



LAI SUN GARMENT

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

(Stock Code: 191)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2008

RESULTS

The Board of Directors of Lai Sun Garment (International) Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the financial year ended 31 July 2008 as follows:

Consolidated Income Statement

For the year ended 31 July 2008

	Notes	2008 HK\$'000	2007 HK\$'000
TURNOVER	2	14,303	11,414
Cost of sales		<u>(2,059)</u>	<u>(1,961)</u>
Gross profit		12,244	9,453
Other revenue and gain	3	11,030	21,146
Administrative expenses		(23,181)	(30,477)
Other operating income/(expenses)		(20,212)	4,059
Fair value gain on investment properties		<u>43,889</u>	<u>36,394</u>
PROFIT FROM OPERATING ACTIVITIES	4	23,770	40,575
Finance costs	5	(14,483)	(17,915)
Share of profits and losses of associates		<u>39,554</u>	<u>259,013</u>
PROFIT BEFORE TAX		48,841	281,673
Tax	6	<u>(3,044)</u>	<u>(6,369)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		<u><u>45,797</u></u>	<u><u>275,304</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u><u>HK 2.83 cents</u></u>	<u><u>HK 17.02 cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Consolidated Balance Sheet

As at 31 July 2008

	Notes	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,481	2,974
Investment properties		200,800	156,100
Properties under development		273,503	183,529
Interests in associates		3,025,253	2,656,103
Available-for-sale equity investments		167,784	474,860
Promissory note receivable		167,000	167,000
Total non-current assets		<u>3,835,821</u>	<u>3,640,566</u>
CURRENT ASSETS			
Debtors, deposits and other receivables	8	5,476	7,047
Loan and interest receivables		33,840	54,052
Cash and cash equivalents		22,665	18,401
Total current assets		<u>61,981</u>	<u>79,500</u>
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9	44,817	22,831
Tax payable		669	231
Total current liabilities		<u>45,486</u>	<u>23,062</u>
NET CURRENT ASSETS		<u>16,495</u>	<u>56,438</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,852,316</u>	<u>3,697,004</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(113,745)	(59,745)
Note payable		(195,000)	(195,000)
Accrued interest payable		(55,370)	(41,037)
Deferred tax liabilities		(32,259)	(26,534)
Total non-current liabilities		<u>(396,374)</u>	<u>(322,316)</u>
		<u>3,455,942</u>	<u>3,374,688</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		16,174	16,174
Share premium account		1,908,840	1,908,840
Asset revaluation reserve		83,478	55,494
Share option reserve		1,440	747
Hedging reserve		2,321	(16,954)
Investment revaluation reserve		(33,240)	273,836
Capital reserve		148,694	148,694
Exchange fluctuation reserve		500,284	206,084
Retained earnings		827,951	781,773
		<u>3,455,942</u>	<u>3,374,688</u>

Notes to Consolidated Financial Statements

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and available-for-sale equity investments, which have been measured at fair values. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. SEGMENT INFORMATION

Segment information is presented on a primary segment reporting basis, by business segment.

No further geographical segment information is presented as all of the Group's revenue and operations are located in Hong Kong.

Segment revenue represents gross rental income and property management fee income from investment properties during the year.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 July 2008 and 2007:

	Property development		Property investment		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>–</u>	<u>–</u>	<u>14,303</u>	<u>11,414</u>	<u>14,303</u>	<u>11,414</u>
Segment results	<u>(9)</u>	<u>(8)</u>	<u>56,133</u>	<u>45,847</u>	<u>56,124</u>	<u>45,839</u>
Interest income and unallocated other revenue and gain					11,030	21,146
Unallocated expenses					<u>(43,384)</u>	<u>(26,410)</u>
Profit from operating activities					23,770	40,575
Finance costs					<u>(14,483)</u>	<u>(17,915)</u>
Share of profits and losses of associates					<u>39,554</u>	<u>259,013</u>
Profit before tax					48,841	281,673
Tax					<u>(3,044)</u>	<u>(6,369)</u>
Profit for the year					<u>45,797</u>	<u>275,304</u>

2. SEGMENT INFORMATION (continued)

	Property development		Property investment		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities:						
Segment assets	274,024	184,308	201,056	156,492	475,080	340,800
Interests in associates					3,025,253	2,656,103
Unallocated assets					397,469	723,163
Total assets					3,897,802	3,720,066
Segment liabilities	28,917	6,787	4,183	3,778	33,100	10,565
Unallocated liabilities					408,760	334,813
Total liabilities					441,860	345,378
Other segment information:						
Depreciation – unallocated amounts					1,493	1,812
Fair value gain on investment properties	–	–	(43,889)	(36,394)	(43,889)	(36,394)
Capital expenditure	87,594	44,570	811	606	88,405	45,176
Unallocated amounts					–	510
					88,405	45,686

3. OTHER REVENUE AND GAIN

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest income from bank deposits	216	1,686
Other interest income	10,741	19,456
Others	73	4
	<u>11,030</u>	<u>21,146</u>

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Depreciation	1,493	1,812
Gain on disposal of items of property, plant and equipment	-	(220)
Provision for impairment/(reversal of provision for impairment) of loan and interest receivables *	20,212	(4,059)
	<u>20,212</u>	<u>(4,059)</u>

* This item is included in "Other operating income/(expenses)" on the face of the consolidated income statement.

5. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interests on:		
Bank loans wholly repayable within five years	1,645	176
Other borrowings and note payable wholly repayable within five years	14,333	17,724
Total interest expenses	15,978	17,900
Bank financing charges	885	480
	16,863	18,380
Less: Amount capitalised in properties under development	(2,380)	(465)
	<u>14,483</u>	<u>17,915</u>

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax		
Charge for the year	669	—
Overprovision in prior years	<u>(3,350)</u>	<u>—</u>
	(2,681)	—
Deferred tax		
Current year	7,241	6,369
Change in profits tax rate	<u>(1,516)</u>	<u>—</u>
	<u>5,725</u>	<u>6,369</u>
Tax charge for the year	<u>3,044</u>	<u>6,369</u>

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of HK\$45,797,000 (2007: HK\$275,304,000) and the weighted average number of 1,617,423,423 (2007: 1,617,423,423) ordinary shares in issue during the year.

The diluted earnings per share for years ended 31 July 2008 and 2007 have not been disclosed as no diluting event existed during both years.

8. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

The Group's major businesses are property development and property investment. The major income derived is rental income. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. In view of the aforementioned and the fact that the Group's trade debtors relate to a number of diversified customers, there is no significant concentration of credit risk. Trade debtors are non-interest-bearing.

An aged analysis of the debtors, based on payment due date, at the balance sheet date is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Debtors:		
Less than 90 days past due	239	378
91 to 180 days past due	1	14
181 to 365 days past due	16	—
	<hr/>	<hr/>
	256	392
Deposits and other receivables	5,220	6,655
	<hr/>	<hr/>
	5,476	7,047
	<hr/> <hr/>	<hr/> <hr/>

9. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

An aged analysis of the creditors, based on invoice date, as at balance sheet date is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Creditors aged within 90 days	21,118	3,803
Deposits received and accruals	23,699	19,028
	<hr/>	<hr/>
	44,817	22,831
	<hr/> <hr/>	<hr/> <hr/>

FINAL DIVIDEND

The Board of Directors of the Company do not recommend the payment of a dividend for the year ended 31 July 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Final Results

For the year ended 31 July 2008, the Group recorded a turnover of HK\$14,303,000 (2007: HK\$11,414,000) and a gross profit of HK\$12,244,000 (2007: HK\$9,453,000), representing an increase of approximately 25.3% and 29.5% respectively from the previous year. The Group derived its turnover and gross profit mainly from rental and related income from industrial properties held for investment.

During the year, the Group booked a fair value gain on investment properties of HK\$43,889,000 (2007: HK\$36,394,000). Such gain was partially offset by a provision of HK\$20,212,000 with regard to a loan amounting to HK\$55 million granted to an independent third party (the "Borrower"). The loan is under a revolving facility of HK\$70 million granted by the Group with a maturity date of 28 July 2008. The loan is secured by, inter alia, (i) fixed and floating charges over the assets of the Borrower; (ii) fixed charge over the sole issued share of the Borrower; and (iii) the personal guarantee of the beneficial owner of the Borrower. The loan bears interest at a rate of 27% per annum. The principal activities of the Borrower are money lending, securities financing and investment holding. Taking into account the current acute economic and market conditions, the Group has, based on the information provided and representations made by the Borrower, assessed the adequacy of the underlying securities and considered the abovementioned provision for the year ended 31 July 2008 is sufficient. As a result, the Group's profit from operating activities decreased to HK\$23,770,000 (2007: HK\$40,575,000), down by approximately 41.4% from the previous year.

Share of profits from associates was HK\$39,554,000 (2007: HK\$259,013,000), down by 84.7% from the previous year. For the year ended 31 July 2008, the Group recorded a consolidated profit attributable to equity holders of HK\$45,797,000 (2007: HK\$275,304,000), representing a decrease of approximately 83.4%.

Shareholders' equity as at 31 July 2008 amounted to HK\$3,455,942,000, up from HK\$3,374,688,000 as at 31 July 2007. Net asset value per share as at 31 July 2008 was HK\$2.14, as compared to HK\$2.09 as at 31 July 2007.

Lai Fung Holdings Limited ("Lai Fung")

As at 31 July 2008, the Group held an effective 40.58% interest in Lai Fung.

For the year ended 31 July 2008, Lai Fung derived a turnover of HK\$868,001,000 (2007: HK\$792,420,000), up approximately 9.5% from the previous year. Out of the total turnover for the year ended 31 July 2008, Lai Fung recorded gross rental income of HK\$254,160,000 (2007: HK\$221,073,000), up 15.0% from the previous year. During the year, Lai Fung also recognised booked revenue from sales of property units amounting to HK\$613,841,000, up 7.4% compared to the revenue recognised from sales of property units in the previous year.

During the year, Lai Fung recorded profit from operating activities of HK\$761,532,000 (2007: HK\$585,752,000) and consolidated profits attributable to equity holders of HK\$206,005,000 (2007: HK\$470,351,000), representing an increase of approximately 30.0% and a decrease of approximately 56.2%, respectively from the previous year. Lai Fung's increase in profit from operating activities was mainly attributable to higher turnover, higher gross profit margin and higher revaluation gain on investment properties of Lai Fung, despite an exchange loss of HK\$160,102,000 (2007: HK\$31,079,000) arising from the cross currency swap on the US\$200 million senior notes issued in April 2007. The decrease of profits attributable to equity holders of Lai Fung was mainly due to higher finance costs which included full-year interest expenses on the US\$200 million senior notes issued in April 2007 and higher provision on corporate income tax and land appreciation tax as a result of sales of Regents Park Phase II in Shanghai. In addition, the deferred tax for the year ended 31 July 2008 also increased as a result of increase in value of Lai Fung's investment properties while there were certain write-back of provisions on deferred tax as a result of adjustment in the corporate income tax rate in China for the year ended 31 July 2007.

Lai Sun Development Company Limited ("LSD")

As at 31 July 2008, the Group held an effective 11.18% interest in LSD.

For the year ended 31 July 2008, LSD recorded a turnover of HK\$826,506,000 (2007: HK\$908,906,000) and a consolidated profit attributable to equity holders of the Company of HK\$1,013,333,000 (2007: HK\$1,495,091,000), representing a decrease of approximately 9.1% and 32.2% respectively from the previous year.

During the year, LSD derived a turnover of HK\$331,370,000 from gross rental income from investment properties (2007: HK\$299,886,000) and a turnover of HK\$469,979,000 from its hotel operations (2007: HK\$576,796,000), representing an increase of 10.5% and a decrease of 18.5% respectively from the previous year. The decrease in turnover was largely due to the cessation of the hotel operations of The Ritz-Carlton Hong Kong since 1 February 2008.

As partially boosted by a fair value gain on investment properties of HK\$721,604,000 (2007: HK\$468,758,000), and a gain on disposal of HK\$699,036,000 from the disposal of an aggregate of a 26.57% interest in Diamond String Limited, which owns the property of The Ritz-Carlton Hong Kong, LSD's profit from operating activities increased to HK\$1,240,831,000 (2007: HK\$774,748,000), an increase of approximately 60.2% from the previous year.

Compared to the previous year, LSD had a substantially lower share of profits from associates of HK\$19,736,000 (2007: HK\$1,041,340,000), due to the fact that the share of profits from associates recorded by LSD in the previous year included non-recurrent gains on disposal by LSD's associated company, eSun Holdings Limited, of its 60% effective interest in Macao Studio City project, and gain on disposal by LSD's 50% owned associated company, Fortune Sign Venture Inc., of its entire interest in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong.

Development of 79 Hoi Yuen Road, Kwun Tong, Hong Kong

Construction of this joint office and commercial development project with Crocodile Garments Limited continued with good progress. This project is now scheduled for completion by mid-2009. Upon completion,

the Group will retain the retail portion of this redeveloped property with a gross floor area of approximately 100,000 square feet.

Prospects

In the last few months, the US financial crisis materialises, resulting in a meltdown of global financial markets. Credit crunch, crash in financial markets and the worry of global economic recession are affecting every single economy in the world. Hong Kong and the mainland of China will inevitably experience the slowdown in its economy. Under current circumstances, the Group and its associated companies will maintain a prudent approach to manage their businesses.

Lai Fung

In order to cope with the risks and uncertainties associated with the current economic environment, Lai Fung will continue its prudent approach in acquisition strategy and in managing its business in China. In the next few months, Lai Fung will focus on the sale of Regents Park Phase II in Shanghai and pre-sale of West Point in Guangzhou. Lai Fung will closely monitor the market conditions and adjust the sales and marketing strategy accordingly. Lai Fung will also focus on the construction progress of its existing projects and the renovation work of its major investment property, Shanghai Hong Kong Plaza. Overall, Lai Fung is still cautiously optimistic about China's real estate market in the medium-to-long term.

LSD

With most of the world's economy going into recession in the coming year, retail and office rental rates in Hong Kong will be under pressure. With close to full occupancy in its investment properties, LSD has in the past economic cycle successfully strengthened its tenant and trade mix, which well prepares it to operate through difficult economy sentiment ahead.

In anticipation of a possible sharp downturn in the Hong Kong's economy, negative market sentiment has been hammering the prices of residential properties in Hong Kong in the past two months. LSD currently holds a few residential projects under development in Hong Kong. As two of LSD's development properties, Wood Road, Wanchai residential project and Tai Po Road residential project, are both in early development phase, LSD's development and realisation plan are not severely affected by the market at the moment. Given the shortage in supply in core city areas in Hong Kong, LSD is still cautiously optimistic on the Hong Kong residential properties in the longer term. In the near term, LSD will adopt a more prudent approach in acquiring new development projects in future.

79 Hoi Yuen Road, Kwun Tong, Hong Kong

This redevelopment is expected to be completed by mid-2009 and the Group will retain the retail portion of this redeveloped property with a gross floor area of about 100,000 square feet. Upon its completion, the project will augment the Group's recurring rental income base. The Group will start pre-leasing of such retail spaces in the coming year.

Liquidity and Financial Resources

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, interest income generated from the promissory note, dividend income from investment in a listed associate and loan facilities provided by banks and the late Mr. Lim Por Yen.

As at 31 July 2008, total borrowings (comprising a secured bank loan of HK\$82 million, a note payable of HK\$195 million and a loan of HK\$32 million payable to the late Mr. Lim Por Yen) amounting to HK\$309 million. As at that date, consolidated net assets of the Group amounting to HK\$3,456 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 8.9%. The Group's borrowings were maintained as floating rate debts.

The note payable of HK\$195 million and the loan of HK\$32 million payable to the late Mr. Lim Por Yen have maturity dates of 30 April 2006 and 30 November 2005, respectively. The Group has received confirmation from the executor of the estate of the late Mr. Lim Por Yen that such note and loan payables are not repayable within one year from the balance sheet date.

As at 31 July 2008, certain investment properties with carrying value of approximately HK\$196 million were pledged to a bank to secure banking facilities granted to the Group. In addition, the Group's properties under development with carrying cost of HK\$274 million and share in a subsidiary held by the Group were pledged to a bank to secure a construction loan facility for financing the redevelopment of that property.

As at 31 July 2008, the Group had cash and bank balances amounting to approximately HK\$23 million and unutilised banking facility of HK\$339 million (including HK\$279 million unutilised banking facility for financing the construction costs of a property redevelopment project), which was considered adequate to cover the working capital requirement of the Group.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollar. The Group does not have any significant exposure to exchange rate risk.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report save for the deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive Directors of the Company was appointed for a specific term. However, all Directors of the Company are subject to the retirement provisions in the Articles of Association of the Company which provide that the Directors for the time being shall retire from office by rotation once every

three years since their last election at each annual general meeting and a retiring Director shall be eligible for re-election.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 July 2008 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive Directors of the Company, namely, Messrs. Wan Yee Hwa, Edward, Leung Shu Yin, William and Chow Bing Chiu.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 July 2008 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday, 23 December 2008. Notice of the Annual General Meeting together with the Company's Annual Report for 2007-2008 will be despatched to shareholders in due course.

By Order of the Board
Lam Kin Ming
Chairman

Hong Kong, 7 November 2008

As at the date of this announcement, the executive directors of the Company are Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Mr. Shiu Kai Wah, Mr. Lam Kin Hong, Matthew, Mr. Tam Kin Man, Kraven, Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Miss Leung Churk Yin, Jeanny; the non-executive directors are Madam U Po Chu, Mr. Chiu Wai, Madam Lai Yuen Fong and Miss Lam Wai Kei, Vicky (alternate director to Madam Lai Yuen Fong); and the independent non-executive directors are Mr. Wan Yee Hwa, Edward, Mr. Leung Shu Yin, William and Mr. Chow Bing Chiu.