

Report of the Auditors



To the members

eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 30 to 83 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 Statements of Auditing Standards 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:

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SCOPE LIMITATION OF THE CARRYING VALUE OF FILM RIGHTS

As further detailed in note 20 to the financial statements, the Group recorded film rights with an aggregate carrying value of HK\$190,684,000 as at 31st December, 2004. The directors engaged an independent third party (the “Valuer”) to perform a valuation of the Group’s all rights, titles and interests to 127 films (the “127 Film Rights”) of the total film rights which had a carrying value of HK\$190,570,000 as at 31st December, 2004 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 the value of the Group’s film rights as at 31st December, 2004. We have been unable to obtain sufficient reliable information to carry out the audit procedures required by the Statement of Auditing Standards 520 “Using the Work of an Expert” (“SAS 520”) 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, 2004. Included in the consolidated profit and loss account for the year ended 31st December, 2004 is an amortisation charge on the Group’s film rights of HK\$6,971,000. 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, 2004 and the net profit attributable to the shareholders 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.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the basis of presentation of these financial statements prepared by the directors of the Company. As explained in note 2, these financial statements have been prepared on a going concern basis, the validity of which depends on the continuous financial support from the Group’s financial creditors and the successful implementation of other measures. These financial statements do not include any adjustments that may be necessary if the Company fails to obtain continuous support from its financial creditors or to successfully implement the other measures. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

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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, 2004 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 limitations 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

15th April, 2005