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Lam Soon (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 411)

DISCLOSEABLE TRANSACTION RELOCATION OF YIXING PLANT

The Board would like to announce that on 16 November 2016, Jiangsu Lam Soon Flour Mills Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement with the Grain Bureau of YiXing City in relation to the relocation of the YiXing Plant.

As the relevant percentage ratios under Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the transaction contemplated under the Agreement constitutes a discloseable transaction for the Company.

INTRODUCTION

JSLSF is currently operating a flour mill plant on the Land located in YiXing City, Jiangsu Province in the PRC. Due to policy driven redevelopment plans, the YiXing Government requested and JSLSF has agreed to relocate the YiXing Plant from its present location to an industrial area within YiXing City by way of land swap and with compensatory payments.

RELOCATION AGREEMENT

Date : 16 November 2016

Parties

Party A: : 宜興市糧食局 (Grain Bureau of YiXing City*), a department under the YiXing Government

Party B: : Jiangsu Lam Soon Flour Mills Company Limited (江蘇南順麵粉有限公司) or “JSLSF”, a company incorporated in the PRC and located in YiXing City, Jiangsu Province, PRC and a wholly-owned subsidiary of the Company.

To the best of the Board’s knowledge, information and belief having made all reasonable enquiries as at the date of this announcement, the Grain Bureau of YiXing City is an independent third party not connected with the Company and its connected persons.

Compensation

Pursuant to the Agreement, JSLSF shall, amongst other things, surrender the land use right (with 36 years remaining) to the Land to the relevant YiXing authority, and the Grain Bureau of YiXing City shall, amongst other things, compensate JSLSF RMB80 million by: a) delivering the land use rights for a term of 50 years of the Relocated Land to JSLSF as part of the land swap; and b) paying the balance in cash to JSLSF estimated to be approximately RMB62 million (equivalent to approximately HK\$70.7 million) (“Cash Relocation Compensation”).

Disbursement Terms

The Cash Relocation Compensation shall be disbursable to JSLSF by the Grain Bureau of YiXing City in the following manner:

- i) 30% thereof shall be disbursable within one week upon JSLSF obtaining the project planning and construction permits, and having commenced construction works based on the work commencement confirmation issued by JSLSF’s consultant;
- ii) 30% thereof shall be disbursable within one week upon JSLSF completing the 300MT production line based on the construction completion confirmation issued by JSLSF’s consultant; and
- iii) 40% thereof shall be disbursable within one week upon vacating of the Land and the YiXing Plant.

Total Investment

JSLSF shall construct the New Plant on the Relocated Land and the estimated total investment amount, including among others, the value of the Relocated Land, is RMB120 million (equivalent to approximately HK\$136.8 million) which shall be funded partly by the Cash Relocation Compensation and the balance by internal working capital of the Group.

Basis for arriving at the Terms

The terms of the Agreement, being governed by the Regulations on Exploration of Buildings on State-owned Land and Compensation 國有土地上房屋徵收與補償條例, were arrived at after arm’s length negotiation with the YiXing Government, with the Cash Relocation Compensation agreed upon after taking into account the costs of construction and new equipment and facilities of the New Plant to be built on the Relocated Land, the value of the buildings and immovable fixtures and facilities erected on the Land of approximately RMB37.8 million (equivalent to approximately HK\$43.1 million) pursuant to an asset appraisal report applicable for the year ended 30 June 2015 from an independent PRC valuer, as well as the costs and expenses relating to the relocation.

The Directors are of the view that the terms of the Agreement, including the Cash Relocation Compensation, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

REASONS FOR AND BENEFITS OF THE RELOCATION

Over the years, in order to better utilize and co-ordinate land resources for urban governance and planning, the YiXing Government has been encouraging local enterprises to relocate their plants from the urban area to the industrial zones. The relocation was agreed to as part of the urban planning of the YiXing Government. The relocation will allow JSLSF to participate in the overall alignment of community and local government initiatives, as well as being in line with the Company's strategic plan to cater for future expansion with the commissioning of the New Plant.

COMPLETION OF THE RELOCATION

Construction of the New Plant shall be completed within 2 years of the Grain Bureau of YiXing City delivering the land use rights to the Relocated Land to JSLSF with the agreed basic infrastructure, and JSLSF shall vacate the Land within 6 months after completion of the New Plant. Prior to relocation, JSLSF shall be allowed to continue to operate the existing factory although JSLSF is required to return the land use rights/title of the existing Land and factory to the relevant YiXing authority at the same time it receives title to the Relocated Land. The relocation should not adversely affect the normal production and operation of JSLSF. It is expected that the New Plant of JSLSF will commence operations in the FY2018/19.

FINANCIAL IMPACT ON THE GROUP

The Directors believe that the relocation should not lead to any material disruption to the business operations of the Group. The Cash Relocation Compensation is expected to mitigate the financial outlay of the Group due to the relocation. The Directors consider that the relocation will not result in significant impact on the operating results and financial position of the Group.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios under Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the transaction contemplated under the Agreement constitutes a discloseable transaction for the Company.

GENERAL INFORMATION

LSHK is a holding company and its principal activity is investment holding. The principal activities of LSHK's subsidiaries include manufacturing, trading and processing of edible oil, detergent products, flour products in Hong Kong, the PRC and Macau.

JSLSF is a wholly-owned subsidiary of the Company which is incorporated in the PRC. The principal business activity of JSLSF is manufacturing and trading of flour products.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Agreement”	relocation agreement executed between the Grain Bureau of YiXing City and JSLSF on 16 November 2016;
“Board”	the board of Directors;
“Company” or “LSHK”	Lam Soon (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Group”	LSHK together with its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“JSLSF”	Jiangsu Lam Soon Flour Mills Company Limited (江蘇南順麵粉有限公司)
“Land”	parcel of land located at No. 95 Jiubin North Road, YiCheng Street, YiXing, Jiangsu Province, PRC (中国江蘇省宜興市宜城街洑濱北路95號) with a total land area of approximately 36.16 acres (approximately 24,107.4 square meters);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Plant”	the new plant together with the production equipment and facilities to be constructed on and installed within the Relocated Land;
“PRC”	the People’s Republic of China, and for the sole purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Relocated Land”	a parcel of land located within the industrial district of XinZhuang Road, YiXing, Jiangsu Province, PRC (中国江蘇省宜興市新莊街道) with a total land area of 60 acres (approximately 40,001 square meters);
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“YiXing Government”	宜興市人民政府 (YiXing City People’s Government of the PRC*)
“YiXing Plant”	the flour mill plant currently operated by JSLSF located at the Land; and
“%”	per cent.

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1.00 = HK\$1.1402. Such translations should not be construed as a representation that any amounts have been, could have been or could be, converted at the above rate or at any other rates.

At the date of this announcement, the Board 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

Mr. TANG Hong Cheong

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, 16 November 2016

** for identification purposes only*