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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 2016**

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 2016.

#### **OVERVIEW**

The Group achieved stable revenue growth amid a weakening global macroeconomic environment. Favourable raw material costs, growth of core brand products and wider geographic coverage continued to improve our profitability.

We remain steadfast in 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. During this period, we further solidified our fundamentals and pushed ahead with strategic programmes aimed at reducing our sensitivity to fluctuating commodity prices and at sustaining growth.

#### **FINANCIAL RESULTS**

The Group’s volume grew 6%, while revenue increased 4% to HK\$2,555 million in this period. The increase has absorbed the negative impact of the depreciation of RMB, in which a majority of our revenues are denominated. Excluding impact of foreign exchange, revenue increased by 9%. Gross margin improved by 2.8 percentage points to 22%, driven by growth of higher-margin core brand products and favourable raw material costs. Selling and distribution expenses of HK\$281 million were 8% higher than last year but remain unchanged at 11% as a percentage of sales. The increase is in line with the overall expansion of the Group into new geographic locations in Mainland China, and ongoing brand building and promotional activities to drive sales. Net profit attributable to shareholders increased by 52% to HK\$166 million, mostly due to sales growth and gross profit improvements. As at 31 December 2016, the Group has a cash balance of HK\$853 million, a 29% increase from 30 June 2016.

#### **DIVIDENDS**

The Board has declared an interim dividend of HK\$0.12 per share for the six months ended 31 December 2016 (six months ended 31 December 2015: HK\$0.1 per share), which will be payable on Wednesday, 15 March 2017 to the shareholders whose names appear on the register of members of the Company on Tuesday, 7 March 2017.

## **BUSINESS REVIEW**

### **Food Segment**

Food segment's revenue and operating profit grew 4% and 75% to HK\$2,242 million and HK\$207 million, respectively, compared to the same period last year. Excluding the impact of foreign exchange, revenue increased by 10%.

The Group's edible oil business posted strong revenue growth. Targeted marketing and distribution initiatives to enhance Knife brand's leadership and penetration in Hong Kong and Mainland China continued to show results. Looking ahead, we will enhance Knife's consumer brand value via product differentiation, further penetrate into selected oil segments and geographic regions, strengthen our sales force, and bolster our supply chain capabilities. Our new packaging line in Tai Po is expected to be up and running by the end of FY17/18. This will support the existing Shekou line in catering for Hong Kong and Macau's retail oil markets.

The Group's flour business posted significant margin improvements on steady revenue and volume growth, driven by sales momentum of our premium higher-margin products, favourable wheat costs and gradual recovery in bran prices. Management remained focused on our institutional business' core competencies in product, sales, research and development, and technical services to sustain growth. Systemic risks within the flour industry still exist, in the form of limited supply of imported wheat in Mainland China due to quota restrictions and the Group's limited ability to adequately pass on higher wheat costs to customers. Ongoing efforts to optimize wheat formulation and operations, sales of higher margin specialty flour products in Mainland China, and an enlarged presence beyond first and second-tier cities should soften the impact of these external factors on our business.

We have made progress in the development of flour division's business-to-consumer segment over the last four years. However, we remain cognisant of the long-term nature of this project and the persistence needed to establish a brand in a relatively young and unbranded space. We will continue to assess opportunities in this segment to create capital value.

In light of prevailing market volatilities, management is monitoring closely market conditions and will 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.

## **BUSINESS REVIEW** *(continued)*

### **Detergent Segment**

Detergent segment's volume grew by 8% but revenue increased only by 1% to HK\$312 million in this period. Operating profit declined 48% to HK\$26 million, attributed to the increased promotional advertising support and packaging revamp amid heightened competition and softer consumer sentiment, and unfavourable raw material costs. Excluding the impact of foreign exchange, revenue grew by 6%.

In the Hong Kong dishwashing detergent market, AXE and Labour maintained their leading positions in a mature market. In order to strengthen brand loyalty among existing consumers and boost our image among younger consumers, we launched an "AXE Restage" marketing campaign in Hong Kong in November 2016. The campaign will help us communicate our revamp in product packaging and drive consumer offtake in key distribution channels. Similar programmes will be rolled out in key South China markets. Despite our established presence in the highly competitive South China market, we see room to further bolster our sales and marketing efforts and reinforce our brands' image and value proposition.

Looking ahead, we aim to retain AXE and Labour's status as household names in the dishwashing detergent category in Hong Kong and key cities in South China. To achieve meaningful incremental value, we will continue to strengthen and leverage our brand equity in the dishwashing segment 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**

The slowdown in Mainland China's economy and the changes expected in global politics and trade relationships will add further uncertainty to the global growth outlook. Such uncertainties further underscore the need for the Group to stay focused on accelerating existing programmes to capture opportunities in one of the largest and fastest-growing consumer markets in the world.

We are working on our fundamentals to keep pace with business growth. We will strive for continuous improvement in the areas of people and infrastructure across all key functions: marketing, sales and distribution, research and development, information systems, and production. We remain cautiously optimistic of achieving a healthy performance for FY16/17 against last year.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

At 31 December 2016, the Group had a cash balance of HK\$853 million (30 June 2016: HK\$664 million). This was mainly attributable to the increased net cash generated from operating activities. About 68% of the balance was denominated in Renminbi (“RMB”), 21% in Hong Kong dollars (“HK\$”), 10% in United States dollars (“USD”) and 1% in Macau Pataca (“MOP”).

As at 31 December 2016, the Group had HK\$716 million available bank facilities (30 June 2016: HK\$824 million).

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 2016, the inventory turnover days improved from 55 days at the end of last financial year to 50 days. The trade receivable turnover days remained at a stable level of 23 days (30 June 2016: 23 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.

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\$17 million on acquisition of plant and office equipment and construction of new production lines.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2016 (Unaudited)

	Note	<u>2016</u> <u>HK\$'000</u>	<u>2015</u> <u>HK\$'000</u>
Revenue	3	2,555,485	2,466,039
Cost of sales		<u>(1,992,191)</u>	<u>(1,991,841)</u>
Gross profit		563,294	474,198
Other income		11,284	12,355
Selling and distribution expenses		(281,246)	(260,744)
Administrative expenses		<u>(93,062)</u>	<u>(82,295)</u>
Operating profit		200,270	143,514
Finance costs	4	(48)	(2,165)
Share of loss of a joint venture	9	-	(6)
Profit before taxation	4	200,222	141,343
Taxation	5	<u>(34,307)</u>	<u>(32,357)</u>
Profit for the period		<u>165,915</u>	<u>108,986</u>
Attributable to:			
Equity shareholders of the Company		165,915	108,986
Non-controlling interests		-	-
Profit for the period		<u>165,915</u>	<u>108,986</u>
Earnings per share (HK\$)			
Basic	7(a)	<u>0.70</u>	<u>0.46</u>
Diluted	7(b)	<u>0.68</u>	<u>0.46</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2016 (Unaudited)

	<u>2016</u> <i>HK\$'000</i>	<u>2015</u> <i>HK\$'000</i>
Profit for the period	<u>165,915</u>	<u>108,986</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	(1)
Exchange differences on translation of financial statements of foreign operations	<u>(58,355)</u>	<u>(72,783)</u>
Other comprehensive income for the period, net of tax	<u>(58,354)</u>	<u>(72,784)</u>
Total comprehensive income for the period, net of tax	<u>107,561</u>	<u>36,202</u>
Attributable to:		
Equity shareholders of the Company	107,561	36,202
Non-controlling interests	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>107,561</u>	<u>36,202</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		(Unaudited) At <b>31 December</b> <u>2016</u> <i>HK\$'000</i>	(Audited) At 30 June 2016 <u><i>HK\$'000</i></u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	551,453	583,088
Leasehold land		73,840	77,937
Intangible assets		20,585	22,896
Interest in a joint venture	9	42,710	42,710
Available-for-sale financial assets		183	182
Other non-current assets		-	501
		<u>688,771</u>	<u>727,314</u>
<b>CURRENT ASSETS</b>			
Inventories		541,465	542,975
Trade and other receivables	10	409,915	382,798
Cash and cash equivalents		853,366	663,835
		<u>1,804,746</u>	<u>1,589,608</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	628,986	526,651
Amount due to a joint venture		42,976	42,976
Tax payable		24,649	15,490
Other current liabilities		246	252
		<u>696,857</u>	<u>585,369</u>
<b>NET CURRENT ASSETS</b>		<u>1,107,889</u>	<u>1,004,239</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,796,660</u>	<u>1,731,553</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		8,629	21
Other non-current liabilities		376	530
		<u>9,005</u>	<u>551</u>
<b>NET ASSETS</b>		<u>1,787,655</u>	<u>1,731,002</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 31 December 2016*

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>At</b>	<b>At</b>
	<b>31 December</b>	<b>30 June</b>
	<b>2016</b>	<b>2016</b>
	<u><b>HK\$'000</b></u>	<u><b>HK\$'000</b></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>672,777</b>	672,777
Other reserves	<b>1,104,027</b>	1,047,374
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company	<b>1,776,804</b>	1,720,151
Non-controlling interests	<b>10,851</b>	10,851
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>1,787,655</b>	1,731,002
	<hr/> <hr/>	<hr/> <hr/>

*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 2015/16 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 2015/16 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016/17 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 2016 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 2016 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 HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. The adoption of the new amendments 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, 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					
	2016 (Unaudited)			2015 (Unaudited)		
	Food	Detergent	Segment	Food	Detergent	Segment
	HK\$'000	HK\$'000	Total	HK\$'000	HK\$'000	Total
			HK\$'000			HK\$'000
Revenue from external customers	<u>2,241,938</u>	<u>312,401</u>	<u>2,554,339</u>	<u>2,153,652</u>	<u>309,946</u>	<u>2,463,598</u>
Reportable segment profit from operations	<u>206,528</u>	<u>25,557</u>	<u>232,085</u>	<u>117,990</u>	<u>48,783</u>	<u>166,773</u>

Notes:

3. Revenue and segment information (continued)

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

	At 31 December 2016 (Unaudited)			At 30 June 2016 (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>1,971,213</u>	<u>201,364</u>	<u>2,172,577</u>	<u>1,884,438</u>	<u>173,980</u>	<u>2,058,418</u>
Reportable segment liabilities	<u>(550,688)</u>	<u>(127,629)</u>	<u>(678,317)</u>	<u>(465,278)</u>	<u>(108,365)</u>	<u>(573,643)</u>

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

	Six months ended 31 December	
	2016 <u>(Unaudited)</u> HK\$'000	2015 <u>(Unaudited)</u> HK\$'000
<b>Revenue</b>		
Reportable segment revenue	2,554,339	2,463,598
Service and rental income	<u>1,146</u>	<u>2,441</u>
Consolidated revenue	<u>2,555,485</u>	<u>2,466,039</u>
<b>Profit</b>		
Reportable segment profit from operations	232,085	166,773
Finance costs	(48)	(2,165)
Share of loss of a joint venture	-	(6)
Unallocated exchange loss	(149)	(303)
Unallocated head office and corporate expenses	<u>(31,666)</u>	<u>(22,956)</u>
Consolidated profit before taxation	<u>200,222</u>	<u>141,343</u>

*Notes:*

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

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

	At 31 December 2016 <b>(Unaudited)</b> <i>HK\$'000</i>	At 30 June 2016 <b>(Audited)</b> <i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	2,172,577	2,058,418
Elimination of inter-segment receivables	<u>(33,927)</u>	<u>(36,764)</u>
	2,138,650	2,021,654
Interest in a joint venture	42,710	42,710
Unallocated head office and corporate assets	<u>312,157</u>	<u>252,558</u>
Consolidated total assets	<u><u>2,493,517</u></u>	<u><u>2,316,922</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	(678,317)	(573,643)
Elimination of inter-segment payables	<u>33,927</u>	<u>36,764</u>
	(644,390)	(536,879)
Amount due to a joint venture	(42,976)	(42,976)
Deferred tax liabilities	(8,629)	(21)
Unallocated head office and corporate liabilities	<u>(9,867)</u>	<u>(6,044)</u>
Consolidated total liabilities	<u><u>(705,862)</u></u>	<u><u>(585,920)</u></u>

**4. Profit before taxation**

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

	Six months ended 31 December 2016 <b>(Unaudited)</b> <i>HK\$'000</i>	2015 <b>(Unaudited)</b> <i>HK\$'000</i>
<b>Finance costs</b>		
Interest on bank loans	<u>48</u>	<u>2,165</u>

*Notes:*

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

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

	<b>Six months ended 31 December</b>	
	<b>2016</b>	2015
	<b><u>(Unaudited)</u></b>	<b><u>(Unaudited)</u></b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Other items</b>		
Interest income	(6,303)	(7,673)
Depreciation and amortisation	32,529	34,023
Staff costs	164,808	154,945
Net exchange gain	(2)	(794)
Charge for/(reversal of) doubtful debts, net	657	(27)
Net loss on disposal of property, plant and equipment	106	222
Write-down of inventories	4,219	84
Change in fair value of financial derivatives <i>(Note)</i>	(379)	(1,662)
	<u><u>          </u></u>	<u><u>          </u></u>

Note: The Group entered into various foreign currency forward contracts to manage its foreign currency exposures during the period. There was no outstanding derivative contract as at 31 December 2016.

**5. Taxation**

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

	<b>Six months ended 31 December</b>	
	<b>2016</b>	2015
	<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	1,122	1,696
Current tax – Taxation outside Hong Kong	24,577	30,698
Deferred taxation	8,608	(37)
	<u><u>          </u></u>	<u><u>          </u></u>
	<b>34,307</b>	32,357

- (a) Hong Kong Profits Tax has been provided for at the rate of 16.5% (2015: 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 2016 and 2015.

Other subsidiaries operating in Mainland China are subject to income tax rates of 25% (2015: 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**

	<b>Six months ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<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 2016 of HK\$0.12 per ordinary share (2015: HK\$0.1 per ordinary share)	<u>28,382</u>	<u>23,836</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	
	2016	2015
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.18 per ordinary share (2015: HK\$0.13 per ordinary share)	<u>42,607</u>	<u>30,987</u>

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\$165,915,000 (2015: HK\$108,986,000) and the weighted average number of 237,963,000 ordinary shares (2015: 238,360,000 ordinary shares) in issue during the period.

	Six months ended 31 December	
	2016	2015
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	'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)
Effect of shares repurchased during the period	<u>(397)</u>	<u>-</u>
Weighted average number of ordinary shares for the period	<u>237,963</u>	<u>238,360</u>

(b) Diluted

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$165,915,000 (2015: HK\$108,986,000) and the weighted average number of ordinary shares of 242,980,000 (2015: 238,848,000) 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)**

	<b>Six months ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b><u>(Unaudited)</u></b>	<b><u>(Unaudited)</u></b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the period	<b>237,963</b>	238,360
Effect of deemed issue of shares under the Company's share option schemes	<b>5,017</b>	488
	<b><u>242,980</u></b>	<b><u>238,848</u></b>

**8. Property, plant and equipment**

During the six months ended 31 December 2016, the Group acquired property, plant and equipment at a total cost of HK\$14,838,000 (six months ended 31 December 2015: HK\$16,244,000). Property, plant and equipment with a net book value of HK\$411,000 were disposed of during the six months ended 31 December 2016 (six months ended 31 December 2015: HK\$304,000).

**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 is in liquidation process.

*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:

	<b>At 31 December 2016 (Unaudited) HK\$'000</b>	<b>At 30 June 2016 (Audited) HK\$'000</b>
0 – 3 months	<b>360,214</b>	310,381
4 – 6 months	<b>1,401</b>	7,046
Over 6 months	<b>1,663</b>	1,707
Total trade receivables	<b>363,278</b>	319,134
Derivative financial instrument:		
- Foreign exchange forward contract	-	1,756
Other receivables	<b>43,772</b>	59,018
Current portion of leasehold land	<b>2,865</b>	2,890
	<b>409,915</b>	382,798

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:

	<b>At 31 December 2016 (Unaudited) HK\$'000</b>	<b>At 30 June 2016 (Audited) HK\$'000</b>
Neither past due nor impaired	<b>340,545</b>	291,814
Past due for less than 3 months	<b>18,808</b>	24,452
Past due for more than 3 months but less than 12 months	<b>3,925</b>	2,868
	<b>363,278</b>	319,134

*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. 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:

	<b>At 31 December 2016 (Unaudited) HK\$'000</b>	<b>At 30 June 2016 (Audited) HK\$'000</b>
0 – 3 months	<b>336,717</b>	282,187
4 – 6 months	<b>399</b>	1,244
Total trade payables	<b>337,116</b>	283,431
Derivative financial instrument:		
- Foreign exchange forward contract	-	234
Deposits received	<b>42,787</b>	23,399
Other payables and accruals	<b>249,083</b>	219,587
	<b>628,986</b>	526,651

## **REVIEW BY BOARD AUDIT AND RISK MANAGEMENT COMMITTEE**

The unaudited interim results for the six months ended 31 December 2016 have been reviewed by the Board Audit and Risk Management 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.

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, a wholly-owned subsidiary of the Company, as the trustee for a trust set up for the purpose of acquiring shares of the Company to satisfy the exercise of options granted to the Executive Share Option Scheme adopted on 23 April 2013, purchased 1,086,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK\$9,371,000.

Save as disclosed above, 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, 6 March 2017 to Tuesday, 7 March 2017, 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, 3 March 2017.

## 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:*  
Mr. TANG Hong Cheong  
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, 8 February 2017

*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>).*