Chairman's Statement

Chairman Lien Jown Jing, Vincent

BUSINESS REVIEW

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

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

No interim dividend was paid during the year (1999: Nil). The Board of Directors does not recommend a final dividend for the year (1999: Nil).

Chairman's Statement

BUSINESS REVIEW (continued)

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

The Group achieved a gross profit of HK$82,254,000 for 2000 (1999: HK$200,597,000) which was mainly generated from the hotel and restaurant operations. For the first six months of 2000, the hotel industry in Hong Kong showed a significant recovery. The Ritz-Carlton Hong Kong achieved a 19% growth in turnover, with occupancy rate rising from 63% in 1999 to 79% in 2000, and average room rate per night increasing from HK$1,513 in 1999 to HK$1,531 in 2000. Turnover of Caravelle Hotel, Ho Chi Minh City increased by 5%. Occupancy rate declined slightly to 40% during the period from 45% in 1999, but average room rate per night increased from US$58 in 1999 to US$71 in 2000. The Group had ceased to account for the hotels' results since July 2000.

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

Chairman's Statement

BUSINESS REVIEW (continued)

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

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

INVESTMENT BY ACQUISITIONS

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

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

Chairman's Statement

INVESTMENT BY ACQUISITIONS (continued)

During the period under review, the Group also made additional strategic investments in the media/entertainment business sector, comprising (i) a 26.3% interest in Media Asia Holdings Ltd., (ii) a 50% interest in Coolala International Limited, (iii) a 50% interest in Eastweek.com.hk Limited, (iv) a 50% interest in three comics with Internet rights, and (v) an additional 25% interest in HKATV.com Limited. The investments would strengthen the Group's content production capability for both media and Internet related businesses.

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

PROSPECTS

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

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

Chairman's Statement

PROSPECTS (continued)

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group at the balance sheet date are set out in note 35 to the financial statements.

Chairman's Statement

SUBSEQUENT EVENTS

Details of subsequent events of the Group at the balance sheet date are set out in note 36 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

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

Finally, I would like to take this opportunity to thank the shareholders of the Group for their continuing support. I would also like to thank the fellow Directors and employees for their diligence, enthusiasm, and their contribution to the growth of the Group.

Lien Jown Jing, Vincent
Chairman

Hong Kong
20th April, 2001