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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 2014**

The Board of Directors (the “Board”) of Lam Soon (Hong Kong) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December 2014.

#### **OVERVIEW**

The Group achieved steady revenue growth but faced pressure in profitability during the period under review due to fluctuations in commodity prices. Notwithstanding such volatility and the uncertain macroeconomic and political environment, the Group’s strategic direction remains intact, as we continued to execute key initiatives to sustain growth going forward. Aside from driving the growth of our core brand businesses, the ongoing expansion and improvement of our business-to-consumer segment in various channels remain one of our top priorities. We introduced several new products – mostly focused on the higher value premium range – in both the Food and Detergent Segments, and established new distribution channels to widen our reach and deepen penetration in Hong Kong, Macau, and Mainland China. These initiatives were supported by brand building efforts to boost awareness and trial of our products among consumers.

Along with increasing our retail focus, we continued to strengthen our core wholesale flour business and explore new opportunities to drive volume and profitability. Whilst the entire industry was affected by fluctuations in wheat costs, we have been able to strike a balance between volume maximization and profitability. Strong fundamentals in product and channel management, continuous rationalization programmes, and improvements in operational processes and productivity in the past two years helped us weather the storm while paving the way for future growth.

#### **FINANCIAL RESULTS**

The Group’s interim net profit attributable to shareholders declined 11% to HK\$73 million in this period. However, excluding net exchange gain and gain on disposal of an industrial property last year, profitability of our underlying business performed marginally better by 1%, in spite of limited pass-through ability of higher wheat costs and an increase in operating expenses. Specifically, operating expenses grew by 19% to HK\$324 million, driven predominantly by initiatives which are aligned with our strategic business-to-consumer focus, including but not limited to increased brand building and promotional activities, channel development, and new product listings. Additionally, while overall profitability was somewhat affected by the start-up nature of our new flour factory in West China, we continued to make progress in establishing nationwide coverage over the long term.

## **FINANCIAL RESULTS** *(continued)*

Revenue grew 5% to HK\$2,291 million, whereas gross profit margin improved from 16.6% to 17.9%. As at 31 December 2014, the Group's maintained a net cash position of HK\$361 million, a 25% increase versus the previous financial year end.

## **DIVIDENDS**

The Board has declared an interim dividend of HK\$0.08 per share for the six months ended 31 December 2014 (six months ended 31 December 2013: HK\$0.08 per share), which will be payable on Wednesday, 11 March 2015 to the shareholders whose names appear on the register of members of the Company on Tuesday, 3 March 2015.

## **BUSINESS REVIEW**

### **Food Segment**

Food Segment's revenue and operating profit grew 5% and 2% to HK\$1,999 million and HK\$86 million, respectively, compared to last year.

Our edible oil business posted modest revenue growth, but achieved significant gains in gross margins due to lower raw material costs and increased focus on more profitable and faster growing brands and distribution channels. Despite the "gutter oil" scares witnessed in Hong Kong during the period, we continued to see strong growth in our core retail brands, a testament to the quality, safety, and brand equity of our products. We launched our new premium Supreme Peanut Oil product in October 2014, which thus far has been well received by consumers and customers alike. To expedite future growth, we will step up investment in research and development and marketing initiatives to expand and fine-tune our product portfolio to satisfy consumer needs. We will continue to make selective capital investments to ensure that we have adequate capacity for future growth.

Our flour business remained resilient despite our limited ability to fully pass through higher wheat costs to our customers, driven by healthy growth of higher margin premium specialty flour products in Mainland China and continued expansion beyond our established presence in first and second-tier cities. In parallel, we continued to create new opportunities for our business-to-consumer segment by introducing a series of retail products and establishing new distribution channels in Hong Kong and Mainland China. Our recently launched premix products – Hong Kong Cafeteria and European Series – continue to take shape in the marketplace and have been well received by consumers in Hong Kong and Mainland China.

In light of prevailing market uncertainties, we will continue to exercise a prudent and cautious approach in the procurement of raw materials so as to protect the gross profit margin of our Food Segment.

## **Detergent Segment**

Detergent Segment posted steady revenue growth of 10% to HK\$291 million. However, operating profit declined 14% to HK\$35 million, driven by our planned increase in marketing expenses in the form of new product listings and promotional campaigns. We launched a new premium product line in the dishwashing detergent category – AXE Plus – to upgrade our existing franchise and penetrate into higher value customer segments. Extension of our existing product portfolio, the development of new products, and the continued geographic expansion beyond our strong foothold in South China via existing and new channels remain top priorities in sustaining the growth of this segment.

## **OUTLOOK**

Macroeconomic and political uncertainties in Hong Kong, Mainland China and around the world are likely to sustain near-term volatility in raw material prices and general market conditions. However, we remain cautiously optimistic about our company's prospects, as the ongoing implementation of improvement programmes in research and development, sales and distribution, and production should mitigate any negative impact from the external environment. These initiatives, combined with additional marketing support to strengthen our brand positions in the different channels and markets, will ensure that we are well positioned for the future. We will continue to recruit talented individuals with the relevant expertise to drive these programmes and the ability to identify and seize new opportunities to grow our business. The execution and refinement of these initiatives will enhance our competitiveness and core competency in delivering safe and quality products to consumers.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

At 31 December 2014, the Group had a net cash position (defined as cash minus bank loans and obligations under finance leases) of HK\$361 million (30 June 2014: HK\$289 million). This was mainly attributable to the increased net cash generated from operating activities.

At 31 December 2014, the Group had a cash balance of HK\$723 million (30 June 2014: HK\$643 million). About 95% of these funds were denominated in Renminbi (“RMB”), 4% in Hong Kong dollars (“HK\$”), and 1% in United States dollars (“USD”) and Macau Pataca (“MOP”).

As at 31 December 2014, the Group had HK\$812 million of committed bank loan facilities (30 June 2014: HK\$820 million) and had outstanding borrowings of HK\$360 million (30 June 2014: HK\$353 million), of which HK\$284 million were repayable within 1 year. Except for an outstanding fixed term loan amounting to HK\$92 million (30 June 2014: HK\$100 million), all bank borrowings carried interest at floating rates.

The Group centralises 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 commodities price risk and currency risk for trade purposes.

As at 31 December 2014, the inventory turnover days improved from 70 days at the end of last financial year to 59 days. The trade receivable turnover days remained at a reasonable level of 24 days (30 June 2014: 25 days).

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

The Group has operations in Mainland China, Hong Kong and Macau. Local costs and revenue are primarily denominated in RMB, HK\$, and MOP. All the Group’s borrowings were denominated in HK\$.

The Group is exposed to currency risk primarily through sales, purchases and deposits that are denominated in currencies other than the functional currency of the entity to which they relate. The Group will monitor its exposure by considering factors including, but not limited to, exchange rate movement of the relevant foreign exchange currencies as well as the Group’s cash flow requirements to ensure that its foreign exchange exposure is kept at an acceptable level.

### **Capital Expenditure**

During the period, the Group invested a total sum of HK\$31 million on acquisition of plant equipment and construction of a new production line.

**CONSOLIDATED INCOME STATEMENT**  
*For the six months ended 31 December 2014 (Unaudited)*

	<i>Note</i>	<u><b>2014</b></u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Turnover	3	<b>2,290,568</b>	2,175,271
Cost of sales		<b>(1,879,901)</b>	(1,814,644)
Gross profit		<b>410,667</b>	360,627
Other revenue and other net income		<b>9,112</b>	16,183
Selling and distribution expenses		<b>(242,947)</b>	(193,453)
Administrative expenses		<b>(80,600)</b>	(79,352)
Operating profit		<b>96,232</b>	104,005
Finance costs	4	<b>(3,150)</b>	(2,233)
Share of loss of a joint venture	9	<b>(320)</b>	(5)
Profit before taxation	4	<b>92,762</b>	101,767
Taxation	5	<b>(20,230)</b>	(20,165)
Profit for the period		<b>72,532</b>	81,602
Attributable to:			
Equity shareholders of the Company		<b>72,532</b>	81,602
Non-controlling interests		-	-
Profit for the period		<b>72,532</b>	81,602
Earnings per share ( <i>HK\$</i> )			
Basic	7(a)	<b>0.30</b>	0.34
Diluted	7(b)	<b>0.30</b>	0.34

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 31 December 2014 (Unaudited)*

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Profit for the period	<u>72,532</u>	<u>81,602</u>
Other comprehensive income for the period, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	(4)	(5)
Exchange differences on translation of financial statements of foreign operations	<u>(921)</u>	<u>13,347</u>
Other comprehensive income for the period, net of tax	<u>(925)</u>	<u>13,342</u>
Total comprehensive income for the period, net of tax	<u>71,607</u>	<u>94,944</u>
Attributable to:		
Equity shareholders of the Company	71,607	94,944
Non-controlling interests	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>71,607</u>	<u>94,944</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2014*

		(Unaudited) At 31 December <u>2014</u> <i>HK\$'000</i>	(Audited) At 30 June 2014 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	8	661,975	664,101
Leasehold land		84,010	85,780
Intangible assets		2,444	2,676
Interest in a joint venture	9	42,921	43,241
Available-for-sale financial assets		182	186
Deferred tax assets		50	7
Other non-current assets		10,439	5,152
		<b>802,021</b>	801,143
<b>CURRENT ASSETS</b>			
Inventories		589,303	624,194
Debtors, deposits and prepayments	10	440,432	401,607
Tax recoverable		-	2,421
Cash and cash equivalents		722,541	642,704
		<b>1,752,276</b>	1,670,926
<b>CURRENT LIABILITIES</b>			
Bank loans	11	284,000	269,000
Creditors, deposits received and accruals	12	465,720	436,599
Amount due to a joint venture		42,714	42,705
Tax payable		19,291	15,582
Other current liabilities		253	212
		<b>811,978</b>	764,098
<b>NET CURRENT ASSETS</b>		<b>940,298</b>	906,828
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,742,319</b>	1,707,971
<b>NON-CURRENT LIABILITIES</b>			
Bank loans	11	76,000	84,000
Other non-current liabilities		941	621
		<b>76,941</b>	84,621
<b>NET ASSETS</b>		<b>1,665,378</b>	1,623,350

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 31 December 2014*

	<b>(Unaudited)</b>	(Audited)
	<b>At</b>	At
	<b>31 December</b>	30 June
	<b>2014</b>	2014
	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>CAPITAL AND RESERVES</b>		
Share capital and share premium	<b>672,777</b>	672,777
Other reserves	<b>981,750</b>	939,722
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company	<b>1,654,527</b>	1,612,499
Non-controlling interests	<b>10,851</b>	10,851
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>1,665,378</b>	1,623,350
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*Notes:*

**1. Basis of preparation and accounting policies**

The consolidated results set out in this announcement have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on 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").

This announcement 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 2013/14 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 Hong Kong Financial Reporting Standards ("HKFRSs").

The information in this announcement is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 30 June 2014 included in this announcement is extracted from the Company's statutory financial statements. Statutory financial statements for the year ended 30 June 2014 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](http://www.lamsoon.com). The auditors expressed an unqualified opinion on those financial statements in their report dated 28 August 2014.

The condensed consolidated financial statements has been prepared in accordance with the same accounting policies adopted in the 2013/14 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014/15 annual financial statements. Details of these changes in accounting policies are set out in note 2.

**2. Changes in accounting policies**

The HKICPA has issued a number of new HKFRSs, amendments and new Interpretations to HKFRSs that are first effective for the current accounting period of the Group. The adoption of the new standards and amendments had no material impact on the results and financial position of the Group.

**3. Turnover and segment information**

The Group's businesses are presented in the following segments 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 oil. The flour and edible oil businesses have been aggregated into this segment because they have similar operating and currency risks, class of customer for products, distribution channels and food safety regulation.

Detergent: the manufacture and sale of household and institutional cleaning products.

**Notes:**

**3. Turnover and segment information (continued)**

**(a) Segment results, assets and liabilities**

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, tax recoverables and current assets with the exception of interest in a joint venture, deferred tax assets and other corporate assets. Segment liabilities include tax payables, all trade creditors and accruals attributable to the manufacturing and sales activities of the individual segments, bank loans managed directly by the segments, and other current liabilities with the exception of amount due to a joint venture and other corporate liabilities.

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					
	2014 (Unaudited)			2013 (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	<u>1,998,988</u>	<u>290,820</u>	<u>2,289,808</u>	<u>1,909,533</u>	<u>264,357</u>	<u>2,173,890</u>
Reportable segment profit from operations	<u>86,476</u>	<u>34,545</u>	<u>121,021</u>	<u>84,665</u>	<u>40,354</u>	<u>125,019</u>
	At 31 December 2014 (Unaudited)			At 30 June 2014 (Audited)		
	Food HK\$'000	Detergent HK\$'000	Segment Total HK\$'000	Food HK\$'000	Detergent HK\$'000	Segment Total HK\$'000
Reportable segment assets	<u>2,080,853</u>	<u>380,773</u>	<u>2,461,626</u>	<u>2,077,122</u>	<u>343,568</u>	<u>2,420,690</u>
Reportable segment liabilities	<u>(731,813)</u>	<u>(112,459)</u>	<u>(844,272)</u>	<u>(732,072)</u>	<u>(89,324)</u>	<u>(821,396)</u>

*Notes:*

**3. Turnover and segment information** *(continued)*

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

	<b>Six months ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><u>HK\$'000</u></b>	<b><u>HK\$'000</u></b>
<b>Revenue</b>		
Reportable segment revenue	2,289,808	2,173,890
Service and rental income	760	1,381
	<u>2,290,568</u>	<u>2,175,271</u>
<b>Profit</b>		
Reportable segment profit from operations	121,021	125,019
Share of loss of a joint venture	(320)	(5)
Finance costs	(3,150)	(2,233)
Unallocated exchange loss	(90)	(43)
Gain on disposal of an industrial property	-	4,058
Unallocated head office and corporate expenses	(24,699)	(25,029)
	<u>92,762</u>	<u>101,767</u>
Consolidated profit before taxation	<u>92,762</u>	<u>101,767</u>
	<b>At</b>	<b>At</b>
	<b>31 December</b>	<b>30 June</b>
	<b>2014</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b><u>HK\$'000</u></b>	<b><u>HK\$'000</u></b>
<b>Assets</b>		
Reportable segment assets	2,461,626	2,420,690
Elimination of inter-segment receivables	(6,056)	(32,312)
	<u>2,455,570</u>	<u>2,388,378</u>
Interest in a joint venture	42,921	43,241
Deferred tax assets	50	7
Unallocated head office and corporate assets	55,756	40,443
	<u>2,554,297</u>	<u>2,472,069</u>
Consolidated total assets	<u>2,554,297</u>	<u>2,472,069</u>

*Notes:*

**3. Turnover and segment information** *(continued)*

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

	At <b>31 December</b> 2014 <u>(Unaudited)</u> <i>HK\$'000</i>	At 30 June 2014 <u>(Audited)</u> <i>HK\$'000</i>
<b>Liabilities</b>		
Reportable segment liabilities	(844,272)	(821,396)
Elimination of inter-segment payables	<b>6,056</b>	32,312
	<b>(838,216)</b>	(789,084)
Amount due to a joint venture	<b>(42,714)</b>	(42,705)
Unallocated head office and corporate liabilities	<b>(7,989)</b>	(16,930)
Consolidated total liabilities	<b>(888,919)</b>	(848,719)

**4. Profit before taxation**

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

	Six months ended 31 December 2014 <u>(Unaudited)</u> <i>HK\$'000</i>	2013 <u>(Unaudited)</u> <i>HK\$'000</i>
<b>Finance costs</b>		
Interest on bank loans wholly repayable within five years	<b>3,150</b>	2,233
<b>Other items</b>		
Interest income	(7,371)	(5,408)
Depreciation and amortisation	<b>33,696</b>	31,253
Staff costs	<b>150,932</b>	136,287
Net exchange gain	(262)	(6,027)
Charge for doubtful debts	<b>423</b>	14
Net loss on disposal of fixed assets	<b>724</b>	415
Write off of an intangible asset	<b>156</b>	-
Write-down of inventories	<b>1,051</b>	215
Change in fair value of financial derivatives <i>(Note)</i>	(124)	-
Gain on disposal of an industrial property	-	(4,058)

*Notes:*

**4. Profit before taxation** *(continued)*

Note: The Group entered into various foreign currency forward and commodity derivative contracts to manage its foreign currency and commodity price exposures on soybean oil and wheat during the period. There was no outstanding derivative contract as at 31 December 2014.

**5. Taxation**

The taxation charge/(credit) is made up as follows:

	<b>Six months ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b><u>(Unaudited)</u></b>	<b><u>(Unaudited)</u></b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Current tax – Hong Kong Profits Tax	<b>531</b>	242
Current tax – Taxation outside Hong Kong	<b>19,742</b>	19,933
Deferred taxation	<b>(43)</b>	(10)
	<b><u>20,230</u></b>	<b><u>20,165</u></b>

- (a) Hong Kong Profits Tax has been provided for at the rate of 16.5% (2013: 16.5%) on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the period.
- (b) Taxation outside Hong Kong represents income tax charge on the estimated taxable profits of certain subsidiaries operating in Mainland China and Macau, calculated at the rate prevailing in the respective regions.

All enterprises engaged in the primary processing of agricultural products in Mainland China are exempted from PRC corporate income tax. As a result, the profits from flour mill operations are exempted from PRC corporate income tax for the periods ended 31 December 2014 and 2013.

Other subsidiaries operating in Mainland China are subject to income tax rates of 25% (2013: 25%).

*Notes:*

**6. Dividends**

- (a) **Dividends payable to equity shareholders of the company (excluding the amount paid to shares held by the Group under the ESOP reserve) attributable to the interim period**

	<b>Six months ended 31 December</b>	
	<b>2014</b>	2013
	<b><u>(Unaudited)</u></b>	<b><u>(Unaudited)</u></b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Proposed interim dividend in respect of 2014 of HK\$0.08 per ordinary share (2013: HK\$0.08 per ordinary share)	<b>19,068</b>	19,068

The interim dividend has not been recognised as a liability at the end of the reporting period.

- (b) **Dividends payable to equity shareholders of the company (excluding the amount paid to shares held by the Group under the ESOP reserve) attributable to the previous financial year, approved and paid during the interim period**

	<b>Six months ended 31 December</b>	
	<b>2014</b>	2013
	<b><u>(Unaudited)</u></b>	<b><u>(Unaudited)</u></b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.13 per ordinary share (2013: HK\$0.12 per ordinary share)	<b>30,987</b>	28,603

**7. Earnings per share**

- (a) **Basic**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$72,532,000 (2013: HK\$81,602,000) and the weighted average number of 238,360,000 ordinary shares (2013: 238,360,000 ordinary shares) in issue during the period.

	<b>Six months ended 31 December</b>	
	<b>2014</b>	2013
	<b><u>(Unaudited)</u></b>	<b><u>(Unaudited)</u></b>
	<b><i>'000</i></b>	<b><i>'000</i></b>
Issued ordinary shares at beginning and end of period	<b>243,354</b>	243,354
Effect of shares repurchased in prior years	<b>(4,994)</b>	(4,994)
Weighted average number of ordinary shares for the period	<b>238,360</b>	238,360

*Notes:*

**7. Earnings per share (continued)**

**(b) Diluted**

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$72,532,000 (2013: HK\$81,602,000) and the weighted average number of ordinary shares of 241,814,000 (2013: 238,810,000) after adjusting the effect of deemed issue of shares under the Company's share option schemes.

	<b>Six months ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the period	<b>238,360</b>	238,360
Effect of deemed issue of shares under the Company's share option schemes	<b>3,454</b>	450
	<b>241,814</b>	238,810

**8. Fixed assets**

During the six months ended 31 December 2014, the Group acquired fixed assets at a total cost of HK\$30,781,000 (six months ended 31 December 2013: HK\$17,189,000). Fixed assets with a net book value of HK\$1,093,000 were disposed of during the six months ended 31 December 2014 (six months ended 31 December 2013: HK\$516,000).

**9. Interest in a joint venture**

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 Group and the joint venture partner, 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. Evergreen has become dormant since the termination of the Joint Venture Agreement.

*Notes:*

**10. 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:

	<b>At 31 December 2014 (Unaudited) HK\$'000</b>	<b>At 30 June 2014 (Audited) HK\$'000</b>
0 – 3 months	333,735	296,119
4 – 6 months	4,602	3,229
Over 6 months	327	317
Total trade debtors	<b>338,664</b>	299,665
Other debtors, deposits and prepayments	<b>98,775</b>	99,244
Current portion of leasehold land	<b>2,993</b>	2,698
	<b>440,432</b>	401,607

Credits are offered to customers following financial assessments and established payment records where applicable. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. Customers considered to be with credit risk are traded on a cash basis. General credit terms are payment by the end of the month following the month in which sales took place. Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk.

The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	<b>At 31 December 2014 (Unaudited) HK\$'000</b>	<b>At 30 June 2014 (Audited) HK\$'000</b>
Neither past due nor impaired	312,584	278,049
Past due for less than 3 months	25,163	20,083
Past due for more than 3 months but less than 12 months	917	1,533
	<b>338,664</b>	299,665



*Notes:*

**10. Debtors, deposits and prepayments (continued)**

Trade debtors that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Collaterals over properties are obtained from certain customers.

**11. Bank Loans**

The Group's bank loans are denominated in Hong Kong Dollars and unsecured.

**12. 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:

	<b>At 31 December 2014 (Unaudited) HK\$'000</b>	<b>At 30 June 2014 (Audited) HK\$'000</b>
0 – 3 months	<b>269,004</b>	261,756
4 – 6 months	<b>297</b>	1,710
Over 6 months	<b>206</b>	-
Total trade creditors	<b>269,507</b>	263,466
Other creditors, deposits received and accruals	<b>196,213</b>	173,133
	<b>465,720</b>	436,599

## **REVIEW BY BOARD AUDIT COMMITTEE**

The unaudited interim results for the six months ended 31 December 2014 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 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 Company has complied throughout the six months ended 31 December 2014 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, 2 March 2015 to Tuesday, 3 March 2015, 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 Units 1607-8, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong, for registration not later than 4:00 p.m. on Friday, 27 February 2015.

## **GENERAL**

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

*Chairman:*

Mr. KWEK Leng Hai

*Group Managing Director:*

Mr. Joseph LEUNG

*Non-Executive Directors:*

Dr. WHANG Sun Tze

Mr. TAN Lim Heng

Mr. TSANG Cho Tai

*Independent Non-Executive Directors:*

Mr. LO Kai Yiu, Anthony

Mr. AU Chee Ming

Mr. HUANG Lester Garson, J.P.

By Order of the Board  
**CHENG Man Ying**  
*Company Secretary*

Hong Kong, 4 February 2015

*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>).*