Chairman's Statement

Chairman LIM Por Yen

RESULTS

The Group recorded a consolidated net loss attributable to shareholders of HK$93,976,000 for the year ended 31st July, 2002.

DIVIDEND

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

BUSINESS REVIEW

For the year ended 31st July, 2002, the Group achieved a turnover of HK$142,510,000 (2001:HK$161,743,000) and recorded a profit from operating activities of HK$76,204,000 (2001:HK$73,607,000), representing a decrease of approximately 12% and an increase of approximately 4% respectively when compared with the previous year. The decrease in turnover was mainly attributable to the slowdown in sale of Phase II of Eastern Place in Guangzhou. The remaining stocks of Phase II of Eastern Place comprised a small number of large-sized flats with consideration of over RMB1 million each and, as the numbers of unsold units decreased, the choices available to potential buyers were more restrictive. It will normally take longer time for these units to be absorbed by the market.

Chairman's Statement

Despite the fall in turnover, the Group was able to increase the gross profit by 5% from HK$58,928,000 in last year to HK$61,930,000 in the year under review. The increment was due to the improvement in the occupancy of the offices, shopping arcades and service apartments of Hong Kong Plaza in Shanghai and the reduction of costs.

At the same time, finance costs had been reduced to HK$57,960,000 (2001: HK$139,973,000) following the successful completion of the Group's debt restructuring, representing a reduction of approximately 59%.

However, the performance of the Company for the year was still adversely affected by the performance of the associates and jointly-controlled entities. During the year, the share of losses of the associates, impairment loss in amount due from an associate and impairment loss in interests in jointly-controlled entities amounted to HK$43,742,000 (2001: HK$44,718,000), HK$18,916,000 (2001: HK$17,787,000) and HK$45,057,000 (2001: Nil), respectively. As a result, the Group recorded a net loss from ordinary activities attributable to shareholders for the year of HK$93,976,000 as compared with a net loss of HK$164,619,000 in last year, representing a reduction of approximately 43%.

PROJECT REVIEW

The Group's flagship project in Shanghai — Hong Kong Plaza — is situated at the prime Huaihaizhong Road in close proximity to Huangpi Road subway station. This twin-building complex offers a gross floor area of approximately 140,000 sq.m. and includes offices, shopping arcades, car parking space and service apartments with extensive clubhouse facilities. With the continuous improvement in the occupancy of Hong Kong Plaza, rental contribution from the property continued to increase during the year under review. Some prestigious and sizable tenants, like Physical Fitness Centre, KFC, Zen, etc., have been attracted to the shopping arcades. Also, in response to the market demand, space which was previously vacant or used for administration purpose had been renovated, giving rise to an additional 80 rooms for rental at the end of the year under review.

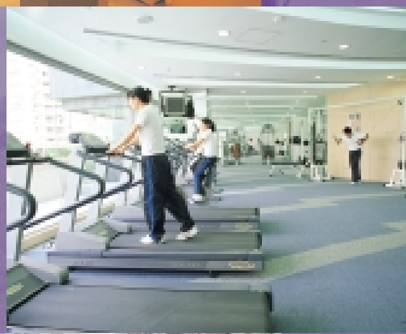
Chairman's Statement

Hai Xin Garden (previously known as Shanghai Baining Baba Plaza) in Shanghai which is to be developed into a residential, service apartments and commercial complex, is located at the western part of the city of Shanghai and in the centre of the Changning district, traditionally one of the prime residential districts in Shanghai. The Group believes this development project will cater for the demand of the buyers who call for comfortable and fashionable home living environment. The construction work for the Phase I will be started soon and is scheduled to be completed in 2004.

Through years of planning and operations, Eastern Place has become a landmark residential community in Guangzhou. The project is located at Dongfeng Dong Lu in the Dong Shan District of Guangzhou and also near the two other major roads of Guangzhou — Huanshi Road East & Guangzhou Road. The total site area of the project is approximately 60,000 sq.m.. The Phase I & II, comprising 4 residential buildings, had already been completed and substantially sold. The luxurious residents' club house, Dong Feng Hui, was completed during the year and started to provide services and facilities to the residents. The construction work of Phase III — 2 residential buildings, coupled with additional deluxe facilities featuring a 50-meter swimming pool, tennis courts and golfing practice areas, etc., has been started and the pre-sales is expected to begin in 2003.

Recognised as a significant commercial project in Guangzhou, development activities of the Wuyuehua Shangye Guangchang (previously known as New Trend Plaza) is progressing smoothly. This project is located at Zhongshanwu Road and atop the Guangzhou Gongyuanqian subway station. It will provide approximately 35,000 sq.m. of office and commercial floor area, as well as a 4-level basement of approximately 14,000 sq.m. earmarked for commercial and car park usage. Construction work is expected to be completed by 2003.

Eastern Place, Guangzhou



Clubhouse, Eastern Place

Hong Kong Plaza
Shanghai

Wuyuehua Shangye Guangchang

Chairman's Statement

CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, bank borrowings on project basis and general bank loan facilities on secured basis.

On 9th May, 2002, the Company announced a rights issue of 767,706,730 shares of HK$0.10 each at HK$0.10 per rights share in the proportion of one rights share for every four existing shares held on 31st May, 2002 (the "Rights Issue"). 767,706,730 shares were allotted and issued. This represented approximately 25% and 20% of the original and enlarged issued share capital of the Company respectively.

As at 31st July, 2002, the Group had a gross borrowing (inclusive of the loan of HK$86,886,000 (2001: HK$53,285,000) from Mr. Lim Por Yen) amounting to HK$1,054 million (2001: HK$1,031 million), representing an increase of HK$23 million over that of the preceding financial year end. The consolidated net assets of the Group at the balance sheet date was HK$5,523 million (2001: HK$5,713 million). The resultant debt to equity ratio was 0.19 (2001: 0.18).

During the year, the Group obtained additional unsecured loans of US$1,210,530, RMB63,300,000 and HK$2,162,000 from Mr. Lim Por Yen, a substantial shareholder of the Company. The Group has repaid HK$40,000,000 to Mr. Lim Por Yen during the year under review. The aggregate outstanding balances of the loans from Mr. Lim Por Yen as at 31st July, 2002 were HK$86,886,000.

Approximately 94% of the Group's gross borrowings were on a floating rate basis at the balance sheet date and the remaining 6% were interest-free. The Group is expected to benefit from the decrease in the prevailing interest rate. As at 31st July, 2002, approximately 27.1% of the Group's gross borrowings were denominated in Renminbi ("RMB"), 0.3% were denominated in Hong Kong dollars ("HKD") and 72.6% were denominated in the United States dollars ("USD").

Chairman's Statement

The Group's monetary assets, loans, and transactions are principally denominated in HKD, RMB and the USD. As the exchange rate between HKD and the USD is pegged, together with the insignificant fluctuation in exchange rate between HKD and RMB, the Group believes its exposure to exchange rate risk is not material. It is not the present intention of the Group to seek to hedge its exposure to foreign exchange fluctuations involving the USD and RMB. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

The maturity profile of the Group's bank borrowings as at 31st July, 2002 was mostly spread over a period of five years, with approximately 14% repayable within one year and 56% repayable between two to five years. The remaining 30% was repayable after five years. Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value amounting to approximately HK$2,870 million and properties under development with carrying value amounting to approximately HK$486 million, and bank balances amounting to approximately HK$12 million at the balance sheet date.

With the cash held as at the balance sheet date as well as available banking facilities, and the improvement in the Group's operating activities, the Group has sufficient liquidity to finance orderly its existing and planned property development and other investment projects. The Group will consistently maintain a prudent financial policy.

CONTINGENT LIABILITIES

As a common practice in the PRC for banks to provide mortgage financing to end-users, the bank will normally require the developer to provide buy-back guarantee to secure the due performance of the borrowers. The Group is currently providing buy-back guarantees to banks for granting mortgage loans to buyers of Hong Kong Plaza, Phase I and Phase II of Eastern Place. As the property market in the Mainland China (the "PRC") is currently stable, the management does not expect such contingent liability to be crystallised.

Chairman's Statement

REORGANISATION OF SHAREHOLDING

On 11th December, 2001, Lai Sun Garment (International) Limited ("LSG") and Lai Sun Development Company Limited ("LSD") jointly announced that on 7th December, 2001, Mr. Lim Por Yen, LSG and LSD had entered into an agreement pursuant to which LSD agreed to sell, and LSG agreed to purchase, 779,958,912 shares in the capital of the Company, representing approximately 25.40% of the existing issued share capital of the Company on that day and LSD's entire shareholding interest in the Company.

Before this reorganisation, the Company was disparately held by LSG and LSD. Following this reorganization, Lai Sun Group's investment in the Company is solely held by LSG.

EMPLOYEES AND REMUNERATION POLICIES

The Group employs a total of approximately 380 employees. The Group recognises the importance of the strength of its human resources for its success. Pay rates of employee are maintained at competitive levels and promotion and salary increments are assessed on a performance related basis. Discretionary bonuses are granted to certain employees on a merit basis and in accordance with industry practice. Other staff benefits include a mandatory provident fund, free hospitalization insurance plan, subsidised medical care and subsidies for external education and training programmes. The Group currently does not have any share option schemes for employees.

PROSPECTS

The real estate markets in major cities in the PRC have experienced a reasonable recovery in the year under review as both residential and commercial rentals have exhibited a steady uptrend. Rental contributions from both Hong Kong Plaza in Shanghai and Tianhe Entertainment Plaza in Guangzhou, in which the Company has a 25% interest, should continue to improve. The envisaged pre-sale of Phase III of Eastern Place in Guangzhou is expected to have positive impact on the Group's turnover and profitability.

Chairman's Statement

Despite the fact that the Group's performance was significantly improved by reducing the finance cost during the year under review, the management will keep on finding new measures to trim down this major cost item.

The Group will maintain its focus on property investment and development projects in Shanghai and major cities in Guangdong Province, notable among which is Guangzhou. Should suitable opportunities arise, the Group will cautiously consider increasing its land reserve in due course.

Finally, I would like to take this opportunity to express my gratitude to all the shareholders for their support, and to my fellow directors and all staff members of the Group for their dedication and hard work during the year.

By Order of the Board

Lim Por Yen
Chairman

Hong Kong
8th November, 2002