Chairman's Statement

Chairman LIM Por Yen

GROUP RESULTS

The Company reported a consolidated net loss from ordinary activities attributable to shareholders of HK$1,200.3 million for the year ended 31st July, 2002, compared with the loss of HK$629.4 million for the previous year. The loss was mainly attributable to the share of loss of Lai Sun Development Company Limited ("LSD"), and the impairment in value of interests in LSD. A mild decrease of 1.5% in the consolidated turnover of the Group for the year to HK$1,297.6 million from HK$1,317.6 million was recorded, although turnover of the subsidiary company, Crocodile Garments Limited, fell by 12.4% for the year.

DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year under review.

Chairman's Statement

BUSINESS REVIEW

Lai Sun Garment (International) Limited

Improved operating results of the garment operation of the Company had been reported for the year, despite a charge to the profit and loss account for stocks written-off and severance payments to employees, following the scaling down of the manufacturing operation in Hong Kong during the year under review. Savings in operating expenses had been achieved through stringent cost control. A higher profit contribution had, therefore, been made by the garment operation to the results of the Company for the year when compared with the previous year. The results of the garment operation on a consolidated basis had been affected, however by an increase in the amount of amortisation of goodwill which arose on acquisition of a subsidiary engaged in garment business on adoption of new accounting practices issued by the Hong Kong Society of Accountants and the deficit on revaluation of fixed assets of the said subsidiary.

Lai Sun Development Company Limited ("LSD")

LSD reported a consolidated net loss attributable to shareholders of HK$1,941.5 million for the year under review, compared with the net loss of HK$1,196.2 million for the previous year, an increase of over 62%. The loss reported was, to a considerable extent, a reflection and consequence of the difficult macroeconomic environment in Hong Kong confronting LSD. The loss principally arose from non-recurring disposals of certain subsidiaries and associates, and by impairment provisions in respect of LSD's interests in certain properties under development, unlisted investments, associates and goodwill related thereto.

Gross rental and related income from LSD's investment property portfolio, at HK$415 million, represented a decrease of 10% compared with the previous year. The drop was largely due to the disposal of non-core assets as well as minor downward rental reversion for the key investment properties. The overall vacancy level, however, remained at a low 5%.

While LSD continued to benefit from the descending interest rate trend, which helped alleviate its finance cost by almost 11%, the pace of LSD's debt reduction programme had been held back by the absence of buying interest in the property market.

Chairman's Statement

Sale of the remaining units at The Waterfront project, in which LSD holds a 10% interest, slowed down in the face of intense competition. Progress in the development of the other two projects of LSD, namely, Rolling Hills (Phase 2) in Yuen Long and Furama Court in Tsimshatsui, Kowloon had been rescheduled and these are earmarked for pre-sale in the year 2002/2003.

The hotel industry in Hong Kong has also been affected by the unfavourable global economic climate. LSD's 65%-owned The Ritz-Carlton Hong Kong, however, achieved an improved occupancy rate of 73.7% at a lower average room rate, as compared to the previous year. The two hotels of LSD group in Vietnam, namely, the Caravelle Hotel in Ho Chi Minh City and the Furama Resort Danang in Danang have both reported improvements in occupancy and room rates.

eSun Holdings Limited ("eSun")

eSun, the principal associated company of LSD, reported a net loss attributable to shareholders of HK$33.28 million for the six months ended 30th June, 2002. The loss was mainly attributable to a HK$31.98 million loss recorded for the operations of East Asia Satellite Television Limited ("EAST") during the half-year period. EAST is now providing 24-hour broadcast and 6-hour refresh programmes per day.

Both Media Asia Holdings Ltd. ("MAH"), an associated company of eSun, and The Artiste Campus International Limited, a jointly-controlled entity, had reported operating losses for the half-year period due to difficult market conditions.

During the period under review, eSun initiated exposure to the concert management business through its wholly-owned subsidiary, East Asia Entertainment Limited ("EAE"). eSun had also rationalized its internet-related operations, resulting in the lay-off of 15 staff members of a wholly-owned subsidiary. The total loss recorded for this subsidiary for the half-year period amounted to approximately HK$4.6 million.

Chairman's Statement

Lai Fung Holdings Limited ("Lai Fung")

Lai Fung reported a drop in turnover for the year of approximately 12% to HK$142.5 million, compared with HK$161.7 million recorded for the previous year. The decrease in turnover was attributable to the slowdown in sales of units in Phase II of Eastern Place in Guangzhou. The shortfall had, however, been partially compensated for by a noticeable improvement in rental income from the office, shopping arcade and service apartments of Hong Kong Plaza in Shanghai.

Finance costs for the year had been reduced by 58.5% following the successful completion of its debt restructuring. The consolidated results of the company had, however, been adversely affected by the share of losses of associates and impairment loss in interests in jointly-controlled entities totalling HK$107.7 million, and Lai Fung reported a net loss from ordinary activities attributable to shareholders of HK$93.98 million. This represented an improvement of 43% when compared with the loss of HK$164.6 million for the previous year.

In Shanghai, the improvement in letting of offices, shopping arcade and service apartments at Hong Kong Plaza reported in previous reports has been sustained. An additional 80 service apartments have been added by converting floor area previously earmarked for other purposes. Elsewhere in Shanghai, Lai Fung will be developing another project located in Changning district into a residential and service apartments and commercial complex.

Phase I and II of Eastern Place in Guangzhou had been substantially sold, with only a small number of larger-sized units priced at over RMB 1 million each remaining unsold. Construction work of Phase III, which will include two residential towers and other residents amenities such as a 50-metre swimming pool, tennis courts and golf practice areas, has commenced and pre-sales is scheduled for 2003.

Development work at the Wuyuehua Shangye Guangchang project in Guangzhou, previously known as New Trend Plaza, was progressing on plan. This project is located on Zhongshanwu Road and atop the Guangzhou Gongyuanqian subway station. Completion is scheduled for 2003.

Chairman's Statement

The Company announced on 11th December, 2001 that it had entered into an agreement with LSD to purchase from LSD its entire shareholding of 779,958,912 shares in Lai Fung at a consideration of HK$225.2 million. The transaction was approved by the independent shareholders of the Company at an extraordinary general meeting held on 7th February, 2002 and was subsequently completed on 30th April, 2002. LSD ceased to have any interest in Lai Fung from that date and the Company currently holds a 46.04% interest in Lai Fung.

Crocodile Garments Limited ("CGL")

The consolidated results of CGL continued to improve during the year under review. The company reported a net profit attributable to shareholders of HK$20.1 million, compared with the profit of HK$5.88 million recorded in the previous year, an increase of 242%. A drop in turnover of 12.4% to HK$595.3 million has been reported due to closure of a number of retail shops in Hong Kong but this shortfall had been partially offset by a significant reduction of 14.6% in total operating expenses.

The operating loss for its Hong Kong retail operation had been reduced to HK$10.54 million for the year from HK$14.20 million for the previous year due to stringent cost control and improved return on investment property. CGL currently has a total of 26 retail shops for Crocodile brand products and 6 retail shops for Lacoste brand products.

CGL was able to improve the profitability of its operations in the Mainland of China during the year, reporting an increase of 25% in operating profit. The Mainland operation has become its principal generator of profit. The momentum of growth in its franchisee network has also been maintained and currently CGL has over 800 sales outlets in the Mainland.