Chairman's Statement

Multimedia

On a turnover of HK$56.573 million, eSun reported a net attributable loss of HK$33.284 million for the six months ended June 2002. The loss was mainly attributable to a HK$31.98 million loss recorded by the overall operations of East Asia Satellite Television Limited ("EAST"). The rationalization of its internet-related operations has also resulted in a layoff of 15 staff members and a one-time loss of HK$4.6 million.

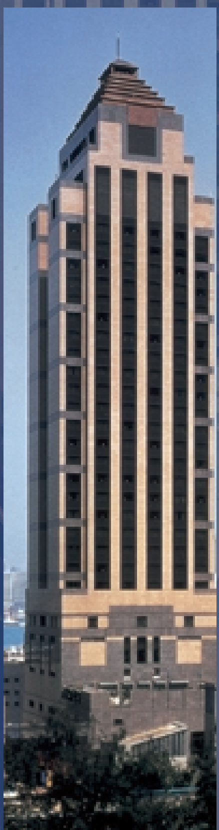
During the period under review, eSun has initiated exposure to the concert management business through its wholly-owned subsidiary, East Asia Entertainment Limited ("EAE"). As for its existing businesses, Media Asia Holdings Ltd. ("MAH"), in which eSun has a 35% stake, continued to expand rapidly and has increased its market share in the local film production market; however, due to difficult market conditions, MAH reported an operating loss for the first half of 2002. Meanwhile, EAST's operations have been on a smooth track with continuous effort being made to improve the quality and marketability of the programmes. EAST is now providing 24-hour broadcast and 6-hour refresh programmes per day, supported by its media production centre at Aberdeen which is capable of producing up to 2,000 programme hours per year.

Other Strategic Investments

Performance of the Group's other strategic investments has been reasonable amidst the difficult operating environment. ATV, in which the Group has increased its interest to 32.75%, managed to reduce its operating loss thanks to adequate cost containment measures, although the viewership vis-a-vis TVB remained disappointing. Elsewhere, Sky Connection Limited, the Group's 50%-owned liquor and tobacco duty-free operator which trades under the name "Free Duty", has successfully extended its exclusive licensing agreement for a further 12 months. Having re-negotiated a revised rental agreement with the Hong Kong Airport Authority, it is expected that the operation should manage to at least breakeven for this extended period, although the ultimate performance will be contingent upon the pace of tourism recovery and tourists' propensity to consumption.

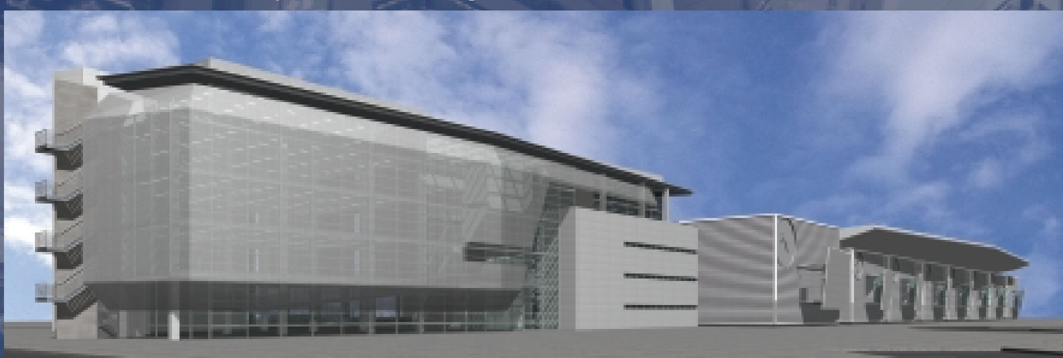

Lai Sun Commercial Centre

Cheung Sha Wan Plaza



The Ritz-Carlton
Hong Kong

Causeway Bay Plaza 1


Causeway Bay Plaza 2


East Asia Satellite TV City, Macau (artist impression)


Chairman's Statement

PROSPECTS

The economic outlook for Hong Kong remains bleak. With deflation and anemic economic growth persistently dominating the global economic environment, the local territory looks difficult to come out unscathed. It is apparent that the general confidence level and investment sentiment have further deteriorated, with concerns over the stability of pegged rate system gradually re-emerging in view of the burgeoning fiscal deficit for which no easy remedy exists. Easing interest rates turns out to be a double edged sword - while it lightens interest burden on the one hand, it also greatly reduces interest income generation which in turn discourages private spending. Such economic scenario means that asset prices are unlikely to display any formidable turnaround in the short-to-medium term.

Given the fast depletion of the Group's development landbank, the property sales schedule will remain thin looking further out. The tentative projects earmarked for sale (or pre-sale) in Hong Kong for the year 2002/2003 are as follows:

Location	Type	Group Interest	Attributable GFA (sq.ft.)
Rolling Hills (Phase 2) DD105, Ngau Tam Mei Yuen Long	Residential	50%	38,266
Furama Court 24-26 Kimberley Road & 55-61 Carnarvon Road & 38-40 Kimberley Street Tsimshatsui, Kowloon	Service Apartment Commercial	50%	40,858 17,314 58,172

The prevailing cautious sentiment over the office and commercial market is likely to linger on for a prolonged period of time, amongst which the Grade A office leasing market is expected to remain as the prime casualty as destitute multinational demand and still abundant supply (averaging over 2 million square feet per annum over the next four years), would post sustained pressure on rental and thus capital values. Based on this projection and coupled with the disposal of Crocodile Houses 1 and 2, the Group's rental income would further dwindle in the coming year.

Chairman's Statement

In line with the overall hotel industry which is unlikely to make any headway in terms of both occupancy and room rates, contribution from The Ritz-Carlton Hong Kong is expected to remain paltry. However, it is encouraging to see a revitalization of the Group's hotel management division, led by Furama Hotels and Resorts International Limited ("FHRI"). In addition to the Majestic Hotel, FHRI has further secured the hotel management contracts for the Royal Windsor Hotel during the year under review, and the hotel supporting service contract for the Kimberley Hotel at the time of writing. With longstanding expertise in this area, we are sanguine of this expansionary drive and thus the future prospects of FHRI.

The Group is guardedly optimistic of the prospects of eSun. In addition to its core operations, EAST has been actively developing new sources of revenue such as programme sales to South East Asia and the provision of broadcasting facilities and services to clients. Initial market response has been encouraging and we anticipate further growth in both areas. EAST has also lodged an application for a PRC satellite transmission "downlink" license; it is expected that the State Administration of Radio, Film & Television will confirm and announce the licensee list around early 2003. Meanwhile, as the difficult market conditions will persist, both MAH and EAE are unlikely to turn in meaningful contributions to eSun in the second half of 2002, although we believe that both operating vehicles are well positioned to capitalize on any cyclical upswing of the entertainment industry.

GROUP RESTRUCTURING

In sympathy with the continued downturn of property prices, it is natural to see a further erosion of the Group's net asset backing, which stood at HK$766 million as of year-end 2002. Riding on a still high debt level of over HK$7,000 million (inclusive of a HK$1,500 million due to associate eSun), it is obvious that a substantial debt restructuring program would be required in order to re-equip the Group with a cleaner bill of financial health. The Group is currently having ongoing discussions with all creditors with an objective to eliminate most of its unsecured indebtedness possibly through a combination of cash repayment, debt-equity swap and the pledging of residual value of certain Group assets.