



Lam Soon Announces 2009/10 Annual Results

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Net Profit up 56% to HK\$122 million
Strategically Focusing on High-margin Premium Products

Financial Highlights

- Turnover rose 6% to HK\$2,193 million
- Net profit increased 56% to HK\$122 million
- Gross profit margin and net profit margin improved to 20% and 6% respectively
- The board recommended a final dividend of HK\$0.10 per share
- Strong financial position with net cash of HK\$503 million as at June 30, 2010

(Hong Kong, August 25, 2010) – **Lam Soon (Hong Kong) Limited** (“Lam Soon” or the “Group”; **Stock code: 0411**), a leading producer and distributor of branded premium food and detergent products in Hong Kong and Mainland China, today reported its annual results for the year ended June 30, 2010.

Business and Financial Review

During the year, the Group’s turnover increased by 6% to HK\$2,193 million compared with the same period last year. Net profit rose 56% to HK\$122 million. It is mainly attributable to our prudent approach in growing our businesses – balancing market share and profitability – by focusing on the high-margin premium products.

Basic earnings per share were HK\$0.50 (FY2009: HK\$0.32 per share). The Board of Directors recommended a final dividend of HK\$0.10 per share (FY2009: HK\$0.09 per share). Together with the interim dividend of HK\$0.06 per share already paid, the total dividend for the year amounted to HK\$0.16 per share (FY2009: HK\$0.15 per share). The Group maintained a strong financial position with net cash of HK\$503 million as at June 30, 2010.

Mr. Kwek Leng Hai, Chairman of Lam Soon, said, “The past year was another successful year for Lam Soon as we stepped up our efforts in expanding from Hong Kong and Southern China from which we have built a strong foothold over the last 50 years. Although the operating environment was challenging, the Chinese government’s policies to boost domestic consumption to prime the economy helped to support our China flour, edible oil and detergent businesses. The Group was able to make considerable higher profits compared to last year. The shift of our product mix towards the higher margin, better quality premium segment has proven timely to produce a stronger bottom line.”

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Food Segment

Owing to price cutting among competitors, the price cut offset the increase in the Group's sales volume, resulting only a modest revenue growth of 5% for the food segment. Operating profit for the segment however increased by 9% to HK\$134 million, thanks to Lam Soon's strategy to focus on premium brands and improvements in productivity. The Group's premium brands namely "Knife" and "Red Lantern" edible oils, "Golden Statue" bakery flour and "American Roses" soft flour, continued to record satisfactory growth driven by effective brand promotions and product innovations.

During the year under review, the Group acquired a flourmill in Jintan, Jiangsu Province and completed construction of a new flourmill in Qingzhou, Shandong Province. These doubled its total flour production capacity to 1.2 million metric tons a year and put Lam Soon amongst the top-five flour mill operators in China. This significantly enhances its capability to serve the local customers, particularly customers of specialised products in Eastern and Northern China.

Detergent Segment

The segment generated revenue of HK\$304 million and profit from operations of HK\$46 million during the year, representing year-on-year growth of 10% and 82% respectively. This remarkable achievement was mainly the result of active promotion of AXE and Labour brand products and penetration into more supermarket chains, capturing market opportunities as consumers are switching to higher quality products.

Prospects

Looking forward, **Mr. Kwek** said, "We recognize the coming year will be challenging but we remain undaunted and will be vigilant to meet the changing market conditions. We are building a larger sales and distribution platform covering all major cities in China. With expert technical know-how, research and development capability, a strong financial position and a high calibre professional management team, I am confident that Lam Soon will grow into a premier quality food and household product company in China."

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Lam Soon Hong Kong Group

Lam Soon (Hong Kong) Limited is a member of the Hong Leong Group. Established in 1961 and listed on the Hong Kong Stock Exchange since 1972, Lam Soon has established a reputation of high quality food and detergent products in Hong Kong and China. These products are led by a series of premium flagship brands namely "Golden Statue" and "American Roses" flour, and "Knife" and "Red Lantern" edible oil, as well as "AXE" and "Labour" liquid dishwashing detergent. The "Knife" peanut oil has achieved top sales in Hong Kong for 11 consecutive years.

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