big Honour are the production of pop concerts and management of artistes.

As the Board is independent from the board of the aforesaid company and the above Director of the Company does not control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from the businesses of, the aforesaid company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lien Jown Jing, Vincent, Chairman, aged 45, first joined the Board as an independent non-executive Director in August 1998 and was later appointed an executive Director and elected the Chairman of the Company in December 1999. He has over 10 years' experience in banking and corporate finance in Hong Kong, China, Singapore and South-east Asia, having held various senior positions at different major multinational banking institutions. Mr. Lien has entered into a service contract with the Company with no fixed term of service. He will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. The current emolument of Mr. Lien is HK$612,000 per annum . He will receive such discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Mr. Lien does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company.

Mr. Lee Po On, Chief Executive Officer, aged 50, was appointed an executive Director and Chief Executive Officer of the Company in March 2000. Mr. Lee joined the Lai Sun Group in November 1987. He is a director of Lai Sun Garment (International) Limited and Lai Fung Holdings Limited. Mr. Lee is a Fellow of the Association of Chartered Certified Accountants with over 25 years' financial and commercial experience. Mr. Lee does not have a service contract with the Company. He will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. The current emolument of Mr. Lee is HK$1,209,600 per annum. He will receive such discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Mr. Lee does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company.

Mr. Lam Kin Ngok, Peter, aged 48, was appointed an executive Director of the Company in October 1996. He is also a deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited and a director of Crocodile Garments Limited. LSD is the controlling shareholder of the Company and LSG is a substantial shareholder of LSD. Mr. Lam has extensive experience in property development and investment business. He is a director of the Real Estate Developers Association of Hong Kong, a member of the Hong Kong Hotel Owners Association and a council member of the Anglo Hong Kong Trust and a non-official member of the Film Development Council. Mr. Lam is a son of Madam U Po Chu and is the younger brother of Mr. Lam Kin Ming.

Mr. Liu Ngai Wing, aged 55, was appointed an executive Director of the Company in November 1998. He is also an independent non-executive director of Hang Fung Gold Technology Limited, Climax International Company Limited, Jackley Holdings Ltd. and Daiwa Associate Holdings Limited, all being listed companies in Hong Kong. Mr. Liu holds a Master Degree in Business Administration, a Master of Science Degree in Hotel and Tourism Management and a Master of Science Degree in Global Business, and is an Associate Member of both the Institute of Chartered Secretaries and Administrators and Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Cheung Wing Sum, Ambrose, aged 55, was appointed an executive Director of the Company in September 2005. Mr. Cheung is a business executive with a legal and banking background. Prior to joining the Company, he is a partner of Philip K H Wong, Kennedy Y H Wong & Co to which he will continue to serve as a consultant. He has over 24 years experience in merger and acquisition, management and development of hotels, hospitality and property industries. He was previously a partner of Woo, Kwan, Lee, & Lo, a director of the Company and executive director of Sino Land Company Limited. Mr. Cheung is a Justice of the Peace and over the last 24 years he served on a number of public bodies and committees, which included the Legislative Council, the Urban Council and the Hong Kong Stadium Board of Governors. He is currently an elected member of the Shamshuipo District Council; the Chairman of Insurance Agents Registration Board and a member of the Tourism Strategy Group, Tourism Commission, Advisory Committee, Securities and Futures Commission and Advisory Committee, School of Hotel and Tourism Management, The Chinese University of Hong Kong. Mr. Cheung has entered into a service contract with the Company for a fixed term of 2 years. The current emolument of Mr. Cheung is HK$3,465,000 per annum. He will receive such discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. He will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Bye-laws of the Company. Mr. Cheung does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. Mr. Cheung is also an executive director of Lai Sun Development Company Limited, a public company listed on the Main Board of the Stock Exchange of Hong Kong Limited and a substantial shareholder of the Company.

Non-Executive Directors

Mr. Lam Kin Ming, aged 68, is a non-executive Director of the Company and was first appointed to the Board in October 1996. Mr. Lam is also chairman of Lai Sun Garment (International) Limited ("LSG") and has been involved in the day-to-day management of the garment business since 1958. He is also the chairman and chief executive officer of Crocodile Garments Limited and deputy chairman of Lai Fung Holdings Limited and a director of Lai Sun Development Company Limited ("LSD"). LSD is the controlling shareholder of the Company and LSG is a substantial shareholder of LSD. Mr. Lam is the elder brother of Mr. Lam Kin Ngok, Peter.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-Executive Directors (continued)

Miss Tam Wai Chu, Maria, G.B.S., C.B.E., J.P., aged 60, was appointed to the Board in October 2000. Miss Tam is a member of the Hong Kong Bar Association having been called to the Bar at Gray's Inn in England in 1972 and admitted into practice in Hong Kong in 1973. She has been closely involved in community and public administration services in Hong Kong since 1979 and has served on an extensive number of public and government bodies. Miss Tam is a member of the Basic Law Committee of Hong Kong Special Administrative Region, and a deputy to the National People's Congress. In addition to her other current community duties, she is also a board member of the Airport Authority of Hong Kong and a board member of the Urban Renewal Authority, and the president of Hong Kong Police Force Junior Police Officers' Association. Miss Tam sits on the boards of a number of publicly listed and private companies in Hong Kong. Miss Tam does not have a service contract with the Company. She will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. The current emolument of Miss Tam is HK$630,000 per annum. She will receive such discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Miss Tam does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company.

Madam U Po Chu, aged 81, is a non-executive Director of the Company and was first appointed to the Board in October 1996. She is also a non-executive director of Lai Sun Garment (International) Limited ("LSG"), Lai Sun Development Company Limited ("LSD") and Crocodile Garments Limited, and an executive director of Lai Fung Holdings Limited. LSD is the controlling shareholder of the Company and LSG is a substantial shareholder of LSD. Madam U has 60 years' experience in the garment manufacturing business and has been involved in the printing business since the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing and also became involved in property development and investment in the late 1980's. She is the spouse of the late Mr. Lim Por Yen and the mother of Mr. Lam Kin Ngok, Peter.

Mr. Alfred Donald Yap, J.P., aged 67, is an independent non-executive Director of the Company and was first appointed to the Board in December 1996. Mr. Yap is presently a consultant of K. C. Ho & Fong, Solicitors and Notaries. Mr. Yap is a former president of The Law Society of Hong Kong and past president of The Law Association for Asia and the Pacific (LAWASIA). Mr. Yap is also a former Hong Kong Affairs Adviser appointed by the Chinese Government. Mr. Yap does not have a service contract with the Company. He will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. The current emolument of Mr. Yap is HK$240,000 per annum. He will receive discretionary bonus to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Mr. Yap does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-Executive Directors (continued)

Mr. Low Chee Keong, aged 45, was appointed an independent non-executive Director of the Company in August 1999. Mr. Low has been a member of the Chartered Institute of Marketing of the United Kingdom since 1986. He has over 11 years' experience in the property development and maintenance industry in Singapore, and is currently the managing director of Hong Siong Holding Pte Ltd. Mr. Low does not have a service contract with the Company. He will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. The current emolument of Mr. Low is HK$240,000 per annum. He will receive discretionary bonus to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Mr. Low does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company.

Mr. Tong Ka Wing, Carl, aged 55, was appointed an independent non-executive Director of the Company in September 2004. Mr. Tong is currently the managing director and chief executive officer of Creative Master Bermuda Limited, a company listed on the main board of the Singapore Exchange Securities Trading Limited. Mr. Tong is a member of the Hong Kong Institute of Certified Public Accountants and he qualified as a Chartered Accountant of England and Wales in 1981. He has over 20 years' experience in corporate management. Mr. Tong does not have a service contract with the Company. He will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the Bye-laws of the Company. The current emolument of Mr. Tong is HK$400,000 per annum. He will receive discretionary bonus to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Mr. Tong does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company.

Senior Management

Miss Hui Mei Yin joined the Company in 2002 and is the qualified accountant of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. She has over 10 years experience in the financial field.

SHARE OPTION SCHEME

Details of the Company's share option scheme are included in note 29 to the financial statements.

DIRECTORS' INTERESTS

As at 31st December, 2005, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

(1) The Company

	Long positions in the shares					
Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lien Jown Jing, Vincent	931,800	Nil	Nil	Beneficial owner	931,800	0.13%
Lee Po On	5,195,934	Nil	Nil	Beneficial owner	5,195,934	0.70%
Liu Ngai Wing	3,321,215	Nil	Nil	Beneficial owner	3,321,215	0.45%

(2) Associated Corporation

Lai Sun Development Company Limited ("LSD")

	Long positions in the shares of LSD					
Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
U Po Chu	633,400	Nil	Nil	Beneficial owner	633,400	0.005%
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 *(Note 1)*	Beneficial owner	1,592,968,777	12.50%
Liu Ngai Wing	800	Nil	Nil	Beneficial owner	800	0.000006%

Note:

1. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares in LSD representing approximately 12.42% in the issued ordinary share capital of LSD. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.70% of the issued share capital of LSG.

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Associated Corporation (continued)

Save as disclosed above, as at 31st December, 2005, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme disclosed above and in note 29 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st December, 2005, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO:

		Long positions in the shares		
Name	**Capacity**	**Nature**	**Number of Shares**	**Percentage**
Lai Sun Development Company Limited ("LSD")	Beneficial owner	Corporate	285,512,791	38.31%
Asset Managers (China) Company Limited	Beneficial owner	Corporate	74,000,000 *(Note 1)*	9.93%
Red Rock Investment Co., Ltd.	Beneficial owner	Corporate	74,000,000 *(Note 2)*	9.93%
Asset Managers Co., Ltd.	Beneficial owner	Corporate	74,000,000 *(Note 3)*	9.93%

Notes:

1. Asset Managers (China) Company Limited was taken to be interested in 74,000,000 shares in the Company beneficially owned by Asset Managers (China) Investment Co., Ltd. and Eagle Hill Holdings Limited due to its corporate interests in these companies.

2. Red Rock Investment Co., Ltd. was taken to be interested in 74,000,000 shares in the Company due to its corporate interests in Asset Managers (China) Company Limited.

3. Asset Managers Co., Ltd. was taken to be interested in 74,000,000 shares in the Company due to its corporate interests in Red Rock Investment Co., Ltd.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of equity derivatives and debentures of the Company as at 31st December, 2005.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules during the year ended 31st December, 2005.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2005, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with Companies Act 1981 of Bermuda (as amended). However, the Company's share premium account, in the amount of HK$3,001,935,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of total purchases for the year.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated and reclassified as appropriate is set out below. The amounts for years ended 31st December, 2005 and 2004 in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy as detailed in notes 2.2 and 2.3 to the financial statements.

RESULTS

	Year ended 31st December,				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
TURNOVER	**140,984**	152,781	97,804	176,278	84,376
PROFIT/(LOSS) BEFORE TAX	**211,185**	(147,531)	(89,575)	(69,460)	(179,423)
Tax	**(717)**	2,014	(3,129)	985	(2,130)
PROFIT/(LOSS) FOR THE YEAR	**210,468**	(145,517)	(92,704)	(68,475)	(181,553)
Attributable to:					
Equity holders of the parent	**210,468**	(145,517)	(92,707)	(68,799)	(181,688)
Minority interests	**—**	—	3	324	135
	210,468	(145,517)	(92,704)	(68,475)	(181,553)

SUMMARY OF FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31st December,				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
Property, plant and equipment	**207,713**	166,029	144,251	154,000	141,975
Available-for-sale investments	**—**	—	—	—	9,682
Interests in jointly-controlled entities	**223**	1,125	1,463	779	6,006
Interests in associates	**1,632,930**	1,515,217	113,053	48,903	85,983
Due from Furama Hotel Enterprises Limited	**—**	—	1,500,040	1,500,040	1,500,040
Deferred tax assets	**—**	—	—	—	661
Film rights	**187,187**	190,684	197,655	113,109	—
Current assets	**258,757**	85,231	64,193	87,128	219,791
TOTAL ASSETS	**2,286,810**	1,958,286	2,020,655	1,903,959	1,964,138
Current liabilities	**(115,953)**	(292,303)	(236,571)	(81,670)	(72,385)
Long term bank loans and other borrowings	**(126,607)**	(32,341)	(5,042)	(77)	(107)
TOTAL LIABILITIES	**(242,560)**	(324,644)	(241,613)	(81,747)	(72,492)
MINORITY INTERESTS	**(196)**	(196)	(196)	(206)	(319)
	2,044,054	1,633,446	1,778,846	1,822,006	1,891,327

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 23 to 26 of the 2005 Annual Report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers all the independent non-executive directors to be independent.

Report of the Directors

AUDITORS

Ernst & Young retire at the conclusion of the forthcoming Annual General Meeting and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Lien Jown Jing, Vincent
Chairman

Hong Kong
7th April, 2006

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which came into effect on 1st January, 2005.

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this Annual Report save for the deviations from code provisions A.4.1, A.4.2 and B.1.1 summarised below:

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 under Bye-law 87 of the Bye-laws of the Company which provide 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-election.

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, which was amended on 23rd December, 2005, 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 Director shall be eligible for re-election. Bye-law 87 was not amended at the commencement of the financial year under review.

Code Provision B.1.1

Code Provision B.1.1 requires listed 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 had been duly established on 16th September, 2005, was not set up at the commencement of the financial year under review.

Corporate Governance Report

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code for Securities Transactions by Directors (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31st December, 2005.

(3) BOARD OF DIRECTORS

(3.1) The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely, the Executive Committee, Audit Committee, and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) The Board comprises five executive Directors, namely, Mr. Lien Jown Jing, Vincent (Chairman), Mr. Lee Po On (Chief Executive Officer), Mr. Lam Kin Ngok, Peter, Mr. Liu Ngai Wing and Mr. Cheung Wing Sum, Ambrose; three non-executive Directors, namely, Mr. Lam Kin Ming, Miss Tam Wai Chu, Maria and Madam U Po Chu; and three independent non-executive Directors, namely, Mr. Alfred Donald Yap, Mr. Low Chee Keong and Mr. Tong Ka Wing, Carl.

(3.3) The Board met four times in 2005. The attendance record of individual directors at these board meetings is set out in the following table:

Directors	Board Meetings Held	Board Meetings Attended
Executive Directors		
Lien Jown Jing, Vincent *(Chairman)*	4	4
Lee Po On *(Chief Executive Officer)*	4	4
Lam Kin Ngok, Peter	4	0
Liu Ngai Wing	4	2
Cheung Wing Sum, Ambrose	3	2
Non-Executive Directors		
Lam Kin Ming	4	0
Tam Wai Chu, Maria	4	3
U Po Chu	4	0
Independent Non-Executive Directors		
Alfred Donald Yap	4	4
Low Chee Keong	4	3
Tong Ka Wing, Carl	4	4

(3.4) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.5) Mr. Lam Kin Ngok, Peter, an executive director, is the son of Madam U Po Chu, and the younger brother of Mr. Lam Kin Ming, the latter two being non-executive directors.

Save as disclose above and in the "Biographical Details of Directors and Senior Management" section of this Annual Report, none of the directors of the Company has any financial, business, family or other material/relevant relationships with one another.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of Chairman and Chief Executive Officer be separated and not performed by the same individual.

During the year under review, Mr. Lien Jown Jing, Vincent was the Chairman of the Company while Mr. Lee Po On acted as the Chief Executive Officer of the Company.

(5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing non-executive Directors of the Company is appointed for a specific term.

(6) REMUNERATION COMMITTEE

(6.1) The Board established a Remuneration Committee on 16th September, 2005, which comprises two independent non-executive Directors, namely, Messrs. Tong Ka Wing, Carl (Chairman), and Alfred Donald Yap, and the chief executive officer, Mr. Lee Po On.

Corporate Governance Report

(6.2) The Remuneration Committee has been charged with the responsibility to recommend to the Board, in consultation with the chairman of the Board and/or the chief executive officer, on an appropriate policy and framework for all aspects of remuneration of all directors and senior management, including but not limited to directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

(6.3) The Remuneration Committee held one meeting during the year under review to discuss remuneration-related matters. All members of the Committee, namely, Messrs. Tong Ka Wing, Carl, Alfred Donald Yap, and Lee Po On attended the aforesaid meeting.

(6.4) The Remuneration Committee reviewed the incentive policy for directors, senior management and eligible employees of the Company during the year, and recommended to the Board the adoption of a new share option scheme in place of the old share option scheme previously adopted by the Company on 25th November, 1996.

(7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new directors will be recruited based on their skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the executive directors of the Company.

(8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK$1,280,000 for the year under review. The Company has not engaged the auditors for any significant non-audit service assignments during the year.

(9) AUDIT COMMITTEE

(9.1) The Board established an Audit Committee on 29th April, 1999, which currently comprises the three independent non-executive directors, namely, Messrs. Alfred Donald Yap (Chairman), Low Chee Keong and Tong Ka Wing, Carl.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company and the review of significant financial reporting judgments contained in them before submission to the Board for approval.

The Company has complied with Rule 3.21 of the Listing Rules in that one of the members of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. All members of the Audit Committee, namely, Messrs. Alfred Donald Yap, Low Chee Keong and Tong Ka Wing, Carl, attended all the meetings.

(9.3) The Audit Committee reviewed the half-yearly and annual results of the Company, and other matters related to the financial and accounting policies and practices of the Company.

Report of the Auditors

ERNST & YOUNG
安永會計師事務所

To the members
eSun Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 29 to 99 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), except that the scope of our work was limited as explained below.

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

Report of the Auditors

SCOPE LIMITATION ON THE CARRYING VALUE OF FILM RIGHTS

As further detailed in note 17 to the financial statements, 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. We 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 ourselves 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, we 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. We are also unable either to obtain sufficient reliable information, or to carry out alternative audit procedures to satisfy ourselves 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 our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

QUALIFIED OPINION ARISING FROM SCOPE LIMITATION

Except for any adjustments that might have been found to be necessary had we 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 our 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 our work relating to the film rights above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Ernst & Young
Certified Public Accountants

Hong Kong
7th April, 2006

Consolidated Income Statement

Year ended 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
TURNOVER	6	**140,984**	152,781
Cost of sales	7	**(123,353)**	(139,432)
Gross profit		**17,631**	13,349
Other revenue	6	**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	16(a)	**—**	(4,705)
LOSS FROM OPERATING ACTIVITIES		**(67,042)**	(57,334)
Finance costs	8	**(12,593)**	(13,884)
Loss on settlement of a debt	16(b)	**—**	(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	7	**211,185**	(147,531)
Tax	10	**(717)**	2,014
PROFIT/(LOSS) FOR THE YEAR		**210,468**	(145,517)
Attributable to:			
Equity holders of the parent	11, 30	**210,468**	(145,517)
Minority interests		**—**	—
		210,468	(145,517)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
— 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	13	**207,713**	166,029
Interests in jointly-controlled entities	15	**223**	1,125
Interests in associates	16	**1,632,930**	1,515,217
Film rights	17	**187,187**	190,684
Total non-current assets		**2,028,053**	1,873,055
CURRENT ASSETS			
Inventories	18	**2,872**	—
Equity investment at fair value through profit or loss/ short term investment	19	**22**	22
Self-produced and purchased programmes		**234**	795
Properties held for sale	20	**—**	2,700
Debtors and deposits	21	**78,549**	63,242
Cash and cash equivalents	22	**177,080**	18,472
Total current assets		**258,757**	85,231
CURRENT LIABILITIES			
Creditors and accruals	23	**108,603**	108,714
Tax payable		**3,321**	2,919
Finance lease payables	24	**29**	40
Interest-bearing bank and other borrowings	25	**4,000**	170,971
Loan from a director	26	**—**	9,659
Total current liabilities		**115,953**	292,303
NET CURRENT ASSETS/(LIABILITIES)		**142,804**	(207,072)
TOTAL ASSETS LESS CURRENT LIABILITIES — page 31		**2,170,857**	1,665,983

Consolidated Balance Sheet

31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES — page 30		**2,170,857**	1,665,983
NON-CURRENT LIABILITIES			
Finance lease payables	24	**(133)**	(2)
Interest-bearing bank and other borrowings	25	**(126,474)**	(19,000)
Loan from a related company	27	**—**	(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	28	**372,592**	335,592
Reserves	30	**1,671,462**	1,297,854
		2,044,054	1,633,446
Minority interests		**196**	196
Total equity		**2,044,250**	1,633,642

Lien Jown Jing, Vincent
Director

Lee Po On
Director

Consolidated Summary Statement of Changes in Equity

Year ended 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Total equity attributable to equity holders of the parent at 1st January			
As previously reported		**1,831,332**	1,778,846
Prior year adjustments	2.3	**(197,886)**	—
As restated		**1,633,446**	1,778,846
Net profit/(loss) for the year	30	**210,468**	(145,517)
Exchange realignment on translation of financial statements of foreign subsidiaries, net and total income and expense for the year recognised directly in equity	30	**(65)**	117
Total income and expense for the year attributable to equity holders of the parent		**210,403**	(145,400)
Issue of shares, including share premium	28	**155,400**	—
Share issue expenses	28	**(4,734)**	—
Share of reserve movements of associates	30	**49,539**	—
Total equity attributable to equity holders of the parent at 31st December		**2,044,054**	1,633,446
Minority interests as at 31st December		**196**	196
Total equity as at 31st December		**2,044,250**	1,633,642

Consolidated Cash Flow Statement

Year ended 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**211,185**	(147,531)
Adjustments for:			
Finance costs	8	**12,593**	13,884
Loss on settlement of a debt	16(b)	—	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
Loss on deemed disposal of an associate	16(a)	—	4,705
Interest income	6	**(9,682)**	(739)
Depreciation	7	**5,175**	4,929
Gain on disposal of a long term investment	7	—	(1,885)
Gain on disposal of properties held for sale	7	**(894)**	—
Gain on disposal of investment properties	7	—	(8,072)
Impairment loss on self-produced and purchased programmes	7	—	2,385
Amortisation of self-produced and purchased programmes	7	**488**	374
Amortisation of film rights	7	**3,497**	6,971
Unrealised holding loss on short term investments	7	—	12
Loss on disposal of short term investments	7	—	589
Provision for bad and doubtful debts	7	—	3,127
Loss on disposal of items of property, plant and equipment	7	**69**	54
Write-back of provision for bad and doubtful debts	7	**(2,918)**	(168)
Write-back of provision for inventories	7	**(1,727)**	—
Gain on recovery from the Holdback Funds and Earnout Funds in connection with the litigation relating to the disposal of Delta Hotels Limited	7	—	(7,300)
Operating loss before working capital changes		**(73,034)**	(52,352)
Decrease in self-produced and purchased programmes		**73**	40
Increase in inventories		**(1,145)**	—
Increase in debtors and deposits		**(12,389)**	(30,126)
Increase/(decrease) in creditors and accruals		**(8,979)**	37,190
Cash used in operations		**(95,474)**	(45,248)
Hong Kong taxes paid		**(323)**	—
Overseas taxes refunded		**6**	3,795
Net cash outflow from operating activities — page 34		**(95,791)**	(41,453)

Consolidated Cash Flow Statement

Year ended 31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Net cash outflow from operating activities — page 33		(95,791)	(41,453)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(38,923)	(26,832)
Proceeds from disposal of items of property, plant and equipment		13	73
Proceeds from disposal of properties held for sale		3,594	—
Proceeds from disposal of investment properties		—	34,372
Repayment by/(advance to) associates		35	(160)
Repayment of loans from an associate	16	225,000	—
Advances to jointly-controlled entities		(3,780)	(2,644)
Dividends received from an associate		2,125	—
Proceeds from disposal of short term investments		—	1,695
Additions of short term investments		—	(2,235)
Proceeds from disposal of a long term investment		—	1,885
Partial settlement of a debt		—	20,000
Acquisition of a subsidiary	31(b)	—	216
Receipt of the Holdback Funds and Earnout Funds in connection with the litigation relating to the disposal of Delta Hotels Limited		—	10,354
Interest received		9,682	46
Net cash inflow from investing activities		197,746	36,770
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	155,400	—
Share issue expenses	28	(4,734)	—
New bank borrowings		—	10,000
New other borrowings		—	59,188
Loans from a director and a related company		—	13,650
Repayment of loan from a director		(9,659)	—
Repayment of loan from a related company		(12,500)	—
Repayment of bank borrowings		(21,000)	(9,000)
Repayment of other borrowings		(45,650)	(65,250)
Capital element of finance lease rental payments		(40)	(35)
Interest paid		(5,164)	(7,848)
Net cash inflow from financing activities		56,653	705
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		158,608	(3,978)
Cash and cash equivalents at beginning of year		18,472	22,450
CASH AND CASH EQUIVALENTS AT END OF YEAR		177,080	18,472
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	22	177,080	18,472

Balance Sheet

31st December, 2005

	Notes	2005 HK$'000	2004 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	14	**1,818,221**	1,833,613
CURRENT ASSETS			
Self-produced and purchased programmes		**227**	715
Debtors and deposits		**1,787**	1,903
Cash and cash equivalents	22	**52,544**	6,903
Total current assets		**54,558**	9,521
CURRENT LIABILITIES			
Creditors and accruals		**2,840**	1,121
Tax payable		**412**	412
Interest-bearing bank and other borrowings	25	**4,000**	170,971
Loan from a director	26	**—**	9,659
Total current liabilities		**7,252**	182,163
NET CURRENT ASSETS/(LIABILITIES)		**47,306**	(172,642)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,865,527**	1,660,971
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**(126,474)**	(19,000)
Loan from a related company	27	**—**	(13,339)
Total non-current liabilities		**(126,474)**	(32,339)
Net assets		**1,739,053**	1,628,632
EQUITY			
Issued capital	28	**372,592**	335,592
Reserves	30	**1,366,461**	1,293,040
Total equity		**1,739,053**	1,628,632

Lien Jown Jing, Vincent
Director

Lee Po On
Director

Notes to Financial Statements

31st December, 2005

1. CORPORATE INFORMATION

eSun Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively, the "Group") were involved in the following principal activities:

- development and operation of, and investment in, media, entertainment, music production and distribution, Internet and technology-oriented businesses;

- provision of advertising agency services;

- satellite television operations; and

- sale of cosmetic products.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs 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 Liabilities
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.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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 and details of the new accounting policy are set out in notes 2.3 and 2.5, respectively.

(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.

Details of the new accounting policy are set out in note 2.5.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(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 notes 2.3 and 16(b) to these financial statements.

(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 2.3 to these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(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 notes 2.3 and 16(b) to these financial statements.

(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 notes 2.3 and 16(b) to these financial statements.

2.3 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 *HK$'000*	Increase in investment revaluation reserve *HK$'000*	Decrease in investment property revaluation reserve *HK$'000*	Decrease/ (increase) in accumulated losses *HK$'000*	Decrease in total equity *HK$'000*	Decrease in amortisation of goodwill on acquisition of an associate *HK$'000*	Increase in share of profits and losses of associates *HK$'000*	Increase in loss on settlement of a debt *HK$'000*
31st December, 2005	(39,515)	53,453	(288,285)	195,317	(39,515)	1,661	197,570	—
31st December, 2004 — *note 16*	(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)

Notes to Financial Statements

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs applicable to the Group's financial statements, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1st January, 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January, 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1st January, 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Except as stated above, the Group expects that the adoption of the pronouncements listed above not yet effective will not have any significant impact on the Group's financial statements in the period of initial application.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Notes to Financial Statements

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

As detailed in note 16(b), there is a crossholding between the Group and Lai Sun Development Company Limited ("LSD"), an associate of the Group. Therefore, the Group's share of the results of LSD for the year and subsequent accounting periods also includes the results of the Group which are shared by LSD while LSD is equity accounting for the Group's results. Appropriate elimination is made by the Group while the Group is accounting for the crossholding.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Goodwill

Goodwill arising on the acquisition of associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition of an associate is capitalised, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the year ended 31st December, 2004, previously recognised goodwill was amortised on the straight-line basis over its estimated useful life of ten years.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are lossed to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the unexpired lease terms
Buildings	2.5% — 5.0%
Leasehold improvements	Over the terms of the leases
Furniture, fixtures and equipment	20.0%
Broadcast operations and engineering equipment	10.0%
Motor vehicles	10.0% — 20.0%
Computers	10.0% — 20.0%

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investments and other financial assets

Applicable to the year ended 31st December, 2004:

The Group classified its equity investments, other than subsidiaries, associates and jointly-controlled entities, as short term investments.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

Applicable to the year ended 31st December, 2005:

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31st December, 2005: (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets (applicable to the year ended 31st December, 2005)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Notes to Financial Statements

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (applicable to the year ended 31st December, 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvements takes the form of a written and/or purchased option (including a cash-settled option or similar provisions) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities (applicable to the year ended 31st December, 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories comprise cosmetic products and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated cost to be incurred to completion and disposals.

Self-produced programmes

Self-produced programmes are stated at cost less any impairment losses. Cost comprises direct expenditure and an attributable portion of direct production overheads. The relevant portion of the cost of self-produced programmes is charged to the income statement in accordance with the number of episodes broadcast in the financial year.

Purchased programme rights

Purchased programme rights, which represent entitlements under contracts to receive and broadcast programmes, are stated at cost less any impairment losses. The cost of purchased programme rights is charged to the income statement upon the first broadcasting of the programmes and in accordance with the number of episodes broadcast in the financial year.

Film rights

Film rights are certain rights to completed films acquired from outsiders and are stated at cost less accumulated amortisation and any impairment losses.

Film rights are amortised proportionately to the estimated projected revenues over their economic beneficial period subject to a maximum period of 10 years. Estimated projected revenues are reviewed on a film-by-film basis at a regular interval. Additional amortisation or impairment will be charged if future estimated projected revenues adversely differ from the previous estimation.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is estimated by the directors based on the prevailing market conditions. Cost is determined by an apportionment of the total costs of land and buildings attributable to unsold properties.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) advertising agency fee income, in the period in which such advertising services are rendered;

(b) programme distribution fee income, when the master audio and visual materials have been delivered to licensees for immediate exploitation of programmes;

(c) turnover from entertainment events organised by the Group, when the events are completed;

(d) net income from entertainment events organised by other co-investors, when the events are completed and are in proportion as agreed with co-investors;

(e) information technological service fee income, when the relevant services are rendered;

(f) television subscription fee income, when the relevant services are rendered;

(g) income from the sale of short term investments, on the transaction date when the relevant contract is entered into;

(h) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(i) artiste management fee income, when the relevant services are provided;

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(j) turnover from the sale of goods, when significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(k) income from films licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract, where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees. Revenue recognised is limited to the amount of consideration received and subject to due allowance for contingencies;

(l) income from films licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period and when the films are available for showing or telecast;

(m) income from the sale of albums, when the albums are delivered and the titles have been passed;

(n) album distribution commission income, when the albums have been delivered to the wholesalers and distributors;

(o) album license income, on an accrual basis in accordance with the terms of the relevant agreements;

(p) rental income, when the properties are let out and on a time proportion basis over the lease terms; and

(q) television airtime sales, when the relevant advertisements are broadcast.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, ie, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Employee benefits

Share-based payment transactions

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the accumulated losses. On disposal of a foreign entity, the resulting exchange difference relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

— where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

— where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related parties

A party is considered to be related to the Group if:

(a) the party directly or indirectly through one or more intermediaries (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or the events previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Income tax

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Income tax (continued)

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors is also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses carried forward, and the asset balance will be reduced and charged to the income statement.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment test of assets and goodwill

The Group determines whether an asset or goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the media and entertainment segment engages in investment in, and the production of, entertainment events, the provision of artiste management services, the licensing of motion pictures and films, and album sales and distribution;

(b) the satellite television segment engages in the television broadcasting business, including the production of television programmes, the operation of a satellite television channel and the provision of other related services;

4. SEGMENT INFORMATION (continued)

(c) the advertising agency segment engages in the provision of advertising agency services, primarily in respect of advertisements on television and in newspapers;

(d) the cosmetics segment engages in the sale of cosmetic products (note); and

(e) the corporate and others segment comprises interest in LSD (note 16(b)), together with corporate income and expense items (note).

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no intersegment sales and transfers during the year (2004: Nil).

Note: 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 conform to current year's presentation.

(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)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	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

(b) Geographical segments

The following table presents 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

5. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year.

(A) Transactions with related parties

		Group	
		2005	2004
	Notes	**HK$'000**	HK$'000
Associates:			
Distribution and licence fee income	(i)	**201**	709
Distribution commissions	(ii)	**939**	1,236
Rental expense	(iii)	**620**	—
Jointly-controlled entity:			
Consultancy and production service fee	(iv)	**1,220**	970
Related companies:			
Interest income on an amount due from Furama Hotel Enterprises Limited ("FHEL") (note 16)		**7,739**	693
Advertising income (a)	(v)	**19,452**	12,980
Information technological service fee income (b)	(vi)	**2,196**	1,700

(a) The related companies are (i) an associate of LSD, a substantial shareholder holding a 38.31% equity interest in the Company as at 31st December, 2005, (ii) subsidiaries of Lai Fung Holdings Limited ("Lai Fung"), of which certain directors of the Company are also directors and key management personnel of Lai Fung, and (iii) a subsidiary of Media Asia Entertainment Group Limited ("MAEG") which the Group had a 37.33% equity interest as at the balance sheet date.

(b) The related companies are LSD, Lai Fung and Lai Sun Garment (International) Limited ("LSG"), of which certain directors of the Company are also directors and key management personnel of LSG.

Notes:

(i) The distribution and licence fee income was charged to an associate on contract terms.

(ii) The distribution commissions were charged at a rate of 5% or 15% on the gross licence fee income.

(iii) The rental expense was charged with reference to market rates.

(iv) The consultancy and production service fee was charged on a basis mutually agreed by the respective parties.

(v) The advertising income received from the related companies was charged with reference to market rates.

(vi) The information technological service fee income was charged to the related companies on a basis mutually agreed by the respective parties.

5. RELATED PARTY TRANSACTIONS (continued)

(B) Compensation of key management personnel of the Group:

	2005 HK$'000	2004 HK$'000
Short term employee benefits	15,003	5,100
Post-employment benefits	285	200
Total compensation paid to key management personnel	15,288	5,300

Further details of directors' emoluments are included in note 9 to the financial statements.

6. TURNOVER AND OTHER REVENUE

An analysis of the Group's turnover and other revenue are as follows:

	Group	
	2005 HK$'000	2004 HK$'000
Turnover		
Advertising agency income	44,472	53,244
Entertainment event income	47,988	67,244
Sale of cosmetic products	24,513	13,101
Album sales, licence income and distribution commission income	10,074	605
Distribution and licence fee income	5,271	11,239
Artiste management fee income	4,315	3,696
Television airtime sales	1,024	665
Information technological service fee income	2,222	2,084
Television subscription income	1,105	903
	140,984	152,781
Other revenue		
Bank interest income	1,943	46
Interest income on an amount due from FHEL	7,739	693
Gross rental income	—	2,062
Others	2,576	5,152
	12,258	7,953
	153,242	160,734

7. PROFIT/(LOSS) BEFORE TAX

	Notes	Group 2005 HK$'000	Group 2004 HK$'000
The Group's profit/(loss) before 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
Employee benefits expense: (including directors' emoluments — see note 9):			
Wages and salaries ***		**62,989**	49,055
Pension scheme contributions ###		**1,616**	1,425
		64,605	50,480
Amortisation of prepaid land lease payments	13	**1,269**	1,001
Capitalised in construction in progress		**(1,269)**	(1,001)
		—	—
Auditors' remuneration		**1,280**	880
Depreciation ***	13	**5,175**	4,929
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events ##		**2,988**	2,810
Others		**3,066**	3,179
Contingent rents incurred for entertainment events ##		**7,461**	11,633
Total operating lease payments		**13,515**	17,622

Notes to Financial Statements

7. PROFIT/(LOSS) BEFORE TAX (continued)

	Notes	Group 2005 HK$'000	Group 2004 HK$'000
The Group's profit/(loss) before tax is arrived at after charging/(crediting):			
Direct operating expenses (including repairs and maintenance) arising from rental-earning properties		—	1,208
Gain on disposal of a long term investment *		—	(1,885)
Gain on disposal of properties held for sale *		(894)	—
Gain on disposal of investment properties *		—	(8,072)
Impairment loss of self-produced and purchased programmes **		—	2,385
Amortisation of self-produced and purchased programmes #		488	374
Amortisation of film rights #	17	3,497	6,971
Unrealised holding loss on a short term investment **		—	12
Loss on disposal of short term investments **		—	589
Provision for bad and doubtful debts **		—	3,127
Loss on disposal of items of property, plant and equipment**		69	54
Share of net income from entertainment events organised by other co-investors *		(5,626)	(1,806)
Write-back of provision for bad and doubtful debts *		(2,918)	(168)
Write-back of provision for inventories #		(1,727)	—
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)
Foreign exchange differences, net		(118)	—

* These items are included in the "Other operating gains" on the face of the consolidated income statement.

** These items are included in the "Other operating expenses" on the face of the consolidated income statement.

*** Wages and salaries of HK$6,143,000 (2004: HK$5,667,000) and a depreciation charge of HK$2,272,000 (2004: HK$2,265,000) are included in "Cost of sales" on the face of the consolidated income statement.

\# These items are included in "Cost of sales" on the face of the consolidated income statement.

\#\# These items are included in "Cost of sales" on the face of the consolidated income statement. The contingent rents are charged based on certain percentages of the gross ticket proceeds collected in respect of the entertainment events.

\#\#\# At 31st December, 2005, the Group had no forfeited contributions from the pension scheme available to reduce its contributions to the pension scheme in future years (2004: Nil).

8. FINANCE COSTS

	Group 2005 HK$'000	2004 HK$'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

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group 2005 HK$'000	2004 HK$'000
Fees	**880**	580
Other emoluments:		
Basic salaries, housing and other allowances, and benefits in kind	**14,123**	4,520
Pension scheme contributions	**285**	200
	15,288	5,300

(i) Independent non-executive directors

The fees paid to independent non-executive directors during the year ended 31st December, 2005 were as follows:

	2005 HK$'000
Alfred Donald Yap	**240**
Low Chee Keong	**240**
Tong Ka Wing, Carl	**400**
	880

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

Notes to Financial Statements

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

(ii) Executive and non-executive directors

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2005				
Executive directors:				
Lien Jown Jing, Vincent	—	600	12	612
Lee Po On	—	1,223	58	1,281
Lam Kin Ngok, Peter	—	8,000	—	8,000
Cheung Wing Sum, Ambrose	—	1,700	85	1,785
Liu Ngai Wing	—	2,000	100	2,100
	—	13,523	255	13,778
Non-executive directors:				
Lam Kin Ming	—	—	—	—
Tam Wai Chu, Maria	—	600	30	630
U Po Chu	—	—	—	—
Shiu Kai Wah	—	—	—	—
Chiu Wai	—	—	—	—
	—	600	30	630
	—	14,123	285	14,408

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

There were no share options granted by the Company to the directors after 7th November, 2002, and had not been vested by 1st January, 2005. Accordingly, the adoption of HKFRS 2 has had no effect on the emoluments as disclosed above.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid employees during the year included three (2004: one) directors, the details of whose emoluments are set out above. Details of the remuneration of the remaining two (2004: four) non-director, highest paid employees for the year are as follows:

	Group 2005 HK$'000	Group 2004 HK$'000
Salaries, allowances and benefits in kind	**4,380**	7,620
Pension scheme contributions	**24**	186
	4,404	7,806

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Group Number of employees 2005	Group Number of employees 2004
HK$1,500,001 — HK$2,000,000	**1**	3
HK$2,000,001 — HK$2,500,000	**1**	1
	2	4

There were no share options granted by the Company to the non-director, highest-paid employees after 7th November, 2002 and had not been vested by 1st January, 2005. Accordingly, the adoption of HKFRS 2, has had no effect on the non-director, highest paid employees' emoluments as disclosed above.

Notes to Financial Statements

10. 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.

	Group	
	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)

10. TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate for the location in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2005		2004	
	HK$'000	%	HK$'000 (Restated)	%
Profit/(loss) before tax	211,185		(147,531)	
Tax at the statutory tax rate	36,957	17.5	(25,818)	(17.5)
Adjustments in respect of current tax of previous periods	18	—	(3,779)	(2.6)
Profits and losses attributable to jointly-controlled entities and associates	(51,310)	(24.3)	(5,025)	(3.4)
Income not subject to tax	(1,142)	(0.5)	(2,219)	(1.5)
Expenses not deductible for tax	9,813	4.6	28,917	19.6
Estimated tax losses utilised from previous periods	(456)	(0.2)	(374)	(0.3)
Estimated tax losses not recognised	6,837	3.2	6,284	4.3
Tax charge/(credit) at the Group's effective rate	717	0.3	(2,014)	(1.4)

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 Group has tax losses arising in Hong Kong of HK$690,637,000 (2004: HK$654,019,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31st December, 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly-controlled entities as the Group has no liability to additional tax should such amounts be remitted.

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.

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The net loss from ordinary activities attributable to ordinary equity holders of the parent for the year ended 31st December, 2005 dealt with in the financial statements of the Company was HK$40,245,000 (2004: HK$52,228,000) (note 30).

12. 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: net loss of HK$145,517,000 (restated)) 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.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Broadcast operations and engineering equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost:								
At 1st January, 2004	58,335	75,000	26,738	4,073	24,820	875	14,304	204,145
Additions	25,259	—	205	115	184	893	176	26,832
Disposals	—	—	(228)	—	(80)	(150)	—	(458)
Exchange realignment	—	—	—	3	—	3	5	11
At 31st December, 2004 and 1st January, 2005	83,594	75,000	26,715	4,191	24,924	1,621	14,485	230,530
Additions	43,382	—	1,096	941	301	449	759	46,928
Disposals	—	—	(1,118)	(235)	—	(153)	(45)	(1,551)
Exchange realignment	—	—	4	11	—	8	16	39
At 31st December, 2005	**126,976**	**75,000**	**26,697**	**4,908**	**25,225**	**1,925**	**15,215**	**275,946**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Construction in progress HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Broadcast operations and engineering equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Accumulated depreciation and impairment:								
At 1st January, 2004	—	4,838	26,511	3,476	10,745	659	13,665	59,894
Provided during the year	—	1,935	117	225	2,263	159	230	4,929
Disposals	—	—	(117)	—	(80)	(134)	—	(331)
Exchange realignment	—	—	—	3	—	3	3	9
At 31st December, 2004 and 1st January, 2005	—	6,773	26,511	3,704	12,928	687	13,898	64,501
Provided during the year	—	1,935	195	244	2,272	271	258	5,175
Disposals	—	—	(1,096)	(224)	—	(137)	(12)	(1,469)
Exchange realignment	—	—	—	9	—	8	9	26
At 31st December, 2005	**—**	**8,708**	**25,610**	**3,733**	**15,200**	**829**	**14,153**	**68,233**
Net book value:								
At 31st December, 2005	**126,976**	**66,292**	**1,087**	**1,175**	**10,025**	**1,096**	**1,062**	**207,713**
At 31st December, 2004	83,594	68,227	204	487	11,996	934	587	166,029

Notes to Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in construction in progress are prepaid land lease payments, the movements of which during both years are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Cost:		
At beginning of year	**24,059**	18,091
Additions	**5,833**	5,968
At end of year	**29,892**	24,059
Accumulated amortisation:		
At beginning of year	**2,290**	1,289
Amortisation during the year — note 7	**1,269**	1,001
At end of year	**3,559**	2,290
Net book value:		
At end of year	**26,333**	21,769

The Group's land and buildings are situated in Hong Kong, held under medium term leases and are pledged to secure general banking facilities granted to the Group (note 25).

The net book value of assets held under finance leases included in the total amount of furniture, fixtures and equipment as at 31st December, 2005 amounted to HK$216,000 (2004: HK$31,000).

The cost of construction in progress comprises premium paid for land situated in Macau under a medium term lease and expenditure incurred for the development of a television city being constructed thereon, further details of which are set out in note 32(a) to the financial statements.

14. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares, at cost	**998,000**	998,000
Amounts due from subsidiaries	**2,690,814**	2,680,631
	3,688,814	3,678,631
Impairment	**(1,870,593)**	(1,845,018)
	1,818,221	1,833,613

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

In the prior year, the amounts due from subsidiaries were unsecured, interest-free and had no fixed terms of repayment, except for those as set out below:

(i) an amount of HK$225,000,000, which bore interest at a rate of 1% per annum; and

(ii) an amount of HK$1,450,000, which bore interest at a rate of 1% per month.

The carrying amounts of amounts due from subsidiaries approximate their fair values.

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Active Light Limited*	Hong Kong	HK$2 Ordinary	100	100	Property investment
Bignews Associates Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Distribution and licence of albums
East Asia Entertainment Limited	Hong Kong	HK$2 Ordinary	—	100	Entertainment activity production

Notes to Financial Statements

14. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Group	Principal activities
East Asia Music (Holdings) Limited	Hong Kong	HK$10,000 Ordinary	—	100	Music production and distribution
East Asia Satellite Television Limited	Hong Kong	HK$2 Ordinary	—	100	Programme production, distribution, broadcasting and other related services
East-Asia-Televisão Por Satélite, Limitada ("EAST")*	Macau	MOP6,000,000 Quota	—	100	Investment holding
Glynhill International Limited	Hong Kong	HK$912,623,351 Ordinary	100	100	Investment holding
Golden Pool Enterprise Limited	Hong Kong	HK$2 Ordinary	—	100	Investment holding
Guangzhou Beautifirm Cosmetic Limited * ##	Mainland China	US$1,260,000#	—	100	Sale of cosmetic products
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	100	Property holding
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100 Ordinary	—	75	Provision of artiste management services
Skymaster International Inc.	British Virgin Islands/ Hong Kong	US$1 Ordinary	100	100	Investment holding

14. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation or registration/ operations	Nominal value of issued share/ registered capital and class of shares held	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Vision Communications Limited	Hong Kong	HK$2 Ordinary	—	100	Provision of advertising agency services and investment holding
Vision Communications (GZ) Limited * ###	Mainland China	HK$3,000,000#	—	90	Provision of advertising agency services
Zimba International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary	—	100	Investment holding

The amount stated represents the paid-up capital.

This subsidiary is a wholly-foreign owned enterprise.

This subsidiary is a co-operative joint venture.

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) As previously reported in the Company's circular dated 6th December, 2004 (the "Circular"), EAST entered into a memorandum of cooperation (the "MOU") with Lai Fung Holdings Limited ("Lai Fung") on 15th November, 2004. Pursuant to the MOU, EAST granted Lai Fung a right to participate in the development and profit distribution of a proposed residential property project (the "Project") in a piece of land with an area of approximately 20,000 square metres situated within the Cotai Site (the "Participating Rights"). Upon entering into the MOU by both parties, Lai Fung paid a total amount of HK$46,000,000 as an earnest money, which is unsecured and interest-free, for the Participating Rights (note 23).

Subject to the satisfaction of the granting of the relevant licence or approval for the design works of the Project no later than 30th June, 2005 by the relevant departments of the Macau government (the "Approval"), both parties will enter into a formal agreement within 14 days from the date of the Approval obtained by EAST. The first long stop date for the entering into the formal agreement was no later than July 2005 (or such later date as may be agreed between both parties).

14. INTERESTS IN SUBSIDIARIES (continued)

Notes: (continued)

(a) On 29th June, 2005, both parties entered into a supplemental MOU to extend the long stop date to no later than December 2005. In the event that 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 MOU 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 MOU (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 MOU upon the full refund of the earnest money.

(b) On 3rd January, 2004, the Company and Soundfield Holdings Limited ("SHL"), a third party, entered into an agreement (the "Agreement"). Pursuant to the Agreement, the Company agreed to purchase and SHL agreed to sell the entire issue share capital of Active Light Limited, which held certain industrial buildings (the "Properties") in Hong Kong together with a secured other borrowing of HK$28,700,000 for and at a consideration of HK$300,000. The transaction was completed in 2004.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005	2004
	HK$'000	HK$'000
Share of net liabilities	**(11,043)**	(8,742)
Amounts due from jointly-controlled entities	**22,238**	18,458
	11,195	9,716
Provision for amounts due from jointly-controlled entities	**(10,972)**	(8,591)
	223	1,125

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK$18,079,000 (2004: HK$15,679,000) which bears interest at 1% above the prime rate quoted by the Hongkong and Shanghai Banking Corporation Limited (the "HSBC prime rate") per annum. The carrying amounts of these amounts due from jointly-controlled entities approximate their fair values.

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of jointly-controlled entities are as follows:

Name of company	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
The Artiste Campus International Limited	Hong Kong	50	50	50	Provision of agency services to artistes
Much Entertainment Limited *	Hong Kong	50	50	50	Provision of concert production services
East Asia Record Production Company Limited	Hong Kong	50	50	50	Music production and distribution

The interests in jointly-controlled entities are indirectly held by the Company.

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Notes to Financial Statements

31st December, 2005

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2005 HK$'000	2004 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	3,773	1,727
Non-current assets	95	101
Current liabilities	(14,909)	(10,567)
Non-current liabilities	(2)	(3)
Net liabilities	(11,043)	(8,742)
Share of the jointly-controlled entities' results:		
Total revenue	9,359	6,236
Total expenses	(11,594)	(8,204)
Tax	(69)	(3)
Loss after tax	(2,304)	(1,971)

16. INTERESTS IN ASSOCIATES

	Group 2005 HK$'000	 2004 HK$'000 (Restated)
Share of net assets	1,618,673	1,275,925
Goodwill on acquisition	13,285	13,285
	1,631,958	1,289,210
Amounts due from associates	972	226,007
	1,632,930	1,515,217

16. INTERESTS IN ASSOCIATES (continued)

The above goodwill on acquisition is relevant to the media and entertainment cash-generating units ("MECGU"), which is a reportable segment of the Group, for impairment testing purposes.

The recoverable amount of MECGU has been determined based on a value in use calculation using cash flow projections approved by management based on dividend income covering a period of ten years. The discount rate applied to cash flow projections is 6.59% (2004: 5.25%) and cash flows beyond the ten-year period are extrapolated using the historical financial information without an aggressive growth rate being taken into account by management.

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of these amounts due from associates approximate their fair values.

In the prior year, the balances with associates were unsecured, interest-free and had no fixed terms of repayment except for an amount due from FHEL of HK$225,000,000 (the "Term Loan") which bore interest at a rate of 4.5% per annum and was repayable in five years from 7th December, 2004. During the year, the Term Loan was fully repaid by LSD.

The market value of the listed shares of certain associates at 31st December, 2005 and at the date of approval of these financial statements was approximately HK$897,735,000 (2004: HK$920,277,000) and HK$2,114,437,000 (2004: HK$704,124,000), respectively.

Details of the principal associates at 31st December, 2005 are as follows:

Name of company	Particulars of issued shares held	Place of incorporation/ operations	Percentage of ownership interest attributable to the Group	Principal activities
Media Asia Entertainment Group Limited	Ordinary shares of HK$0.10 each	Bermuda/ Hong Kong	37.33	Film production and distribution
Lai Sun Development Company Limited	Ordinary shares of HK$0.50 each	Hong Kong	40.80	Property development

16. INTERESTS IN ASSOCIATES (continued)

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The financial year ends of the above associates are coterminous with that of the Group, except for LSD and its subsidiaries (the "LSD Group") which has a financial year ending 31st July. The consolidated financial statements are adjusted for material transactions of this associate between its year end date and 31st December.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2005 HK$'000	2004 HK$'000
Assets	**8,022,967**	7,233,961
Liabilities	**(3,628,649)**	(3,183,585)
Turnover	**1,022,418**	2,352,165
Profit/(loss)	**(547,123)**	457,695

The above financial information includes, among others, (a) assets and liabilities of the LSD Group as at 31st January, 2006 and 2005; (b) turnover and profit/(loss) of the LSD Group for the years ended 31st July, 2005 and 2004 as extracted from the published financial statements of the LSD Group.

At 31st January, 2006, the LSD Group has provided guarantees to banks and other financial creditors in connection with facilities granted to its associates which amounted to HK$237,340,000 (31st January, 2005: HK$298,190,000).

(a) **Interest in MAEG**

On 3rd November, 2004, MAEG's shares were listed on the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System with a public offering of 60,000,000 new ordinary shares at an issue price of S$0.25 per share. The Group's interest in MAEG was then diluted from 49.77% to 37.33%. This resulted in a loss on deemed disposal of HK$4,705,000 which was charged to the consolidated income statement in the prior year.

16. INTERESTS IN ASSOCIATES (continued)

(b) 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 2.2 to the financial statements, 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 (note 28).

Notes to Financial Statements

17. FILM RIGHTS

	Group
	HK$'000
Cost:	
At 1st January, 2004, 31st December, 2004 1st January, 2005 and 31st December, 2005	200,246
Accumulated amortisation:	
At 1st January, 2004	2,591
Provided during the year — note 7	6,971
At 31st December, 2004 and 1st January, 2005	9,562
Provided during the year — note 7	3,497
At 31st December, 2005	13,059
Net book value:	
At 31st December, 2005	187,187
At 31st December, 2004	190,684

At 31st December, 2005, the film rights of the Group represented all rights, titles and interests in 127 films (the "127 Film Rights") with an aggregate carrying value of HK$187,073,000 (2004: HK$190,570,000) and the television rights to another two films for a period of 10.5 years (the "2 TV Rights") with an aggregate carrying value of HK$114,000 (2004: HK$114,000). The directors engaged Astoria Films Distribution Limited, an independent film distributor, to perform a valuation (the "Valuation") on the 127 Film Rights as at 31st December, 2005. Having regard to the Valuation, which indicated that the fair value of the 127 Film Rights as at 31st December, 2005 was above their carrying value stated in the Group's financial statements and having regard to the current market conditions, the directors are of the opinion that there was no impairment in the Group's film rights as at 31st December, 2005.

18. INVENTORIES

	Group 2005 HK$'000	2004 HK$'000
Raw materials	1,297	—
Work in progress	323	—
Finished goods	1,252	—
	2,872	—

19. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS/ SHORT TERM INVESTMENT

	Group 2005 HK$'000	2004 HK$'000
Listed equity investment in Hong Kong, at market value	22	22

The above equity instrument as at 31st December, 2005 was classified as held for trading.

20. PROPERTIES HELD FOR SALE

At 31st December, 2004, properties held for sale were stated at cost and were pledged to secure against the Group's other borrowings of HK$1,450,000 (note 25).

21. 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.

Notes to Financial Statements

31st December, 2005

21. DEBTORS AND DEPOSITS (continued)

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

	Group	
	2005	2004
	HK$'000	HK$'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.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**125,899**	18,472	**1,363**	6,903
Time deposits	**51,181**	—	**51,181**	—
	177,080	18,472	**52,544**	6,903

At 31st December, 2005, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$4,286,000 (2004: HK$2,909,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to convert RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

23. CREDITORS AND ACCRUALS

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

	Group	
	2005	2004
	HK$'000	HK$'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 as an earnest money paid for the participation rights in the Group's proposed residential property development project in Macau (note 14(a)).

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

24. FINANCE LEASE PAYABLES

The Group leases certain of its furniture, fixtures and equipment. These leases are classified as finance leases and have remaining lease terms of approximately five years.

At 31st December, 2005, the total future minimum lease payments under finance leases and their present values, were as follows:

Group

	Minimum lease payments 2005 HK$'000	Minimum lease payments 2004 HK$'000	**Present value of minimum lease payments 2005 HK$'000**	Present value of minimum lease payments 2004 HK$'000
Amounts payable:				
Within one year	**43**	44	**29**	41
In the second year	**42**	1	**31**	1
In the third to fifth years, inclusive	**115**	—	**102**	—
Total minimum finance lease payments	**200**	45	**162**	42
Future finance charges	**(38)**	(3)		
Total net finance lease payables	**162**	42		
Portion classified as current liabilities	**(29)**	(40)		
Non-current portion	**133**	2		

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)		Maturity		Group and Company	
	2005	2004	2005	2004	2005	2004
					HK$'000	HK$'000
Current						
Bank borrowings — secured	9.1	2.6-6.9	2006	2005	4,000	21,000
Other borrowings — secured	—	12	—	2005	—	1,450
Other borrowings — unsecured	—	5-12	—	no fixed terms of repayment	—	148,521
					4,000	170,971
Non-current						
Bank borrowings — secured	—	6.9	—	2006	—	4,000
Other borrowings — unsecured	7.5	12	2007	2006	126,474	15,000
					126,474	19,000
					130,474	189,971
Analysed into:						
Bank borrowings repayable:						
Within one year					4,000	21,000
In the second year					—	4,000
					4,000	25,000
Other borrowings repayable:						
Within one year					—	149,971
In the second year					126,474	15,000
					126,474	164,971
					130,474	189,971

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The Group's bank facilities are secured by fixed charges over the Group's land and buildings with an aggregate net book value at the balance sheet date of HK$66,292,000 (2004: HK$68,227,000) (note 13).

Secured other borrowings as at 31st December, 2004 bore interest at a rate of 1% per month, were repayable within one year and were secured by the Group's properties held for sale (note 20).

Included in unsecured other borrowings as at 31st December, 2005 were amounts due to Mr. Lim Por Yen which is interest-free except for an amount of HK$112,938,000 bearing interest at the HSBC prime rate per annum. On 18th February, 2005, Mr. Lim Por Yen passed away. At the request of the Group, the executor of Mr. Lim Por Yen's estate, confirmed to the Group on 31st December, 2005 that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from the balance sheet date.

In the prior year, unsecured other borrowings bore interest at a rate of 1% per month and were repayable within one year, except for those set out below:

(i) an amount of HK$15,000,000 which was not repayable within one year;

(ii) an amount of HK$120,938,000 which bore interest at the HSBC prime rate per annum and had no fixed terms of repayment;

(iii) an amount of HK$6,383,000 which was interest-free and had no fixed terms of repayment.

Other interest rate information:

	Group and Company			
	2005		2004	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Bank borrowings — secured	**—**	**4,000**	—	25,000
Other borrowings — secured	**—**	**—**	1,450	—
Other borrowings — unsecured	**—**	**126,474**	36,200	127,321
	—	**130,474**	37,650	152,321

The carrying amounts of the Group's bank and other borrowings approximate their fair values.

26. LOAN FROM A DIRECTOR

At 31st December, 2004, the balance was unsecured, interest-free and had no fixed terms of repayment. During the year, a total amount of HK$26,800,000 bore interest at HSBC prime rate per annum. The loan was fully repaid by the Group during the year.

Notes to Financial Statements

27. LOAN FROM A RELATED COMPANY

The loan in the prior year was unsecured and interest-free and was repayable by 31st December, 2006, except for an amount of HK$12,500,000 which bore interest at the HSBC prime rate per annum. The amount was repaid during the year. A director of the Company was also a director of the related company.

28. SHARE CAPITAL

Shares

	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:

	Note	**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	(a)	—	—	(4,734)	(4,734)
At 31st December, 2005		**745,185**	**372,592**	**3,001,935**	**3,374,527**

Notes:

(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) In March, 2006, the Company entered into a placing agreement 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 in note 35(b) to the financial statements.

Share options

Details of the Company's share option schemes are included in note 29 to the financial statements.

29. SHARE OPTION SCHEMES

(i) Existing Option Scheme

The Company operates an employee share option scheme (the "Existing Share Option Scheme") for the purpose of providing incentives and rewards to eligible employees who contribute to the success of the Group's operations. Eligible employees of the Existing Share Option Scheme include executive directors and other employees of the Company or any subsidiary. The Existing Share Option Scheme was adopted by the Company on 25th November, 1996 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years.

No share options were outstanding under the Existing Share Option Scheme as at 1st January, 2005 and 31st December, 2005. Subsequent to the amendments made to Chapter 17 of the Listing Rules which came into effect on 1st September, 2001, no further options may be granted under the Existing Share Option Scheme unless such grant is made in compliance with the amended rules. On 23rd December, 2005, the Existing Share Option Scheme was terminated and replaced by a new option scheme, as detailed below under the heading "New Option Scheme". Upon the termination of the Existing Share Option Scheme, no further options would be offered pursuant to the Existing Share Option Scheme. The principal terms of the Existing Share Option Scheme before amendment were:

(a) The maximum number of shares of the Company (the "Shares") in respect of which options would be granted (together with options exercised and options then outstanding) under the Existing Share Option Scheme would not, when aggregated with any Shares subject to any other schemes, exceed such number of shares as would represent 10% of the issued share capital of the Company from time to time, excluding any Shares issued pursuant to the Existing Share Option Scheme.

(b) No employee would be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as when aggregated with the total number of shares already issued under all the options previously granted to him which have been exercised, and issuable under all the options previously granted to him which are for the time being subsisting and unexercised and would exceed 25% of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme.

(c) An offer of the grant of an option would remain open for acceptance by the employee concerned for a period of 28 days from the date upon which it is made. An option would be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising the acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$10 by way of consideration for the grant thereof, is received by the Company. An option granted under the Existing Share Option Scheme would be exercised in accordance with the terms of the Existing Share Option Scheme and the conditions of the grant during the two-year period commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of the two-year period.

(d) The subscription price would be a price notified by the board of the Company to an employee being (i) not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as stated in the Stock Exchange's quotation sheets for the five trading days immediately preceding the offer date; or (ii) the nominal value of the shares, whichever is the higher.

Notes to Financial Statements

29. SHARE OPTION SCHEMES (continued)

(ii) New Option Scheme

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. The purposes of adopting the New Share Option Scheme are to give any eligible employee, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "Participants") an opportunity to have a personal stake in the Company and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long term growth and profitability of the Company. No share option was granted during the year and outstanding as at 31st December, 2005 under the New Share Option Scheme. The principal terms of the New Share Option Scheme are:

(a) The maximum number of unexercised share options currently permitted to be granted under the New Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

(b) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

(c) The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the New Share Option Scheme, if earlier.

(d) The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

29. SHARE OPTION SCHEMES (continued)

(ii) New Option Scheme (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Subsequent to the balance sheet date, a total of 29,807,396 share options were 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.

Notes to Financial Statements

30. RESERVES

Group

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2004		2,888,269	891,289	—	(2,336,304)	1,443,254
Exchange realignment		—	—	—	117	117
Total income and expense recognised directly in equity		—	—	—	117	117
Net loss for the year (restated)		—	—	—	(145,517)	(145,517)
At 31st December, 2004		2,888,269	891,289	—	(2,481,704)	1,297,854
At 31st December, 2004 and 1st January, 2005						
As previously reported		2,888,269	891,289	—	(2,283,818)	1,495,740
Prior year adjustments	2.3	—	—	—	(197,886)	(197,886)
As restated, before opening adjustment		2,888,269	891,289	—	(2,481,704)	1,297,854
Opening adjustment	2.3	—	—	3,914	(3,914)	—
As restated, after opening adjustment		2,888,269	891,289	3,914	(2,485,618)	1,297,854
Exchange realignment		—	—	—	(65)	(65)
Total income and expense recognised directly in equity		—	—	—	(65)	(65)
Net profit for the year		—	—	—	210,468	210,468
Issue of shares	28	118,400	—	—	—	118,400
Share issue expenses	28	(4,734)	—	—	—	(4,734)
Share of reserve movements of associates		—	—	49,539	—	49,539
At 31st December, 2005		**3,001,935**	**891,289**	**53,453**	**(2,275,215)**	**1,671,462**

30. RESERVES (continued)

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Retained by:					
Company and subsidiaries	3,001,935	891,289	—	(2,538,570)	1,354,654
Jointly-controlled entities	—	—	—	(11,046)	(11,046)
Associates	—	—	53,453	274,401	327,854
At 31st December, 2005	3,001,935	891,289	53,453	(2,275,215)	1,671,462
Company and subsidiaries (restated)	2,888,269	891,289	—	(2,456,663)	1,322,895
Jointly-controlled entities	—	—	—	(8,742)	(8,742)
Associates (restated)	—	—	3,914	(20,213)	(16,299)
At 31st December, 2004	2,888,269	891,289	3,914	(2,485,618)	1,297,854

Included in the debit balance of accumulated losses as at 31st December, 2005 are accumulated credit balances in respect of exchange realignment of HK$19,969,000 (2004: HK$20,034,000).

The Group's contributed surplus represents the excess value of the shares acquired over the nominal value of the Company's shares issued in exchange therefor during the Group reorganisation in November 1996.

Notes to Financial Statements

30. RESERVES (continued)

Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2004		2,888,269	845,455	(2,388,456)	1,345,268
Net loss for the year		—	—	(52,228)	(52,228)
At 31st December, 2004 and 1st January, 2005		2,888,269	845,455	(2,440,684)	1,293,040
Issue of shares	28	118,400	—	—	118,400
Share issue expenses	28	(4,734)	—	—	(4,734)
Net loss for the year		—	—	(40,245)	(40,245)
At 31st December, 2005		**3,001,935**	**845,455**	**(2,480,929)**	**1,366,461**

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transaction

As detailed in note 16(b) to the financial statements, part of the Debt of HK$1,500,040,000 was satisfied by the Term loan and the LSD Shares during the prior year.

(b) Acquisition of a subsidiary

	2005	2004
	HK$'000	HK$'000
Net assets acquired:		
Cash and bank balances	—	516
Investment properties	—	29,000
Debtors and deposits	—	370
Creditors and accruals	—	(886)
Secured other borrowings	—	(28,700)
	—	300
Satisfied by:		
Cash	—	300

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2005	2004
	HK$'000	HK$'000
Cash consideration	—	(300)
Cash and bank balances acquired	—	516
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	—	216

The subsidiary acquired during the prior year contributed HK$5,046,000 to the Group's consolidated loss after tax for the year ended 31st December, 2004. No turnover was contributed by that subsidiary during the prior year.

32. COMMITMENTS

(a) The Group had the following capital commitments at the balance sheet dates:

	2005 HK$'000	2004 HK$'000
Contracted, but not provided for	**155**	36,633

Prior to 2004, the Group committed to invest in the development of a television city with a programme production centre on a piece of land in Macau. During the year ended 31st December, 2004, the Group changed its original plan of the project and proposed to develop a television studio, concert hall, convention and exhibition centre, retail complex and hotels. A conditional approval, subject to the agreement of terms and conditions and payment of a lease modification premium on the proposed change in the use of land was granted by the Macau government during the year. It is estimated that the completion of the entire project will be delayed to beyond 2010.

At 31st December, 2005, the Group was still negotiating with the Macau government on a formal agreement for the proposed change in land use. The authorised, but not contracted for, commitment in respect of the project as at 31st December, 2005 amounted to HK$187,595,000 (2004: HK$189,859,000).

(b) The Group leases certain of its office premises and a Macau production centre under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years. The lease term of the land in Cotai site is for twenty five years commencing from 2001.

At the balance sheet dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2005 HK$'000	2004 HK$'000
Within one year	**3,299**	2,689
In the second to fifth years, inclusive	**5,520**	4,163
After five years	**12,951**	13,771
	21,770	20,623

32. COMMITMENTS (continued)

(c) The Group has entered into an agreement to lease a satellite channel at an annual licence fee of US$800,000 for a term of twelve years. At 31st December, 2005, the total future minimum lease payments were as follows:

	2005 HK$'000	2004 HK$'000
Within one year	6,199	6,234
In the second to fifth years, inclusive	24,796	24,938
After five years	12,152	18,456
	43,147	49,628

At the balance sheet date, the Company did not have any significant commitments.

33. CONTINGENT LIABILITIES

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

	Group		Company	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Guarantee given to LSD in connection with the disposal of an associate to LSD (Note)	25,000	25,000	25,000	25,000
Guarantee given to a supplier in connection with credit facilities given to a subsidiary	—	—	2,000	2,000
	25,000	25,000	27,000	27,000

Note:

In connection with a reorganisation agreement between LSD and the Company in 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 showed 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 rights 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. As at the date of this report, the land use rights referred to above had not been obtained by GIGC.

Notes to Financial Statements

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and bank balances. The main purpose of these financial instruments is to raise fund for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to fair value and cash flow interest rate risks is minimal as the Group does not have any long term financial assets and liabilities.

(ii) Foreign currency risk

Certain subsidiaries of the Company have transactions denominated in RMB. As the exchange rate of RMB against Hong Kong dollar was relatively stable during the year, the Group's exposure to fluctuations in exchange rate is considered minimal and no financial instruments have been used to hedge against such risk.

(iii) Credit risk

The Group maintains various credit policies for different business operations as described in note 21. In addition, receivable balances are closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant. As a result, there is no requirement for collateral.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and equity investments at fair value through profit or loss, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

(iv) Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

35. 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, further details of which are set out in note 29 to the financial statements.

(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 the Termination Agreement, further details of which are set out in note 14 to the financial statements.

36. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.3 to the financial statements, 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 4 to the financial statements, 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.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7th April, 2006.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of the Company will be held at Chater Rooms I-II, Function Room Level, The Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong on Wednesday, 24th May, 2006 at 9:15 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31st December, 2005.

2. To re-elect Directors and to fix the Directors' remuneration.

3. To appoint Auditors and to authorise the Directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "THAT:

   (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares of the Company, and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares of the Company as scrip dividends pursuant to the Bye-laws of the Company from time to time; or (iii) an issue of shares of the Company under any option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares of the Company or rights to acquire shares of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Members of the Company in general meeting; or

(iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Bye-laws of the Company to be held; and

"Rights Issue" means an offer of shares of the Company open for a period fixed by the Directors to the holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

By Order of the Board
Yeung Kam Hoi
Company Secretary

Hong Kong, 7th April, 2006

Notes:

(a) A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote in his stead in accordance with the Company's Bye-laws. A proxy need not be a Member of the Company.

(b) A form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Company's Registrars in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending and voting in person at the Annual General Meeting or at any adjourned meeting should they so wish.

Notice of Annual General Meeting

(c) Where there are joint holders of any share in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(d) Concerning item 2 of this Notice, Mr. Cheung Wing Sum, Ambrose was appointed an executive director of the Company on 12th September, 2005. In accordance with Bye-law 86(2), Mr. Cheung will retire at the forthcoming Annual General Meeting, and, being eligible, offers himself for re-election. Mr. Lien Jown Jing, Vincent, Mr. Lee Po On, Miss Tam Wai Chu, Maria, Mr. Alfred Donald Yap, Mr. Low Chee Keong and Mr. Tong Ka Wing, Carl will retire by rotation at the forthcoming Annual General Meeting and, being eligible, they offer themselves for re-election pursuant to Bye-law 87 of the Company's Bye-laws. Details of the above Directors are set out in the "Biographical Details of Directors and Senior Management", "Directors' Interests" and "Substantial Shareholders' and Other Persons' Interests" sections of the Annual Report 2005 of the Company. In relation to the above re-election of Directors of the Company, there is no information which is discloseable nor is/was any of them involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

(e) Item 4 of this Notice relates to the grant of a general mandate to the Directors of the Company to issue new shares of up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the said resolution. The Company has no immediate plan to issue such new shares.

(f) In accordance with the Company's Bye-laws, at any general meeting of members of the Company, a resolution shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

(i) the chairman of the meeting; or

(ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.