LAM SOON (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 411)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2007

The Board of Directors of Lam Soon (Hong Kong) Limited (the "Group") is pleased to announce its audited consolidated results for the financial year ended 30 June 2007.

BUSINESS REVIEW AND OUTLOOK

Business Review

Our on-going dedicated programmes for improvements in operations, financial and human resources are showing the desired results in market share and profitability for our Group's core products in flour, edible oil and detergent. Our premium brands are now better and wider known in the PRC.

Furthermore, with our brand differentiation, we can offer higher quality products at higher prices, and through increased productivity, we have managed to off-set against the increasing costs of raw materials in our food production. This will give us a much better chance of succeeding in a very competitive market.

However, our Packaging business profitability was stifled this year by the rapidly increasing raw material aluminium cost. We are reviewing the compatibility of our Packaging business to our main focus of building a pure food company.

For expansion, we are supported by our strong and healthy balance sheet with net cash on hand of HK$151 million at the end of our financial year. This has opened up for us possibilities of expanding in the chosen segments for higher end food business.

Summary of Financial Results

The Group achieved a turnover of HK$2,298 million with a net profit attributable to shareholders of HK$110 million, an increase of 7% over the corresponding period last year. Basic earnings per share increased from HK$0.42 to HK$0.45.

During the year, the Group achieved 13% growth in sales of its top six core brands, including Knife and Red Lantern edible oil, Golden Statue and American Roses flour, as well as AXE and Labour detergent. Our branded goods sales account for 33% of Group total sales and we are aiming to increase this percentage further in the coming years.

Our sales in China are becoming more prominent increasing by 10% to approximately HK$1.6 billion, or 69% of the Group's total sales. A key initiative we had undertaken is our recent construction of a production plant for flour in Qingzhou aimed at serving the north-eastern part of the PRC beyond our present southern PRC coverage.

Operation Review

Food Segment

Food Segment had accomplished 9% growth in sales and 6% growth in operating profits during the financial year. Our premium brands in edible oil and flour, including Knife, Red Lantern, American Roses, and Golden Statue, expanded its distribution networks beyond Hong Kong and Southern China. The segment had achieved 31% sales growth in its premium brands in four strategic cities in China, namely Shenzhen, Guangzhou, Shanghai, and Beijing.

Knife Brand is the leading edible oil brand in Hong Kong with the highest market share for more than a decade. Its sales in China continued to maintain double-digit growth. It was amongst the first to receive the "Trusted Brand Award Gold Prize" in April 2006 and had received the award for the past consecutive six years as Hong Kong and Asia's "Super Brand Award Gold Prize" granted by Reader's Digest.

The Group is also one of the premium specialty flour suppliers in Hong Kong and China. American Roses is best known for its quality in the production of cakes and dim-sum, while Golden Statue has been regarded as the best flour products for bread and awarded as one of "The China Top Brands". Most of the 4-star and 5-star hotels as well as the most prestigious restaurants in Hong Kong and China are customers of these two premium brands.

Detergent Segment

The Detergent Segment had performed well and achieved 19% sales growth for the year. Its operating profits had also increased from HK$3 million to HK$8 million during the year.

The Group has enhanced the brand equity of its flagship brands, AXE and Labour by launching new innovative products while maintaining its high quality standard. In December 2006, AXE and Labour were granted the Certificate for Product Exemption from Quality Surveillance Inspection in China. This recognition demonstrates the outstanding and reliable quality of the Group's products and also strengthens its brand image in China.

Packaging Segment

The Packaging Segment had experienced very challenging conditions during the year. In particular, the increased aluminum costs could not be fully reflected in our selling prices under the keen market competition environment. However, the situation has been improving since the second half of the financial year.

Owing to the implementation of management programmes in enhancing productivity and improving financial management, the Packaging Segment was still able to maintain the sales volume and a healthy financial position, despite the operating profits having declined to HK$10 million mainly due to the increased aluminum costs and an exceptional loss during the year.

Distribution Segment

Despite intensive competitive operating environment in Hong Kong, with increasing rental and distribution costs, the Distribution Segment managed to increase its operating profit margins to 17%. The segment maintained over 35% market share in each of its specialty products. Management will continue to put forth its relentless effort in further enhancing the supply chain management to achieve higher profit.

Prospects

Our transformation into a premier food company offering high quality products is progressing well. This is timely to meet the increasing market demand for safe, reliable, healthy and better quality food products associated with greater affluence of consumers in the PRC.

With more than 50 years of heritage and an established reputation for high quality products that have been well received in Hong Kong, the Group will further expand into strategic PRC regions where there are robust economic growth. To maximise the opportunities in such areas, we have, apart from relying on our existing branded premium products, put more resources into research for developing new innovative products to cater for different customer needs.

No doubt the business we are in is competitive but we are encouraged by the success so far of our premium branded products. We believe that with the right combination of proper execution of our business strategy, our strong balance sheet and our effort to anticipate market changing demands, we should be able to face the challenges ahead and make further progress in the fast growing market in the PRC.

FINANCIAL REVIEW

For the year ended 30 June 2007, the Group's turnover by activities and their respective profit from operations are reported as follows:

	Turnover		Results	
In HK$ million	**2007**	2006	**2007**	2006
Food *(Note)*	**1,148**	1,057	**78**	74
Detergent	**134**	113	**8**	3
Packaging	**729**	730	**10**	54
Distribution	**283**	336	**49**	48
Others	**4**	1	**(38)**	(45)
	2,298	2,237	**107**	134
Net interest expenses			**(5)**	(8)
Taxation			**8**	(15)
Minority interests			**—**	(8)
			110	103

Note: The result of Food Segment is the sum of (i) operating profit of HK$75 million (2006: HK$71 million) and (ii) share of profit of a jointly controlled entity of HK$3 million (2006: HK$3 million).

Group Result

Turnover for the year ended 30 June 2007 was HK$2,298 million as compared with HK$2,237 million of last year, resulting mainly from the revenue growth of Food and Detergent businesses which benefited from the robust China market. The close-down of unprofitable frozen business line also led to a decrease in turnover of HK$45 million.

The Group's earnings increased by 7% to HK$110 million from HK$103 million for last year, mainly attributable to the strong performance of the Food Segment, which improved to HK$78 million from HK$74 million for last year. The results had included tax refunds of approximately HK$20 million. However, the Packaging Segment experienced very challenging market conditions in Taiwan during the year. The increasing aluminum costs could not be fully passed on to its customers due to market competition. Its profit decreased to HK$10 million (2006: HK$54 million).

Liquidity and Financial Resources

The Group has maintained a strong financial position. Total borrowings further decreased to HK$142 million (30 June 2006: HK$162 million). After deducting deposit and cash on hand of HK$293 million (30 June 2006: HK$258 million), the Group was in a positive cash position of HK$151 million (30 June 2006: HK$96 million), with nil gearing at the end of the financial year.

Debt maturity profile of the Group at 30 June 2007 was as follows:

	2007	2006
	HK$'000	*HK$'000*
Borrowings repayable within 1 year	**142,104**	162,101
Cash and Deposit on hands	**293,134**	257,854
Net Cash Total	**151,030**	95,753

The Group maintained a healthy balance sheet with net assets of HK$1,197 million (30 June 2006: HK$1,111 million) and shareholders' equity of HK$1,112 million (30 June 2006: HK$1,026 million).

Management of the Group's financing and treasury activities are centralised at the corporate level. The use of financial instruments is strictly controlled and is solely for managing the Group's interest rate and foreign currency exchange rate exposure in connection with its borrowings.

With bank deposit and cash in hand as well as available banking facilities, the Group maintains a strong and sound liquidity position, having sufficient financial resources to fund its recurring operating activities, its present investments as well as future investment opportunities.

Foreign Currency Exposure

As the majority of the Group's borrowings carries interest at floating rates and is denominated in Hong Kong dollars, the Group's exposure to exchange rate fluctuation was insignificant.

The Group has operations spreading over China, Hong Kong and Taiwan. Local costs and revenue are primarily denominated in Renminbi, Hong Kong dollars and Taiwan dollars, respectively, and some in US dollars. The Group considers its foreign exchange exposure for the local operations to be minimal.

Charge on Group Assets

At 30 June 2007, the Group has no property, plant and equipment pledged as security for liabilities (30 June 2006: HK$59 million).

Project Commitments

On 25 January 2007, Lam Soon (China) Holdings Company Limited ("Lam Soon (China)") a wholly-owned subsidiary of the Company, agreed with the Qingzhou Government that Lam Soon (China) undertook an investment project in the Qingzhou City. The investment project included the establishment of a wholly foreign-owned enterprise, named as Lam Soon (Shandong) Food Company Limited, in Mainland China for the development of the food business, acquisition of the land use rights and the construction of manufacturing and storage facilities. The projected investment amount of the investment project will be approximately HK$80 million of which HK$5.5 million was incurred and HK$2.4 million was contracted for during the year.

HUMAN RESOURCES AND TRAINING

As at 30 June 2007, there were approximately 1,700 employees in the Group (30 June 2006: 1,800). As an equal opportunity employer, employees are remunerated according to the nature of their duties and responsibilities and the prevailing market conditions. Annual increment and year-end performance bonus mechanism were incorporated in the Group's remuneration policy to retain, motivate and reward individuals for their contributions to the Group. The Company also operates a Share Option Scheme for granting of options to eligible employees and a total of 5,400,000 share options were granted on 25 July 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, a wholly-owned subsidiary of the Company, as the trustee for a trust set up for the purpose of acquiring existing shares of the Company to satisfy the exercise of options which may be granted pursuant to the Share Option Scheme adopted on 23 May 2003 and amended on 18 April 2006, purchased 1,393,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a total consideration of HK$6,829,000.

Save as disclosed above, during the year the Company had not redeemed, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the year, the Company had complied with the relevant provisions set out in the Code on Corporate Governance Practices (the "CGP Code") based on the principles set out in Appendix 14 to the Listing Rules, save for the following:

— 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. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CGP Code.

Model Code for Securities Transactions by Directors

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all directors of the Company, they have complied with the required standard set out in the Model Code throughout the year.

Board Audit Committee

The Board Audit Committee ("BAC") comprises Messrs. LO Kwong Chi, Clement (Chairman of the BAC), TSANG Cho Tai and DING Wai Chuen. Messrs. LO Kwong Chi, Clement and DING Wai Chuen are independent non-executive directors. The BAC has reviewed with management the accounting policies and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 30 June 2007 and the auditors' report thereon and submits them to the Board.

Remuneration Committee

The Remuneration Committee ("RC") comprises Messrs. KWEK Leng Hai (Chairman of the Company and Chairman of the RC), LO Kwong Chi, Clement and DING Wai Chuen. The latter two are independent non-executive directors.

CONSOLIDATED INCOME STATEMENT

	Notes	2007 HK$'000	2006 HK$'000
Turnover	3	**2,298,205**	2,237,058
Cost of sales		**(1,960,074)**	(1,852,904)
Gross profit		**338,131**	384,154
Other income		**37,612**	29,200
Selling and distribution expenses		**(164,913)**	(167,122)
Administrative expenses		**(102,535)**	(107,546)
Other operating expenses		**(4,355)**	(8,175)
Operating profit	3	**103,940**	130,511
Net interest expenses		**(4,610)**	(7,725)
Share of profit of a jointly controlled entity		**2,908**	2,624
Profit before taxation	4	**102,238**	125,410
Taxation	5	**7,860**	(14,713)
Profit for the year		**110,098**	110,697
Attributable to			
Shareholders of the Company		**109,882**	102,989
Minority interests		**216**	7,708
Profit for the year		**110,098**	110,697
Appropriations:	6		
Final dividend paid in respect of 2005/06		**17,001**	17,035
Interim dividend paid in respect of 2006/07		**14,517**	14,601
		31,518	31,636
Earnings per share *(HK$)*	7		
Basic		**0.45**	0.42
Diluted		**0.45**	N/A
Proposed final dividend	6	**19,468**	17,035

CONSOLIDATED BALANCE SHEET

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Fixed assets		**693,943**	725,959
Leasehold lands		**52,020**	47,931
Intangible assets		**2,175**	3,676
Interest in associates		**24,581**	24,581
Interest in a jointly controlled entity		**59,921**	57,013
Available-for-sale financial assets		**741**	614
Deferred tax assets		**13,321**	9,335
		846,702	869,109
CURRENT ASSETS			
Inventories		**301,214**	265,774
Debtors, deposits and prepayments	*8*	**258,471**	317,675
Bills receivable		**1,376**	5,750
Loan receivable		**—**	9,665
Amount due from a jointly controlled entity		**7,867**	8,316
Financial assets at fair value through profit or loss		**2,922**	—
Derivative financial instruments		**—**	77
Deposits with financial institutions — pledged		**51**	90
Cash and cash equivalents		**293,083**	257,764
		864,984	865,111
CURRENT LIABILITIES			
Bank loans		**142,104**	162,101
Creditors, deposits received and accruals	*9*	**321,249**	343,826
Bills payable		**5,427**	9,881
Tax payable		**6,430**	63,922
Other current liabilities		**28,087**	27,344
		503,297	607,074
NET CURRENT ASSETS		**361,687**	258,037
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,208,389**	1,127,146
NON-CURRENT LIABILITIES			
Employee benefit obligations		**1,210**	4,630
Deferred tax liabilities		**9,598**	10,626
Other non-current liabilities		**354**	451
		11,162	15,707
NET ASSETS		**1,197,227**	1,111,439
CAPITAL AND RESERVES			
Share capital		**243,354**	243,354
Reserves		**868,356**	782,700
Equity attributable to shareholders of the Company		**1,111,710**	1,026,054
Minority interests		**85,517**	85,385
TOTAL EQUITY		**1,197,227**	1,111,439

Notes:

1. Significant accounting policies

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules).

2. Application of Hong Kong Financial Reporting Standards

During the year, the HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

(a) Estimated effect of changes in accounting policies for the years presented

The adoption of the new and revised HKFRSs in note 2(b) did not have any financial impact on the consolidated and company financial statements for the years presented.

(b) Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: Financial guarantee contracts)

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantees would be called upon.

With effect from 1 January 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37.

This change in accounting policy has no material financial effect on the consolidated and company financial statements.

The Group has not early applied any new standard or interpretations that have been issued but are not yet effective at the balance sheet date. The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

		Effective for accounting periods beginning or after
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007

3. Segmental information

For the year ended 30 June 2007

(A) Business segments

		Food	Detergent	Packaging	Distribution	Others	Inter-segment elimination	Consolidated
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(i)	Turnover							
	External sales	**1,147,721**	**134,454**	**728,870**	**283,307**	**3,853**	**—**	**2,298,205**
	Inter-segment sales	**141,642**	**37,185**	**—**	**126**	**10,144**	**(189,097)**	**—**
		1,289,363	**171,639**	**728,870**	**283,433**	**13,997**	**(189,097)**	**2,298,205**
(ii)	Segment results	**75,066**	**8,326**	**9,565**	**49,310**	**(38,327)**	**—**	**103,940**
	Net interest expenses							**(4,610)**
	Share of profit of a jointly controlled entity	**2,908**	**—**	**—**	**—**	**—**	**—**	**2,908**
	Profit before taxation							**102,238**
	Taxation							**7,860**
	Profit for the year							**110,098**

(B) Geographical segments

	Mainland China	Hong Kong	Taiwan	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
External sales	**1,582,379**	**306,574**	**409,252**	**2,298,205**

For the year ended 30 June 2006

(A) Business segments

		Food HK$'000	Detergent HK$'000	Packaging HK$'000	Distribution HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
(i)	Turnover							
	External sales	1,057,576	113,004	730,126	335,535	817	—	2,237,058
	Inter-segment sales	146,269	35,965	—	460	8,595	(191,289)	—
		1,203,845	148,969	730,126	335,995	9,412	(191,289)	2,237,058
(ii)	Segment results	70,942	3,504	54,002	48,499	(46,436)	—	130,511
	Net interest expenses							(7,725)
	Share of profit of a jointly controlled entity	2,624	—	—	—	—	—	2,624
	Profit before taxation							125,410
	Taxation							(14,713)
	Profit for the year							110,697

(B) Geographical segments

	Mainland China HK$'000	Hong Kong HK$'000	Taiwan HK$'000	Consolidated HK$'000
External sales	1,433,387	357,277	446,394	2,237,058

4. Profit before taxation

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

	2007 ***HK$'000***	2006 *HK$'000*
Depreciation of fixed assets	**60,194**	56,965
Amortisation of leasehold lands	**2,709**	2,526
Amortisation of trademarks	**3,676**	7,358
(Profit)/loss on disposal of fixed assets	**(1,642)**	308

5. Taxation

(a) Provision for Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Overseas taxation is provided for at the relevant tax rates.

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

	2007 ***HK$'000***	2006 *HK$'000*
Current tax:		
Hong Kong taxation	**3,187**	1,915
(Over)/under-provision in respect of prior years	**(19,160)**	114
	(15,973)	2,029
Overseas taxation	**12,147**	12,167
Over-provision in respect of prior years	**(581)**	—
	11,566	12,167
Deferred taxation:		
Current year	**(3,453)**	517
	(7,860)	14,713

6. Dividends

	2007	2006
	HK$'000	*HK$'000*
2006: Final dividend of HK$0.07 per share paid during the year (period from 1 January 2004 to 30 June 2005: HK$0.07 per share)	**17,001**	17,035
2007: Interim dividend of HK$0.06 per share paid during the year (2006: HK$0.06 per share)	**14,517**	14,601
	31,518	31,636
2007: Final dividend proposed after balance sheet date of HK$0.08 per share (2006: HK$0.07 per share)	**19,468**	17,035

The final dividend proposed after the balance sheet date has not been recognised as liabilities at the balance sheet date.

7. Earnings per share

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$109,882,000 (2006: HK$102,989,000) and the weighted average number of 242,487,253 (2006: 243,354,165) ordinary shares in issue during the year.

(b) Diluted

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$109,882,000 (2006: HK$102,989,000) and the weighted average number of 242,851,320 (2006: 243,354,165) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

8. Debtors, deposits and prepayments

The aging analysis of trade debtors (net of impairment losses for bad and doubtful debts) is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 — 3 months	**167,256**	166,525
4 — 6 months	**6,881**	936
Total trade debtors	**174,137**	167,461
Other debtors, deposits and prepayments	**81,625**	147,688
Current portion of leasehold lands	**2,709**	2,526
	258,471	317,675

9. Creditors, deposits received and accruals

The aging analysis of trade creditors is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 — 3 months	**213,044**	204,288
4 — 6 months	**23,343**	15,416
Over 6 months	**238**	2,797
Total trade creditors	**236,625**	222,501
Other creditors, deposits received and accruals	**84,624**	121,325
	321,249	343,826

10. Comparative figures

Certain comparative figures have been reclassified to conform with presentation adopted in the current year's financial statements.

FINAL DIVIDEND

The Directors will recommend to the shareholders for approval at the forthcoming annual general meeting a final dividend of HK$0.08 per share. This, together with the interim dividend of HK$0.06 per share paid on Thursday, 22 March 2007, will amount to a total of HK$0.14 per share for the year (HK$0.13 per share for the year ended 30 June 2006). Subject to shareholders' approval, the final dividend will be payable on Thursday, 15 November 2007 to the shareholders whose names appear on the register of members on Wednesday, 14 November 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 8 November 2007 to Wednesday, 14 November 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers 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 Citicorp Centre, 26th Floor, 18 Whitfield Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Wednesday, 7 November 2007.

PUBLICATION ON THE STOCK EXCHANGE'S WEBSITE

This result announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk).

GENERAL

As at the date of this announcement, the Board of Directors comprises the following members:

Chairman:
Mr. KWEK Leng Hai

Group Managing Director:
Mr. LEUNG Wai Fung

Non-Executive Directors:
Dr. WHANG Sun Tze
Mr. TAN Lim Heng
Mr. TSANG Cho Tai

Independent Non-Executive Directors:
Mr. LO Kwong Chi, Clement
Mr. DING Wai Chuen
Mr. IRIE Yasuaki

Alternate Director:
Mr. IKEDA Hiromi
(alternate director to Mr. IRIE Yasuaki)

By Order of the Board
CHENG Man Ying
Company Secretary

Hong Kong, 4 September 2007

This announcement can be retrieved from our website: http://www.lamsoon.com