



Chairman's Statement



Tam Wing Lun, Alan
Chairman

I have pleasure to present to shareholders the annual results of Star East Holdings Limited (the "Company", or "Star East") and its subsidiaries (together, the "Group") for the year ended 31st March, 2003.

RESULTS FOR THE YEAR

The Group's consolidated turnover for the year ended 31st March, 2003 was approximately HK\$140 million, representing a decrease of 22% against that of 2002 of approximately HK\$180 million. The decrease was mainly due to the adverse market condition experienced by the Group during the year while the slow economy in the region prevailed.

The Group's audited consolidated loss attributable to shareholders for the year ended 31st March, 2003 amounted to approximately HK\$130 million (2002: HK\$462 million), reduced significantly at 72%. Loss per share was HK\$0.06 (2002: HK\$0.31), a reduction of 81%.

The Group's loss comprised (i) net loss of approximately HK\$2 million in movies, television dramas and documentary production, distribution and licensing (2002: HK\$46 million); (ii) net loss of approximately HK\$33,000 in theme restaurant operation and franchising (2002: HK\$133 million); (iii) net gain of approximately HK\$3 million in property investment (2002: HK\$9 million loss); (iv) net loss of approximately HK\$28 million in investment in securities (2002: HK\$117 million); and (v) net loss of approximately HK\$103 million in other operations and corporate business (2002: HK\$157 million).

The net loss in content production mainly included an operating profit of approximately HK\$2 million of Bob (the Group's wholly-owned subsidiary and one of the Group's content production arms) and net loss contributed by the Group's associates of approximately HK\$3 million. The slight loss in theme restaurant operation and franchising mainly comprised an operating profit of approximately HK\$2 million in theme restaurant franchising, an operating loss of approximately HK\$12 million in theme restaurant operation and a gain on deconsolidation of PH (Melbourne) of approximately HK\$13 million. The net loss in investment in securities was mainly due to an impairment loss recognised in respect of the Group's investments in convertible bonds issued by G-Prop (Holdings) Limited of approximately HK\$24 million by reference to the estimated value of such investments during the year under review. The net loss in other operations and corporate business was mainly due to (i) net loss in music production of approximately HK\$13 million as a result of persisting adverse market condition; and (ii) net losses contributed by Sing Pao Media Group of approximately HK\$23 million and M Channel of approximately HK\$27 million.

Operating results in major segments will be reviewed in the Management Discussion and Analysis.

OUTLOOK

Looking ahead is another difficult year with the adverse economic environment persists in Hong Kong, which was further dampened by the recent outbreak of SARS. To meet with the challenges ahead, the Group will further reduce its operating costs, maximize its business synergies, focus its resources on core business with profit prospects, set new growth platform and strengthen its foothold in the PRC market so as to maintain its competitiveness.

Leveraging on its acclaimed brand name as a popular star-studded entertainment and dining place, the Group will adhere to the strategy of franchising the theme restaurants with an emphasis on exploring the PRC market and tap into the immense consumer spending growth opportunities. Continuous enrichment of appealing new products and entertainment features to refresh customers' dining and entertainment experiences will definitely increase the competitive edge of both the Star East and Planet Hollywood theme restaurants.



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The Group will maintain its goal to emerge as one of the leading content providers in Asia and offer premium Chinese content for the flourishing regional market. Bob shall continue to put emphasis on movie or TV drama commissioning projects and co-productions with the PRC partners. The Group's investment in Alfaway, one of the leading production ventures in Mainland China, will enable the Group to leverage their nationwide distribution channels and syndication networks for quick penetration into the PRC market. With its strong strategic market positioning and support from Asia's most resourceful artistes and best production personnel, the Group anticipates that the investment in Applause Pictures will generate promising returns to the Group in the forthcoming year as well as increase the Group's market penetration in the region. Riding on the success of Applause Pictures, resourceful production personnel led by Mr. Eric Tsang are well on the path to launch another premium movie production label, Anytime Pictures to capture opportunities in the progressively more open and lucrative film market in China. With the momentum gathered by the Group's production ventures in this past year, we look forward confidently for better returns in the years to come.

In view of the strong growth momentum of the Short Message Service (SMS) and Multimedia Message Service (MMS) in the mobile telecommunication business in the PRC, the Group is developing a new venture in the PRC for the provision of mobile entertainment services. The Group anticipates that such new business development will gain prominence in the PRC and will successfully set a new growth platform for the Group's future returns from its strategic investments.

The Group has been actively pursuing opportunities of strategic alliance in the PRC. Recently, the Group has successfully forged a strategic alliance with Strategic Media International Limited, an investment holding company owned by Mr. Qin Hui, the Managing Director and Legal Representative of Stellar MegaMedia Co., Limited which is a PRC domestic enterprise engaged in media and entertainment business investment and management in the PRC. Strategic Media has also acquired a 70% interest in Sun Satellite TV recently. With support extended from such strategic partnership, the Group anticipates that tremendous synergies, competitive edge and new avenues of growth in the Mainland market will be brought about as a result.

Star East looks forward confidently to further growth opportunities that will emerge with Mainland China's successful entry into the WTO. The Group is gradually expanding its breadth of operations beyond the local markets, targeting at the lucrative entertainment market in the PRC. Moving forward, the Group will continue to gather momentum for growth by exploring new investment, partnership and alliance opportunities in the region.

APPRECIATION

On behalf of the board, I would like to take this opportunity to express my gratitude to the shareholders for their support, to the management, celebrity shareholders and staff for their contributions and dedicated efforts throughout this past year.

Tam Wing Lun, Alan
Chairman

Hong Kong, 17th July, 2003