

Eastern Place, Guangzhou

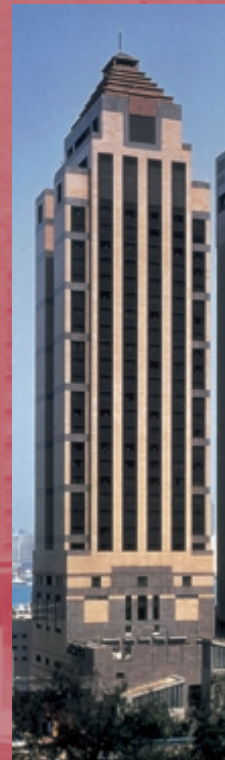


Hong Kong Plaza,  
Shanghai

Wuyuehua  
Shangye  
Guangchang



Cheung Sha Wan Plaza



The Ritz-Carlton  
Hong Kong

Crocodile  
fashion



## Chairman's Statement

### PROSPECTS

Following the reorganisation approved by independent shareholders of the Company in February 2002 involving the shareholding interests of Group companies in Asia Television Limited ("ATV") and Lai Fung, the investments in ATV and Lai Fung are now held solely by LSD and the Company respectively. This should help delineate more clearly the business focuses of relevant Group companies.

With the gradual scaling down of the garment operation of the Company, it is expected the results of the Group will continue to be heavily influenced by the performance of the subsidiary company, CGL, and the two principal associated companies, namely, LSD and Lai Fung.

Given the depletion of its development landbank, the property sales schedule of LSD will remain thin and only two projects, namely, Rolling Hills (Phase 2) in Yuen Long and Furama Court in Tsimshatsui, have tentatively been earmarked for sale in Hong Kong in the year 2002/2003. LSD's rental income will be mildly affected by the prevailing cautious sentiment and still abundant supply in the leasing market for grade A office properties.

The debt level of LSD remains at a high level of over HK\$7,000 million and the company is conducting ongoing discussions with all creditors on a debt restructuring programme. The form and structure of LSD's proposal have not been finalized but LSD is confident that an interim agreement would be reached amongst all parties before the end of 2002, with the technicalities to be sorted out in early 2003.

At eSun, EAST has been actively marketing its services for providing broadcasting facilities and know-how to clients, in addition to its core operations. In view of difficult market conditions affecting the local movie and entertainment industries, it is anticipated that MAH and EAE are unlikely to turn in meaningful contributions to eSun in the second half of 2002. Both companies are, nonetheless, well positioned to capitalize on any cyclical upswing of the movie and entertainment industries.

## Chairman's Statement

Lai Fung expects that following a noticeable recovery in the real estate markets in major cities in the Mainland of China during the year when rental levels of both residential and commercial properties recorded a steady increase, rental contributions from both Hong Kong Plaza in Shanghai and Tianhe Entertainment Plaza in Guangzhou, in which Lai Fung has a 25% interest, should continue to improve. It also anticipates positive results on the pre-sale of Phase III of Eastern Place in Guangzhou. Meanwhile, the company will continue to focus on reduction of finance cost to further improve its performance.

CGL remains cautious on the economic environment of Hong Kong in the coming year. As part of its ongoing cost-cutting programme, CGL plans to close down a further seven retail shops for Crocodile brand products in Hong Kong in the year 2002/2003. The company aims to maintain the revenue of each retail shop still in operation in Hong Kong at the same level as the previous year. Plans are also in hand to upgrade the decor and image of local flagship retail shops.

CGL will continue to focus on developing its operations in the Mainland. It has begun launching its own line of ladies fashion for the fall/winter season, and initial results are expected to be satisfactory. It also plans to promote a new line targeted at teenagers in Beijing, Shanghai and Guangzhou. At the same time, the company is diverting resources to the development of garments made with new raw materials to raise the profit margin on menswear.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31st July, 2002, total bank and other borrowings, inclusive of the note payable due to a shareholder, and net assets of the Group amounted to HK\$298 million and HK\$1,842 million, respectively. The debt to equity ratio as expressed as a percentage of total bank and other borrowings to total net assets as at that date was approximately 16.2%.



## Chairman's Statement

Substantially all of the total bank and other borrowings of HK\$88 million as at 31st July, 2002 were repayable or renewable within one year. The note payable to a shareholder had a maturity date on 30th April, 2004.

The Group's bank borrowings were mainly in HK dollar and US dollar thereby reducing its exchange risk exposure. The majority of the bank and other borrowings were maintained as floating rate debts. Attention will be paid to the interest rate movements, hedging instruments will be employed when necessary to hedge against unanticipated interest rate volatilities.

As at 31st July, 2002, certain investment properties with carrying value of approximately HK\$218 million and certain land and building with carrying value of approximately HK\$8 million were pledged to banks to secure banking facilities granted to the Group. In addition, 115,000,000 ordinary shares of Lai Fung and 96,000,000 ordinary shares of CGL held by the Group were pledged to a bank to secure banking facilities granted to the Group.

The cash and bank balance and short-term listed investments held by the Group as at 31st July, 2002 amounted to HK\$99 million and HK\$18 million, respectively, which was considered adequate to cover the working capital requirement of the Group.

Most of the Group's sales and purchases were made mainly in US dollar, HK dollar, Renminbi and Euro dollars. Foreign purchases in Euro dollars were mostly covered with forward exchange contracts in order to minimize the exchange risk.

## Chairman's Statement

### EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group, including part time sales staff, was approximately 1,300 (2001: 1,700) as at the balance sheet date. The significant drop in headcount was mainly due to the scaling down of the garment manufacturing operation in Hong Kong. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a number of mandatory provident fund schemes for all the eligible employees, free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes.

### CONTINGENT LIABILITIES

Details of contingent liabilities of the Group at the balance sheet date are set out in note 31 to the financial statements.

### MANAGEMENT AND STAFF

The difficult conditions under which Management and staff members of all Group companies had to operate during the year called for exceptional dedication and perseverance on the part of everyone concerned. On behalf of the Board, I would like to thank Management and all staff members, our shareholders and business associates for their support.

Lim Por Yen  
*Chairman & Managing Director*

Hong Kong  
8th November, 2002