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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 2015

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 2015.

OVERVIEW

The Group achieved stable revenue growth amid a weakening macroeconomic environment globally and in our major markets. Mainland China’s GDP grew 6.9% in 2015, 0.5 percentage points lower than 2014 and at its slowest pace since 1990. Hong Kong retail sales value declined for the ninth consecutive month in November 2015 and shrunk 3.1% calendar year-to-date. This was steeper than the 2.3% decline recorded in 2003 during the SARS outbreak. Notwithstanding the deteriorating economic conditions, the growth of our core brand businesses and lower raw material costs allowed us to deliver improved profitability during the period.

We did not waver from our longstanding commitment to deliver premium, high quality, and safe products in the Food and Detergent segments to our customers in Hong Kong, Macau, and Mainland China. Guided by this vision, management maintained execution of strategic programs that will pave the way for sustainable future growth. Across the Group, we focused on accelerating the growth of our core brands and business-to-consumer segment via marketing, distribution, research, and production initiatives. For example, our new edible oil bottling and packaging line in Shekou will expand our manufacturing capacity to support future growth and allow us to produce safe and quality products in a more efficient and environmentally friendly manner. In our institutional flour business, wheat costs remained high despite some improvement from last year. Our team continued to pursue new opportunities to optimize costs and boost factory utilisation without compromising overall quality and profitability.

FINANCIAL RESULTS

The Group’s revenue grew 8% to HK\$2,466 million in this period. Gross margin improved by 1.3 percentage points to 19.2%, driven by growth of higher-margin core brand products and favourable raw material costs. Selling and distribution expenses totalled HK\$261 million, 7% higher than last year but remain unchanged at 11% as a percentage of sales. The increase was in line with the overall expansion of the Group in Mainland China, as we continued to penetrate into new geographic locations and to sustain brand building and promotional activities to drive sales. Net profit attributable to shareholders increased by 50% to HK\$109 million, mostly due to sales growth and gross profit improvements. As at 31 December 2015, the Group has a net cash position of HK\$576 million, a 25% increase from 30 June 2015.

DIVIDENDS

The Board has declared an interim dividend of HK\$0.1 per share for the six months ended 31 December 2015 (six months ended 31 December 2014: HK\$0.08 per share), which will be payable on Wednesday, 23 March 2016 to the shareholders whose names appear on the register of members of the Company on Tuesday, 15 March 2016.

BUSINESS REVIEW

Food Segment

Food segment's revenue and operating profit grew 8% and 36% to HK\$2,154 million and HK\$118 million, respectively, compared to last year.

The Group's edible oil business posted strong revenue and profit growth, as we benefited from strengthening fundamentals, more optimal product and channel mix, and lower raw material costs. Our core Knife brand retained its strong presence in Hong Kong, as our synchronized marketing and distribution programs were effective in stimulating consumer awareness and demand. We plan to solidify our market position in Hong Kong by building on the success of our latest Supreme Peanut Oil Product and launching new products that address consumers' increasing focus on quality and health. In Mainland China, our integrated marketing and distribution strategies are expected to further deepen Knife's penetration in the Southern region.

We officially launched our new environmentally friendly and high-tech retail bottling and packaging line in Shekou in November 2015. The enlarged production capacity will support future business growth and enhance our ability to provide high quality and safe products to consumers.

The Group's flour business performed solidly in this period, posting steady revenue and volume growth in spite of persistently low bran prices and our limited ability to pass-through high wheat costs to institutional customers. In the face of industry-wide headwinds, management remained focused on our institutional business' core competencies as well as actionable items within our strategic agenda that would sustain growth and soften the impact of external factors. As a result, sales of our higher margin premium specialty flour products grew strongly in Mainland China. Our expansion beyond our established presence in first and second-tier cities, along with ongoing efforts to optimize wheat formulation and operations, also continued to bear fruit.

The Group's approach towards addressing systemic risks within the flour industry remains unchanged. Management will strive to pursue more wheat quota allocation from governmental authorities.

The process of building our flour brands in the retail business-to-consumer segment in Hong Kong and Mainland China will require a sustained level of investment over a period of time. Our Group has adopted the long view and will remain persistent in building this extra pillar of growth in the flour business. In this current brand-building stage, we stayed focused in building our fundamentals, i.e. refining our go-to-market strategy and ensuring we have the right team to execute this strategy. In parallel, we have identified and initiated dialogues with several potential partners who can help expedite the growth process.

BUSINESS REVIEW *(continued)*

Food Segment *(continued)*

In light of prevailing market volatilities, management will continue to monitor closely market conditions and exercise a prudent approach in the procurement of raw materials so as to safeguard the gross profit margin of our Food segment. Given the importance of e-Commerce in increasing the exposure of our retail brands across Mainland China, management will further refine its online business model and allocate resources accordingly to achieve balanced and sustainable growth.

Detergent Segment

Detergent segment posted modest revenue growth of 7% to HK\$310 million in this period. Operating profit increased 41% to HK\$49 million, driven by favourable raw material costs, product and channel mix, and geographic expansion in Mainland China.

In the Hong Kong dishwashing detergent market, AXE and Labour maintained their leading positions amid a mature and weakening market. Our premium AXE Plus product line, developed to upgrade our brand franchise and help us penetrate into higher value segments in the dishwashing detergent category, continued to gain traction in key distribution channels. Despite our established presence in South China, we see room to further bolster our sales and marketing efforts and reinforce our brands' image and value proposition in this highly competitive market.

Looking ahead, AXE and Labour are expected to retain their status as household names in the dishwashing detergent category in Hong Kong and key cities in South China. To achieve meaningful incremental value, we need to leverage our brand equity in our stronghold markets to penetrate into other product categories and widen the geographic reach of our franchise across Mainland China. Management will step up ongoing efforts to develop and refine a cohesive sales and marketing strategy across traditional and e-Commerce channels to achieve these objectives.

OUTLOOK

Mainland China's economy has entered into a new phase of decelerating growth as part of its structural transformation from an investment-led economy into one that is more consumption-driven. Nevertheless, the Group continues to see opportunities in what is still the second largest and one of the fastest growing economies in the world. Furthermore, Mainland China's rebalancing towards a more balanced economy is likely to benefit our businesses over the long term. The trend of increasingly affluent Chinese consumers and their tendency to trade up and demand for premium, high quality, and safe brands are in line with the Group's vision and core competency to deliver such goods. We aim to benefit from this opportunity through our ongoing development, integration, and refinement of targeted marketing and omni-channel solutions. Product innovation, in the form of more environmentally friendly and cost effective packaging designs, will allow us to differentiate ourselves against competitors and enhance our overall competitive advantage.

Our vision and strategic initiatives in this dynamic and challenging environment can be achieved by having our fundamentals keep pace with business growth and having the right teams of people in place. We are improving our existing operational processes and investing in the relevant infrastructure and personnel across all key functions: marketing, sales and distribution, research and development, information systems, and production. With the further strengthening of our fundamentals built over the preceding years, we are cautiously optimistic of our capability to cope and move ahead in this challenging period.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2015, the Group had a net cash position (defined as cash minus bank loans and obligations under finance leases) of HK\$576 million (30 June 2015: HK\$462 million). This was mainly attributable to the increased net cash generated from operating activities.

At 31 December 2015, the Group had a cash balance of HK\$718 million (30 June 2015: HK\$800 million). About 94% of these funds were denominated in Renminbi (“RMB”), 5% in Hong Kong dollars (“HK\$”), and 1% in United States dollars (“USD”) and Macau Pataca (“MOP”).

As at 31 December 2015, the Group had HK\$1,104 million committed bank loan facilities (30 June 2015: HK\$974 million) and had outstanding borrowings of HK\$141 million (30 June 2015: HK\$337 million), of which HK\$81 million were repayable within 1 year (30 June 2015: HK\$269 million). Except for an outstanding fixed term loan amounting to HK\$76 million (30 June 2015: HK\$84 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 2015, the inventory turnover days improved from 55 days at the end of last financial year to 53 days. The trade receivable turnover days remained at a stable level of 24 days (30 June 2015: 24 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\$20 million on acquisition of plant, equipment and implementation of new enterprise resource planning system.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2015 (Unaudited)

	<i>Note</i>	<u>2015</u> <i>HK\$'000</i>	<u>2014</u> <i>HK\$'000</i>
Revenue	3	2,466,039	2,290,568
Cost of sales		(1,991,841)	(1,879,901)
Gross profit		474,198	410,667
Other income		12,355	9,112
Selling and distribution expenses		(260,744)	(242,947)
Administrative expenses		(82,295)	(80,600)
Operating profit		143,514	96,232
Finance costs	4	(2,165)	(3,150)
Share of loss of a joint venture	9	(6)	(320)
Profit before taxation	4	141,343	92,762
Taxation	5	(32,357)	(20,230)
Profit for the period		108,986	72,532
Attributable to:			
Equity shareholders of the Company		108,986	72,532
Non-controlling interests		-	-
Profit for the period		108,986	72,532
Earnings per share (<i>HK\$</i>)			
Basic	7(a)	0.46	0.30
Diluted	7(b)	0.46	0.30

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2015 (Unaudited)

	<u>2015</u> <i>HK\$'000</i>	<u>2014</u> <i>HK\$'000</i>
Profit for the period	<u>108,986</u>	<u>72,532</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	(1)	(4)
Exchange differences on translation of financial statements of foreign operations	<u>(72,783)</u>	<u>(921)</u>
Other comprehensive income for the period, net of tax	<u>(72,784)</u>	<u>(925)</u>
Total comprehensive income for the period, net of tax	<u>36,202</u>	<u>71,607</u>
Attributable to:		
Equity shareholders of the Company	36,202	71,607
Non-controlling interests	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>36,202</u>	<u>71,607</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

		(Unaudited) At 31 December <u>2015</u> <i>HK\$'000</i>	(Audited) At 30 June <u>2015</u> <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	618,751	656,195
Leasehold land		80,924	85,595
Intangible assets		2,304	2,374
Interest in a joint venture	9	42,710	42,716
Available-for-sale financial assets		183	184
Other non-current assets		19,360	15,415
		<u>764,232</u>	<u>802,479</u>
CURRENT ASSETS			
Inventories		551,768	540,337
Trade and other receivables	10	476,364	414,919
Cash and cash equivalents		718,046	800,343
		<u>1,746,178</u>	<u>1,755,599</u>
CURRENT LIABILITIES			
Bank loans	11	81,000	269,000
Trade and other payables	12	607,506	462,254
Amount due to a joint venture		42,714	42,714
Tax payable		21,628	23,951
Other current liabilities		255	251
		<u>753,103</u>	<u>798,170</u>
NET CURRENT ASSETS		<u>993,075</u>	<u>957,429</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,757,307</u>	<u>1,759,908</u>
NON-CURRENT LIABILITIES			
Bank loans	11	60,000	68,000
Deferred tax liabilities		21	58
Other non-current liabilities		642	759
		<u>60,663</u>	<u>68,817</u>
NET ASSETS		<u>1,696,644</u>	<u>1,691,091</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2015*

	(Unaudited) At 31 December <u>2015</u> <i>HK\$'000</i>	(Audited) At 30 June <u>2015</u> <i>HK\$'000</i>
CAPITAL AND RESERVES		
Share capital	672,777	672,777
Other reserves	<u>1,013,016</u>	<u>1,007,463</u>
Total equity attributable to equity shareholders of the Company	1,685,793	1,680,240
Non-controlling interests	<u>10,851</u>	<u>10,851</u>
TOTAL EQUITY	<u><u>1,696,644</u></u>	<u><u>1,691,091</u></u>

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 2014/15 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 condensed consolidated financial statements has been prepared in accordance with the same accounting policies adopted in the 2014/15 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015/16 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2015 that is included in this preliminary announcement of the interim results as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The company has delivered the financial statements for the year ended 30 June 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

The Group has adopted all new or revised HKFRSs, which term collectively includes HKASs and Interpretations, issued by the HKICPA that are mandatory for application for the current accounting period of the Group. The adoption of the new standards, amendments to standards and interpretations that are relevant to the Group had no material impact on the results and financial position of the Group.

Notes:

3. Revenue 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. Businesses in each operating segment have similar operating and currency risks, class of customer for products, distribution channels and safety regulation.

Food: the manufacture and sale of a broad range of food products including flour and edible oil.

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

(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, assets and liabilities 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 and current assets with the exception of interest in a joint venture and other corporate assets. Segment liabilities include tax payables, all trade payables 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, deferred tax liabilities 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					
	2015 (Unaudited)			2014 (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>2,153,652</u>	<u>309,946</u>	<u>2,463,598</u>	<u>1,998,988</u>	<u>290,820</u>	<u>2,289,808</u>
Reportable segment profit from operations	<u>117,990</u>	<u>48,783</u>	<u>166,773</u>	<u>86,476</u>	<u>34,545</u>	<u>121,021</u>

Notes:

3. Revenue and segment information (continued)

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

	At 31 December 2015 (Unaudited)			At 30 June 2015 (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>2,134,634</u>	<u>254,811</u>	<u>2,389,445</u>	<u>2,089,232</u>	<u>318,629</u>	<u>2,407,861</u>
Reportable segment liabilities	<u>(633,156)</u>	<u>(139,442)</u>	<u>(772,598)</u>	<u>(721,696)</u>	<u>(102,314)</u>	<u>(824,010)</u>

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

	Six months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue		
Reportable segment revenue	2,463,598	2,289,808
Service and rental income	2,441	760
Consolidated revenue	<u>2,466,039</u>	<u>2,290,568</u>
Profit		
Reportable segment profit from operations	166,773	121,021
Share of loss of a joint venture	(6)	(320)
Finance costs	(2,165)	(3,150)
Unallocated exchange loss	(303)	(90)
Unallocated head office and corporate expenses	<u>(22,956)</u>	<u>(24,699)</u>
Consolidated profit before taxation	<u>141,343</u>	<u>92,762</u>

Notes:

3. Revenue and segment information (continued)

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

	At 31 December 2015 <u>(Unaudited)</u> HK\$'000	At 30 June 2015 <u>(Audited)</u> HK\$'000
Assets		
Reportable segment assets	2,389,445	2,407,861
Elimination of inter-segment receivables	(8,830)	(7,924)
	<u>2,380,615</u>	<u>2,399,937</u>
Interest in a joint venture	42,710	42,716
Unallocated head office and corporate assets	87,085	115,425
	<u>87,085</u>	<u>115,425</u>
Consolidated total assets	<u><u>2,510,410</u></u>	<u><u>2,558,078</u></u>
Liabilities		
Reportable segment liabilities	(772,598)	(824,010)
Elimination of inter-segment payables	8,830	7,924
	<u>(763,768)</u>	<u>(816,086)</u>
Amount due to a joint venture	(42,714)	(42,714)
Deferred tax liabilities	(21)	(58)
Unallocated head office and corporate liabilities	(7,263)	(8,129)
	<u>(7,263)</u>	<u>(8,129)</u>
Consolidated total liabilities	<u><u>(813,766)</u></u>	<u><u>(866,987)</u></u>

4. Profit before taxation

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

	Six months ended 31 December 2015 <u>(Unaudited)</u> HK\$'000	2014 <u>(Unaudited)</u> HK\$'000
Finance costs		
Interest on bank loans	<u>2,165</u>	<u>3,150</u>

Notes:

4. Profit before taxation (continued)

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

	Six months ended 31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other items		
Interest income	(7,673)	(7,371)
Depreciation and amortisation	34,023	33,696
Staff costs	154,945	150,932
Net exchange gain	(794)	(262)
(Reversal of)/charge for doubtful debts, net	(27)	423
Net loss on disposal of property, plant and equipment	222	724
Write-down of inventories	84	1,051
Change in fair value of financial derivatives (Note)	(1,662)	(124)
Write off of an intangible asset	-	156

Note: The Group entered into various foreign currency forward contracts to manage its foreign currency exposures during the period.

5. Taxation

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

	Six months ended 31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	1,696	531
Current tax – Taxation outside Hong Kong	30,698	19,742
Deferred taxation	(37)	(43)
	32,357	20,230

- (a) Hong Kong Profits Tax has been provided for at the rate of 16.5% (2014: 16.5%) on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the period.

Notes:

5. Taxation (Continued)

- (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 2015 and 2014.

Other subsidiaries operating in Mainland China are subject to income tax rates of 25% (2014: 25%).

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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**

	Six months ended 31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proposed interim dividend in respect of 2015 of HK\$0.1 per ordinary share (2014: HK\$0.08 per ordinary share)	<u>23,836</u>	<u>19,068</u>

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

Notes:

6. Dividends (Continued)

- (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**

	Six months ended 31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.13 per ordinary share (2014: HK\$0.13 per ordinary share)	30,987	30,987

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\$108,986,000 (2014: HK\$72,532,000) and the weighted average number of 238,360,000 ordinary shares (2014: 238,360,000 ordinary shares) in issue during the period.

	Six months ended 31 December	
	2015	2014
	(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)	(4,994)
Weighted average number of ordinary shares for the period	238,360	238,360

(b) Diluted

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$108,986,000 (2014: HK\$72,532,000) and the weighted average number of ordinary shares of 238,848,000 (2014: 241,814,000) after adjusting the effect of deemed issue of shares under the Company's share option schemes.

Notes:

7. Earnings per share (Continued)

(b) Diluted (Continued)

	Six months ended 31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares for the period	238,360	238,360
Effect of deemed issue of shares under the Company's share option schemes	488	3,454
	238,848	241,814

8. Property, plant and equipment

During the six months ended 31 December 2015, the Group acquired property, plant and equipment at a total cost of HK\$16,244,000 (six months ended 31 December 2014: HK\$30,781,000). Property, plant and equipment with a net book value of HK\$304,000 were disposed of during the six months ended 31 December 2015 (six months ended 31 December 2014: HK\$1,093,000).

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 and it is in liquidation process during the period.

Notes:

10. Trade and other receivables

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

	At 31 December 2015 (Unaudited) HK\$'000	At 30 June 2015 (Audited) HK\$'000
0 – 3 months	337,879	306,308
4 – 6 months	8,457	4,445
Over 6 months	1,779	1,172
Total trade receivables	348,115	311,925
Derivative financial instrument:		
- Foreign exchange forward contract	852	-
Other receivables	124,488	99,991
Current portion of leasehold land	2,909	3,003
	476,364	414,919

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 receivables that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December 2015 (Unaudited) HK\$'000	At 30 June 2015 (Audited) HK\$'000
Neither past due nor impaired	320,026	282,661
Past due for less than 3 months	20,709	27,079
Past due for more than 3 months but less than 12 months	7,380	2,185
	348,115	311,925

Notes:

10. Trade and other receivables (continued)

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

Trade receivables 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. Trade and other payables

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

	At 31 December 2015 (Unaudited) HK\$'000	At 30 June 2015 (Audited) HK\$'000
0 – 3 months	364,232	255,305
4 – 6 months	1,846	2,873
Total trade payables	366,078	258,178
Derivative financial instrument:		
- Foreign exchange forward contract	181	-
Deposits received	31,502	26,985
Other payables and accruals	209,745	177,091
	607,506	462,254

REVIEW BY BOARD AUDIT COMMITTEE

The unaudited interim results for the six months ended 31 December 2015 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 principles set out in Appendix 14 (the “HKEx Code”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During the period, the Company has complied with the HKEx Code, save that non-executive directors are 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, 14 March 2016 to Tuesday, 15 March 2016, 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, 11 March 2016.

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, 17 February 2016

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>).