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LAM SOON (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 411)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

The Board of Directors of Lam Soon (Hong Kong) Limited is pleased to present the unaudited consolidated interim results of the Group for the six months ended 31 December 2012.

OVERVIEW

Upon execution of remedial actions stated in our 2011/12 Annual Report, the Group has returned to profitability showing growth in gross profit and sales for the period under review. Specifically, our organisation rightsizing exercise in the fourth quarter of last financial year, along with ongoing rationalisation programmes, process streamlining, and improved productivity / plant utilization efforts, has enabled us to rebound from a challenging year.

By continuing to differentiate our products through superior service, technical support, quality, and safety, we are encouraged by good response in the past six months from our existing and new customers.

As our new flour factory in west China nears completion at the end of this financial year, we will be better positioned to continue our geographic expansion with a prudently balanced strategy between volume and profitability growth.

SUMMARY OF FINANCIAL RESULTS

The Group's interim net profit attributable to shareholders increased from HK\$12 million in the last financial year to HK\$53 million this period. Revenue was HK\$1,895 million, representing a year-on-year increase of 27.5%. Relative to last year's corresponding period, gross profit margin increased slightly from 15.2% to 15.6%. The Group's financial management disciplines remain strong amid a challenging economic environment with a net cash balance of HK\$127 million as at 31 December 2012.

DIVIDEND

The Board of Directors has declared an interim dividend of HK\$0.06 per share totaling HK\$14.6 million for the six months ended 31 December 2012 (2011: Nil), which will be payable on Tuesday, 26 March 2013 to the shareholders whose names appear on the register of members of the Company on Tuesday, 19 March 2013.

BUSINESS REVIEW

Food Segment (Flour and Edible Oil)

Compared to the same period last year, this segment achieved 30% growth in revenue to HK\$1,663 million with an operating profit of HK\$66 million.

Our edible oil business continues to grow, building on our safe and high quality products and brands amid “gutter oil” scares in both Hong Kong and China. We will continue to invest for our market and distribution expansion with financial and human resources. Moreover, we will place more focus on research and development in order to stay innovative in providing our customers and consumers with safe, healthy, and high quality products.

Our flour business continued to gain momentum as we developed further the mid-range and commodity flour products in addition to growing our premium specialty flour products in most regions. As a result, overall plant utilization rate jumped and conversion costs were lowered.

Once the flour factory in west China is completed, we will be equipped to cover all major regions of China with the necessary infrastructure to support our continued growth throughout the country. Since our edible oil and flour profitability is affected by the fluctuation of commodity prices, we will continue to exercise prudence and caution when managing our procurement of materials.

Detergent Segment

Growth in this segment remained encouraging with 15% in revenue to HK\$229 million and 72% in operating profit to HK\$33 million. New product introduction of our colour-locked liquid laundry detergent in our strong foothold south China, coupled with our deeper and wider market penetration, has gained noticeable acceptance among consumers. With our continued strong distribution coverage in south China provinces outside of Guangdong, we are optimistic such growth can be sustainable. Though starting with a smaller base, our expanded markets in the other regions of China is gradually gaining traction as we establish new distributorships. Moving forward, we will also dedicate efforts to grow our Procleanic institutional business.

OUTLOOK

While economic growth in China has slowed recently, it nevertheless remains the envy of most major developed countries where growth is moribund. We remain confident that our long-term efforts and commitment to offering safe and quality products and building reputable brands will satisfy consumers’ demand for better and safer consumer products as their standard of living improves with higher disposable income and purchasing power.

However, the unpredictable winds of change in the global economy cast doubt in the minds of investors and consumers alike. Commodity prices are expected to remain volatile amid such uncertain circumstances. Furthermore, internal and external regulatory measures in a slowing Chinese economy with a regime change add complexity to the equation, including the lingering concern of the inflationary environment and potential property market bubble. The Group will continue its commitment to strengthening its core competency (in product and service differentiation) and upgrading its human resources in order to meet the challenges ahead.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had a net cash balance of HK\$127 million (30 June 2012: net cash balance of HK\$104 million), comprising total cash balance of HK\$441 million (30 June 2012: HK\$451 million), which was denominated in Renminbi (94%), Hong Kong Dollars (5%) and Macau Pataca (1%).

As at 31 December 2012, the Group had HK\$691 million of committed bank facilities (30 June 2012: HK\$625 million) of which HK\$314 million (30 June 2012: HK\$347 million) was utilized. All bank borrowings carry interest at floating rates and are repayable within 1 year.

The Group centralizes all the financing and treasury activities at the corporate level. There are internal controls over the application of financial and hedging instruments which can only be employed to manage and mitigate the price risk of commodities for trade purposes.

As at 31 December 2012, the inventory turnover days were 72 days (30 June 2012: 86 days). The trade receivable turnover days remained at a reasonable level of 32 days (30 June 2012: 28 days).

In view of healthy cash and liquidity position, management believes the Group will have sufficient resources to fund its daily operations and capital expenditure commitments.

CAPITAL EXPENDITURE

During the period, the Group invested a total of HK\$42 million primarily on plant and equipment, and on the construction of flour mills in Qionglai of Sichuan Province and Qingzhou of Shandong Province.

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2012 (Unaudited)

		2012	2011
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	1,895,361	1,486,577
Cost of sales		<u>(1,599,625)</u>	<u>(1,260,929)</u>
Gross profit		295,736	225,648
Other revenue and other net income		14,014	19,376
Selling and distribution expenses		(161,155)	(160,463)
Administrative expenses		(73,850)	(65,555)
Other operating expenses		<u>(1,564)</u>	<u>(2,288)</u>
Operating profit		73,181	16,718
Finance costs	3	(3,011)	(1,409)
Share of profit of a jointly controlled entity	7	<u>210</u>	<u>2,926</u>
Profit before taxation	2,3	70,380	18,235
Taxation	4	<u>(16,901)</u>	<u>(6,109)</u>
Profit for the period		<u><u>53,479</u></u>	<u><u>12,126</u></u>
Attributable to:			
Equity shareholders of the Company		53,479	12,126
Non-controlling interests		<u>-</u>	<u>-</u>
Profit for the period		<u><u>53,479</u></u>	<u><u>12,126</u></u>
Dividend – interim dividend declared after the end of the reporting period	5	<u>14,601</u>	<u>-</u>
Earnings per share (HK\$)	6		
Basic		<u>0.22</u>	<u>0.05</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 31 December 2012 (Unaudited)*

	2012	2011
	HK\$'000	HK\$'000
Profit for the period	53,479	12,126
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	15,482	18,700
Change in fair value of available-for-sale financial assets	-	5
Other comprehensive income for the period, net of tax	15,482	18,705
Total comprehensive income for the period	68,961	30,831
Attributable to:		
Equity shareholders of the Company	68,961	30,831
Non-controlling interests	-	-
Total comprehensive income for the period	68,961	30,831

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

		(Unaudited)	(Audited)
		At 31 December	At 30 June
		2012	2012
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets		677,464	658,122
Leasehold land		89,053	89,281
Intangible assets		3,363	3,345
Interest in a jointly controlled entity	7	52,877	52,668
Available-for-sale financial assets		523	523
Deferred tax assets		51	346
Prepayments of fixed assets		15,149	15,127
		838,480	819,412
CURRENT ASSETS			
Inventories		555,169	584,521
Debtors, deposits and prepayments	8	352,770	287,651
Derivative financial instruments		-	93
Tax recoverable		3,098	3,098
Cash and cash equivalents		440,520	451,117
		1,351,557	1,326,480
CURRENT LIABILITIES			
Bank loans		314,000	347,000
Creditors, deposits received and accruals	9	341,282	331,303
Amount due to a jointly controlled entity		43,316	37,659
Tax payable		22,968	11,409
Other current liabilities		197	256
		721,763	727,627
NET CURRENT ASSETS		629,794	598,853
TOTAL ASSETS LESS CURRENT LIABILITIES		1,468,274	1,418,265
NON-CURRENT LIABILITIES			
Other non-current liabilities		124	197
NET ASSETS		1,468,150	1,418,068
CAPITAL AND RESERVES			
Share capital		243,354	243,354
Reserves		1,213,945	1,163,863
Equity attributable to shareholders of the Company		1,457,299	1,407,217
Non-controlling interests		10,851	10,851
TOTAL EQUITY		1,468,150	1,418,068

Notes:

1. Basis of preparation and accounting policies

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011/12 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012/13 annual financial statements as described below.

The HKICPA has issued certain revised and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations, that became effective for the current accounting period of the Group. The adoption of the revised standards, amendments and interpretations had no material impact on the results and financial position of the Group. In addition, the Amendments to HKAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income has been effective from 1 July 2012. The Amendments require an entity to present the items of other comprehensive income that may be reclassified to profit or loss in the future if certain conditions are met, separately from those that would never be reclassified to profit or loss. This change in presentation has no effect on reported profit or loss, total income and expenses or net assets for any period presented.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011/12 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The information in this interim financial report is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 30 June 2012 included in the interim financial report is extracted from the Company's statutory financial statements. Statutory financial statements for the year ended 30 June 2012 can be obtained on request at the Group Company Secretariat, 21 Dai Fu Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong, or from the Company's website www.lamsoon.com. The auditors expressed an unqualified opinion on those financial statements in their report dated 28 August 2012.

2. Segment reporting

The Group's businesses are presented in the following segments in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment:

- Food: the manufacture and sale of a broad range of food products including flour and edible oils.
- Detergent: the manufacture and sale of household and institutional cleaning products.

Notes:

2. Segment reporting (continued)

(a) Segment results and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

The measure used for reporting segment profit is "profit from operations". To arrive at "profit from operations", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

Segment assets include all tangible assets, intangible assets, other non-current assets and current assets with the exception of interest in a jointly controlled entity, deferred tax assets and other corporate assets.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management is set out below.

	Six months ended 31 December					
	2012 (Unaudited)			2011 (Unaudited)		
	Food HK\$'000	Detergent HK\$'000	Segment Total HK\$'000	Food HK\$'000	Detergent HK\$'000	Segment Total HK\$'000
Revenue from external customers and reportable segment revenue	<u>1,663,106</u>	<u>228,962</u>	<u>1,892,068</u>	<u>1,282,771</u>	<u>199,552</u>	<u>1,482,323</u>
Reportable segment profit from operations	<u>66,131</u>	<u>32,648</u>	<u>98,779</u>	<u>24,356</u>	<u>18,995</u>	<u>43,351</u>
	At 31 December 2012 (Unaudited)			At 30 June 2012 (Audited)		
	Food HK\$'000	Detergent HK\$'000	Segment Total HK\$'000	Food HK\$'000	Detergent HK\$'000	Segment Total HK\$'000
	Food HK\$'000	Detergent HK\$'000	Segment Total HK\$'000	Food HK\$'000	Detergent HK\$'000	Segment Total HK\$'000
Reportable segment assets	<u>1,884,589</u>	<u>281,335</u>	<u>2,165,924</u>	<u>1,918,596</u>	<u>222,221</u>	<u>2,140,817</u>

Notes:

2. Segment reporting (*continued*)

(b) Reconciliations of reportable segment revenue, profit or loss and assets

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	1,892,068	1,482,323
Service and rental income	3,293	4,254
	1,895,361	1,486,577
Profit		
Reportable segment profit from operations	98,779	43,351
Share of profit of a jointly controlled entity	210	2,926
Finance costs	(3,011)	(1,409)
Unallocated exchange loss	(2)	(65)
Unallocated head office and corporate expenses	(25,596)	(26,568)
	70,380	18,235
	At 31 December	At 30 June
	2012	2012
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	2,165,924	2,140,817
Elimination of inter-segment receivables	(73,236)	(101,763)
	2,092,688	2,039,054
Interest in a jointly controlled entity	52,877	52,668
Deferred tax assets	51	346
Unallocated head office and corporate assets	44,421	53,824
	2,190,037	2,145,892

Notes:

3. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance costs		
Interest on bank loans and overdrafts wholly repayable within five years	3,011	1,409
Other items		
Interest income	(2,647)	(1,700)
Depreciation and amortisation	29,745	28,623
Staff costs	108,721	113,679
Net exchange gain	(10,037)	(15,082)
Provision for doubtful debts	145	149
Loss on disposal of fixed assets	1,171	1,259
Provision/(write-back) for obsolete inventories	795	(4,254)

4. Taxation

The taxation charge is made up as follows:

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	2,731	1,983
Current tax – Outside Hong Kong	13,875	4,058
Deferred taxation	295	68
	16,901	6,109

- (a) Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 16.5%) on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the period.

Notes:

4. Taxation (continued)

- (b) Overseas taxation represents income tax charge on the estimated taxable profits of certain subsidiaries operating in Mainland China, calculated at the rate of 25% (2011: rates prevailing in the respective regions ranging from 24% to 25%).
- (c) The Inland Revenue Department of the Hong Kong Special Administrative Region (the “IRD”) has initiated a tax audit on certain group companies and the Group had paid a total of HK\$10,908,000 to the IRD under the protective assessments against certain subsidiaries for the years of assessment from 2002/03 to 2005/06 pending the outcome of the tax audit. In January 2013, the IRD issued additional protective assessments to certain group companies in respect of the year of assessment 2006/07. The Group has objected to these protective assessments.

After taking professional advice from its tax adviser, the Group has submitted a settlement proposal for the consideration by the IRD in December 2012 pending for reply from IRD. Appropriate provision has been made in the financial statements.

- (d) The Group is liable to withholding tax on dividends to be distributed from subsidiaries in Mainland China in respect of their profits generated on or after 1 January 2008. As at 31 December 2012, the undistributed profits of the Group’s subsidiaries in Mainland China amounted to HK\$368,376,000 (30 June 2012: HK\$278,397,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed by these subsidiaries in the foreseeable future.

5. Dividend

The Board of Directors has declared an interim dividend of HK\$0.06 per share totaling HK\$14.6 million for the six months ended 31 December 2012 (2011: Nil).

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proposed interim dividend in respect of 2012 of HK\$0.06 per share	14,601	-

Notes:

6. Earnings per share

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$53,479,000 (2011: HK\$12,126,000) and the weighted average number of 238,360,168 (2011: 240,551,208) ordinary shares in issue during the period.

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	'000	'000
Issued ordinary shares at beginning and end of period	243,354	243,354
Effect of shares repurchased in prior years	(4,994)	(1,393)
Effect of shares repurchased in current period	-	(1,410)
Weighted average number of ordinary shares for the period	238,360	240,551

(b) Diluted

Diluted earnings per share for the periods ended 31 December 2012 and 2011 were not presented as there were no dilutive potential ordinary shares outstanding at 31 December 2012 and 2011 respectively.

Notes:

7. Interest in a jointly controlled entity

This represented the share of net assets in the joint venture for the blending and distribution of edible oil, vegetable fats and shortenings for the Hong Kong and Macau markets.

Evergreen Oils & Fats Limited (“Evergreen”), a 50-50 joint venture company, was formed between the Lam Soon group and the Hop Hing group, to carry out the business of producing, warehousing, marketing and selling of edible oil products and edible fats and shortenings in Hong Kong and Macau pursuant to a joint venture agreement (the “Joint Venture Agreement”).

On 1 April 2012, the Joint Venture Agreement was terminated. A wholly owned subsidiary of the Group, namely Lam Soon Products Supply (Hong Kong) Company Limited, took up the business in relation to the sales of products of the Group previously carried out by Evergreen.

8. Debtors, deposits and prepayments

As of the end of the reporting period, the aging analysis of trade debtors (based on the invoice date and net of allowance for doubtful debts) is as follows:

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
0 – 3 months	283,217	219,568
4 – 6 months	2,182	1,727
Over 6 months	360	-
Total trade debtors	285,759	221,295
Other debtors, deposits and prepayments	64,051	63,708
Current portion of leasehold land	2,960	2,648
	352,770	287,651

Notes:

9. Creditors, deposits received and accruals

As of the end of the reporting period, the aging analysis of trade creditors (based on the invoice date) is as follows:

	At 31 December 2012 (Unaudited) HK\$'000	At 30 June 2012 (Audited) HK\$'000
0 – 3 months	187,386	202,595
4 – 6 months	2,269	696
Over 6 months	413	-
Total trade creditors	190,068	203,291
Other creditors, deposits received and accruals	151,214	128,012
	341,282	331,303

10. Contingent liabilities

The IRD has initiated a tax audit on Evergreen. Up to 31 December 2012, the IRD has issued protective assessments for the years of assessment 2003/04, 2004/05 and 2005/06 to Evergreen, in respect of which tax reserve certificates amounted to HK\$13,600,000 were purchased. In January 2013, the IRD issued additional protective assessments in respect of the year of assessment 2006/07. Evergreen has objected to these protective assessments.

After taking professional advice from its tax adviser, Evergreen has submitted a settlement proposal for the consideration by the IRD in February 2013 pending for reply from IRD. Provision has been made in Evergreen's financial statements based on the settlement proposal. However, the final settlement amount may be different to the provision amount.

REVIEW BY BOARD AUDIT COMMITTEE

The unaudited interim results for six months ended 31 December 2012 have been reviewed by the Board Audit Committee of the Company. The information in these interim results does not constitute statutory accounts.

CORPORATE GOVERNANCE

Corporate Governance Code

The Board of Directors of the Company has adopted a Code of Corporate Governance Practices (the “CGP Code”), which is based on the Corporate Governance Code (the “HKEx Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company has complied throughout the six months ended 31 December 2012 with the HKEx Code, save that the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the articles of association of the Company and the CGP Code. As such, the Company considers that such provisions are sufficient to meet the intent of the relevant provisions of the HKEx Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES

During the period, the Company did not redeem any of its listed shares. Neither did the Company nor any of its subsidiaries purchase or sell any of the Company’s listed shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 March 2013 to Tuesday, 19 March 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars and Transfer Office — Hongkong Managers and Secretaries Limited at Unit 3401-2, 34th Floor, AIA Tower, 183 Electric Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Friday, 15 March 2013.

GENERAL

As at the date of this announcement, the Board of Directors of the Company comprises:

Chairman:

Mr. KWEK Leng Hai

Group Managing Director:

Mr. Joseph LEUNG

Independent Non-Executive Directors:

Mr. LO Kwong Chi, Clement

Mr. LO Kai Yiu, Anthony

Mr. AU Chee Ming

Non-Executive Directors:

Dr. WHANG Sun Tze

Mr. TAN Lim Heng

Mr. TSANG Cho Tai

By Order of the Board
CHENG Man Ying
Company Secretary

Hong Kong, 28 February 2013

This announcement can be retrieved from the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.lamsoon.com>).