

# Press Release

## Opening Up of China's Agricultural Product Market Benefits Lam Soon's Long-Term Development

**Hong Kong, 3rd April 2000** The expanding food business of Lam Soon Group has been boosted by a huge investment in new equipment to capitalise on the recent agricultural opening negotiation and to further enhance the business of the Group.

Following the Sino-American Agricultural Negotiation which was signed on 20<sup>th</sup> March 2000, the import of wheat from the US west coasts in to China is allowed. This shows not only that China has begun to carry out the spirit of the negotiation by opening its agricultural products market, but also reflects the speed up of China's food industrial modernization. This economic atmosphere inevitably creates a better trading environment to food companies which already have established high quality products and superior brands.

Mr Jim C Tsao, Group Managing Director of Lam Soon, said: "To capitalize on this valuable trading opportunity, the Group will endeavour to expand its business. In March, we've just signed a milling machinery advancement contract using Swiss BUHLER milling machinery worth HKD30 million which makes our Shekou flour mill the largest flour mill in Southern China. The total investment of the plant is over HKD600 million."

Lam Soon Group started its investment in China since 1989, and today its total assets in China are over HKD1500 millions. From this concrete foundation in the market the Group is also very optimistic for its future development. The plant in Shekou port is the largest flour milling facility in Guangdong of international standard. It is capable of processing 800 to 1000 tons of wheat per day. After carrying out the facility expansion, the total assets of the plant will increase 4%, but the production capacity can soar 25% by easily milling 1000 tons of wheat per day. This will significantly lower the Group's entire operating cost.

Mr Tsao added: "China has gradually opened up its agricultural product market, and this brings a valuable long-term opportunity for the development of Lam Soon Group which is highly involved in the manufacturing and distribution of food in Southern China."

Based on the WTO agricultural articles, China has gradually relaxed its strict restriction of cereal and edible oil imports. China's production of wheat ranks No.1 in the world and its production per agricultural unit is double those in U.S. However, the quality of most of the wheat flour is not ideal, so the speed of the food industry's enhancement is slowed.

There has been an over supply of domestic wheat since 1996. Local government had to impose strict rules to control the import of wheat, greatly reducing the amount of imported quality wheat, which in turn hindered the ability of China's flour industry to improve the overall performance of the industry. As a result, the re-opening of the import wheat market will enhance the quality and business development of the overall food-processing industry.

Established in 1954, Lam Soon's Flour Mill is the leading flour company in Hong Kong and the South China Region. In the past, Hong Kong production plants purchased the best quality wheat from the west coast of United States to produce the best flour. With the re-opening of the China market to imported wheat, Hong Kong flour factories can again purchase quality wheat at a more economical price, so as to reduce cost, but at the same time improve the quality of flour products. The further expansion of the Shekou flour mill will cater to market needs by maintaining a 24-hour service and facilitating an all-week production schedule.

Lam Soon (HK) Ltd. was listed on the Hong Kong Stock Exchange in 1972, and the Group's subsidiary, Lam Soon Food Industries Ltd. was subsequently listed in 1991. The Group's main business operations include flour, edible oil, canned products, detergent products and frozen food. It is also actively developing the vast potential of the China market. The Lam Soon Group is financially strong with total assets of over HK\$2,000 million.

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