



LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST JULY, 2002

RESULTS

The Board of Directors of Lai Sun Garment (International) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st July, 2002 as follows:

	Notes	2002 HK\$'000	2001 HK\$'000
TURNOVER	2	1,297,622	1,317,571
Cost of sales		(849,014)	(871,237)
Gross profit		448,608	446,334
Other revenue and gains		11,296	36,740
Administrative expenses		(112,828)	(136,929)
Selling and distribution costs		(229,286)	(266,989)
Other operating expenses, net		(80,650)	(3,133)
PROFIT FROM OPERATING ACTIVITIES	3	37,140	76,023
Finance costs	4	(6,814)	(9,003)
Share of profits and losses of associates		(922,849)	(675,211)
Negative goodwill recognised		3,723	—
Impairment in value of an associate		(273,812)	—
LOSS BEFORE TAX		(1,162,612)	(608,191)
Tax	5	(28,622)	(18,695)
LOSS BEFORE MINORITY INTERESTS		(1,191,234)	(626,886)
Minority interests		(9,040)	(2,550)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(1,200,274)	(629,436)
LOSS PER SHARE	6		
Basic		HK\$0.83	HK\$0.44
Diluted		N/A	N/A

Notes:

1. PRIOR YEAR ADJUSTMENT

In accordance with paragraph 88 of Statement of Standard Accounting Practice No. 30 ("SSAP 30") "Business combinations" and Interpretation 13 "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves", the Group is required to estimate any impairment loss that arose on goodwill, which was previously eliminated against consolidated reserves, in accordance with the requirements of SSAP 31 "Impairment of assets" since the date of acquisition of the subsidiaries and associates. Implementation of this policy is treated as a change in accounting policy in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies".

Lai Sun Development Company Limited ("LSD"), a 42.25% owned associate of the Group, has assessed the carrying values of goodwill previously eliminated against consolidated reserves prior to 1st August, 2001, and has recognised an impairment of goodwill, which was previously eliminated against consolidated reserves, of HK\$62,619,000. The impairment has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. Accordingly, the Group has restated its share of LSD's prior year adjustment of HK\$26,457,000 in both accumulated losses and capital reserve as at 31st July, 2001 (note 7). This prior year adjustment had no effect on the results and net asset values of the Group for the current and last years.

2. SEGMENT INFORMATION

The following table presents revenue and profit/(loss) for the Group's business segments.

(a) Business segments

	Garment operation		Property development		Property investment		Others		Eliminations		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:												
Sale to external customers	1,274,750	1,295,647	—	—	11,739	10,676	11,133	11,248	—	—	1,297,622	1,317,571
Intersegment sales	—	—	—	—	4,131	4,794	—	24	(4,131)	(4,818)	—	—
Other revenue	7,483	8,345	—	20,709	128	31	2	52	—	—	7,613	29,137
Total	1,282,233	1,303,992	—	20,709	15,998	15,501	11,135	11,324	(4,131)	(4,818)	1,305,235	1,346,708
Segment results	44,617	61,417	(11,800)	20,709	9,005	1,070	(8,365)	(14,776)	—	—	33,457	68,420
Interest income and unallocated other revenue and gains											3,683	7,603
Profit from operating activities											37,140	76,023
Finance costs											(6,814)	(9,003)
Share of profits and losses of associates											(922,849)	(675,211)
Negative goodwill recognised											3,723	—
Impairment in value of an associate											(273,812)	—
Loss before tax											(1,162,612)	(608,191)
Tax											(28,622)	(18,695)
Loss before minority interests											(1,191,234)	(626,886)
Minority interests											(9,040)	(2,550)
Net loss from ordinary activities attributable to shareholders											(1,200,274)	(629,436)

The following table presents revenue and profit/(loss) for the Group's geographical segments.

(b) Geographical segments

	Hong Kong		Elsewhere in the People's Republic of China ("the PRC")		United States of America		Other locations		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:										
Sale to external customers	303,475	373,075	304,742	303,943	689,405	628,513	—	12,040	1,297,622	1,317,571
Other revenue	898	837	6,468	23,999	247	3,731	—	570	7,613	29,137
Total	304,373	373,912	311,210	327,942	689,652	632,244	—	12,610	1,305,235	1,346,708
Segment results	(57,914)	(20,502)	19,691	43,261	71,680	47,343	—	(1,682)	33,457	68,420

3. PROFIT FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Group 2002 HK\$'000	Group 2001 HK\$'000
Amortisation of goodwill on acquisition of subsidiaries*	17,980	2,519
Deficit on revaluation of fixed assets	25,836	—
Deficit on revaluation of investment properties	1,700	2,900
Depreciation	15,868	17,975
Severance payment	19,056	6,761
Impairment of properties under development	11,414	—
Loss on disposal of fixed assets	1,985	3,920
Loss on disposal of properties held for sale	100	—
Unrealised losses of short term investments	133	3,379
Dividend income from short term listed investments	(778)	(445)
Gain on deregistration of subsidiaries	(1,610)	—
Interest income from bank deposits	(660)	(3,353)
Other interest income	(56)	(2,914)
Realised gain on the disposal of a subsidiary of an associate [#]	—	(20,709)

* The amortisation of goodwill is included in "Other operating expenses, net" on the face of the consolidated profit and loss account.

[#] In 1998, Kingscord Investment Limited, a subsidiary of the Company, disposed of its interest in Shanghai Wayee Real Estate Development Co., Ltd. to Lai Fung Holdings Limited ("Lai Fung"), a then subsidiary of the Group (the "Transaction"). In 2000, LSD (which was then a holding company of Lai Fung) became an associate of the Group and Lai Fung became a subsidiary of an associate of the Group. Relevant portion of the gain arising from this transaction were realised upon the deemed disposal of Lai Fung by LSD in 2001.

4. FINANCE COSTS

	Group 2002 HK\$'000	Group 2001 HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	6,814	9,003

5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group 2002 HK\$'000	Group 2001 HK\$'000
Provision for tax for the year:		
Hong Kong	11,060	5,366
Outside Hong Kong	2,300	6,228
Deferred	—	(1,063)
Total	13,360	10,531
Prior year overprovision:		
Hong Kong	(1,100)	(19)
Outside Hong Kong	—	(4,266)
Total	(1,100)	(4,285)
Share of tax attributable to associates:		
Hong Kong	15,179	12,449
Outside Hong Kong	1,183	—
Total	16,362	12,449
Tax charge for the year	28,622	18,695

6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$1,200,274,000 (2001: HK\$629,436,000) and the weighted average of 1,437,709,710 (2001: 1,437,709,710) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31st July, 2002 and 2001 have not been disclosed as no diluting events existed during these years.

7. RESERVES

Group

	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Revaluation reserve for properties under development held for investment potential HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st August, 2000									
As previously reported	1,119,738	87,297	37,759	489,333	3,384,186	57	33,445	(2,610,136)	2,541,679
Prior year adjustment (note 1)	—	—	—	—	26,457	—	—	(26,457)	—
As restated	1,119,738	87,297	37,759	489,333	3,410,643	57	33,445	(2,636,593)	2,541,679
Share of reserves of associates	—	—	(37,759)	(340,604)	(33,721)	—	—	—	(412,084)
Exchange realignments:									
Subsidiaries	—	—	—	—	—	—	505	—	505
Associates	—	—	—	—	—	—	(4,195)	—	(4,195)
Negative goodwill arising on acquisition of an associate	—	—	—	—	1,078,547	—	—	—	1,078,547
Deficit on revaluation of fixed assets on their transfer to investment properties	—	(35,385)	—	—	—	—	—	—	(35,385)
Net loss for the year	—	—	—	—	—	—	—	(629,436)	(629,436)
At 31st July, 2001	<u>1,119,738</u>	<u>51,912</u>	<u>—</u>	<u>148,729</u>	<u>4,455,469</u>	<u>57</u>	<u>29,755</u>	<u>(3,266,029)</u>	<u>2,539,631</u>
At 31st July, 2001 and 1st August, 2001									
As previously reported	1,119,738	51,912	—	148,729	4,429,012	57	29,755	(3,239,572)	2,539,631
Prior year adjustment (note 1)	—	—	—	—	26,457	—	—	(26,457)	—
As restated	1,119,738	51,912	—	148,729	4,455,469	57	29,755	(3,266,029)	2,539,631
Release upon write-off of fixed assets	—	(166)	—	—	—	—	—	166	—
Release upon deregistration of subsidiaries	—	—	—	—	(1,610)	—	—	—	(1,610)
Share of reserves of associates	—	—	—	(148,729)	(33,312)	—	—	—	(182,041)
Exchange realignments:									
Subsidiaries	—	—	—	—	—	—	(38)	—	(38)
Associates	—	—	—	—	—	—	(809)	—	(809)
Deficit on revaluation of fixed assets on their transfer to investment properties	—	(31,961)	—	—	—	—	—	—	(31,961)
Net loss for the year	—	—	—	—	—	—	—	(1,200,274)	(1,200,274)
At 31st July, 2002	<u>1,119,738</u>	<u>19,785</u>	<u>—</u>	<u>—</u>	<u>4,420,547</u>	<u>57</u>	<u>28,908</u>	<u>(4,466,137)</u>	<u>1,122,898</u>

8. COMPARATIVE AMOUNTS

Due to the adoption of certain new and revised SSAPs and Interpretations during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment (note 1) has been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

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.

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, commercial portion 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.

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.

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.

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%.

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.

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

CGL is involved in legal disputes with a supplier, who alleges that CGL has infringed its trademark in Mainland and is seeking orders from the courts in Mainland for compensation of RMB3,500,000. In the opinion of the Directors, having taken legal advice, there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources arising from the claim for compensation against CGL.

In the prior year, the Company had contingent liabilities in respect of corporate guarantees of approximately HK\$20,000,000 given to a bank in connection with the banking facilities granted to a subsidiary. Such corporate guarantees have expired during the year.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year ended 31st July, 2002 (2001: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 20th December, 2002. Notice of the Annual General Meeting together with the Company's 2001-2002 Annual Report will be despatched to the members on or before 27th November, 2002.

PUBLICATION OF INFORMATION ON STOCK EXCHANGE WEBSITE

The Annual Report of the Company, which will contain all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Stock Exchange Listing Rules, will be published on the website of the Stock Exchange on or before 29th November, 2002.

By Order of the Board
Lim Por Yen
Chairman

Hong Kong, 8th November, 2002