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 2007

SUMMARY OF RESULTS

The Board of Directors of Lam Soon (Hong Kong) Limited is pleased to present the unaudited consolidated interim results of the Group for the six months ended 31 December 2007.

We are pleased to report that the Group had made further progress towards its vision of becoming a premier food company in Hong Kong and Mainland China.

Our branded premium products have sustained double-digit growth through continued investments in new products and geographic expansion in the growing China markets.

The Group's new investment in the third flour milling centre in Shandong is also making progress as planned.

We are positioned well to meet the increasing demand for quality food and detergent products by the consumers in Mainland China. We expect our focus on branded premium quality products will create capital value for our shareholders in the long term.

The Group's total turnover rose 16% to HK$1,387 million over the corresponding period last year. By separating packaging as a discontinuing operation, the turnover from continuing operations recorded a 23% growth to HK$1,004 million. The net profit attributable to shareholders was HK$60 million. Basic earnings per share was HK$0.25 comprising continuing operations of HK$0.21 and discontinuing operation of HK$0.04.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK$0.06 per share amounting to a total of HK$14.6 million (31 December 2006: interim dividend of HK$0.06 per share, amounting to HK$14.6 million) for the six months ended 31 December 2007, which will be payable on Thursday, 10 April 2008 to the shareholders whose names appear in the Register of Members of the Company on Wednesday, 9 April 2008.

BUSINESS REVIEW AND OUTLOOK

Business Review

The Group's core businesses in flour, edible oil, and detergent continue to achieve growth in the China markets. This is accomplished through continuous investment in developing innovative products and new channels in eastern and northern cities in China. Our flag-ship brands, including Golden Statue bread flour, American Roses cake flour, Knife Brand edible oil, Red Lantern edible oil, AXE detergent and Labour detergent achieved 34% sales growth comparing with the corresponding period last year.

Through our consistent and focused strategies in the promotion of these branded premium products, their turnover accounted for 35% of the Group's total turnover. We are committed to continue enhancing our product portfolio to maximize the Group's productivity and profitability.

Operation Review

Food Segment

Food Segment had achieved 27% growth in sales and 6% growth in operating profits comparing with the corresponding period last year. Its focus on the strategic markets, namely Beijing, Guangzhou, Shanghai, and Shenzhen has achieved 39% growth in sales.

The segment's expansion is also supported by continuous launch of new products and better formulation. Our Red Lantern edible oil has introduced a "Healthy and Balanced Cooking Oil", its 4:1 composition of Omega 6 and Omega 3 fatty acid helps to balance the cholesterol level in human body and keeps people healthier. The new product received high acceptance by the Chinese consumers.

The success of our Knife Brand continued to receive recognition and was awarded the "Trusted Brand Award" (formerly known as "Super Brand Award") of Asia and Hong Kong by the Reader's Digest for the past six consecutive years.

The popularity of Knife Brand and Red Lantern continued to gain pace and had achieved an aggregate of over 60% growth in turnover comparing with the corresponding period last year.

The Group's premium specialty flour continued to be the preferred products by the majority of 4-star and 5-star hotels in Hong Kong and Mainland China. The Golden Statue bread flour and American Roses cake flour achieved a total sales growth of 23% in Mainland China. During the period, Golden Statue flour was awarded "The China Top Brand (2007-2010)" award for the second time from the State General Administration of the People's Republic of China for Quality Supervision and Inspection and Quarantine. This further confirms its market acceptance and prestige in the flour milling industry.

Detergent Segment

Detergent Segment performed well and had achieved double-digit growth for the past four consecutive years. During the first six months of this year, its turnover and operating profit increased by 36% and 85% respectively comparing with the corresponding period last year. The segment had further strengthened its supply chain in Mainland China enabling better penetration of its AXE and Labour brands in eastern and northern regions.

Packaging Segment

The Group had successfully divested the non-core business on 28 February 2008 to a third party at a consideration of US$53.5 million (approximately HK$417 million). An estimated net gain of US$1.3 million (approximately HK$10 million) was recognised by the Group.

Distribution Segment

The turnover of the Distribution Segment remained stable at HK$146 million but its operating margin was reduced by 20% mainly due to rapid increases of raw material costs. It is anticipated that the operating results will be improved in the subsequent months through gradual sale price increases.

Prospects

We have over the last few years successfully upgraded and focused our businesses in premier food products and established commensurate sustainable performance and profitability.

Going forward, we will continue to expand our market coverage in eastern and northern China. The Group will also continue to strengthen its core competence in brand management, and new products development as our key drivers to capture the growing opportunities in Hong Kong and China markets.

To alleviate the impact of rising raw material and operating costs in the regions, the Group's management will implement productivity engineering and effective cost management to enhance our margin contribution.

Globally, product safety is a subject of growing concern. Apart from our current quality control programmes, our Group has adopted the best international practices, and thus directed more resources to product safety. We believe our product safety and high quality standards will reinforce our premium brand positioning.

After the divestment of our packaging business, the Group has additional financial resources to deploy food business strategy. This should optimize our growth opportunities in the emerging consumer markets in China. Our management is confident to grow our food business through organic operations, and new acquisitions where appropriate.

Financial Review

Liquidity and Financial Resources

At 31 December 2007, total borrowings amounted to HK$164 million. After deducting deposit and cash on hand of HK$261 million, the Group was in a positive cash position of HK$97 million.

Debt maturity profile of the Group (both continuing and discontinuing operations included) at 31 December 2007 was as follows:

	31 December 2007 ***HK$' 000***	30 June 2007 *HK$' 000*
Borrowings repayable within 1 year	164,366	142,104
Cash and bank deposits	261,586	293,134
Net cash total	97,220	151,030

At 31 December 2007, the Group's total net assets value was HK$1,250 million (30 June 2007: HK$1,197 million) and its shareholders' equity was HK$1,166 million (30 June 2007: HK$1,112 million).

The Group centralizes all the financing and treasury activities at the corporate level. There are stringent controls over the application of financial instruments which can only be employed to manage, mitigate the exposure of interest rate risk attributable to bank borrowings, and the exposure of foreign currency risk arising from trade and other receivables denominated in foreign currencies.

Having strong liquidity, in terms of current ratio exceeding two and readily available banking facilities, the management believes the Group has sufficient resources to fund its routine operating activities, current and potential investment opportunities.

Foreign Currency Exposure

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 is primarily related to Renminbi.

The Group has operations in Mainland China, Hong Kong and Taiwan. Local costs and revenue are primarily denominated in Renminbi, Hong Kong dollars, and Taiwan dollars, albeit some in US dollars.

Charges on Group Assets

At 31 December 2007, the Group had no fixed assets pledged to banks to secure general banking facilities granted to the Group (30 June 2007: nil).

Project Commitment

The Group has commenced to construct a factory in Qingzhou City, Shandong Province. When the construction is completed, the factory will engage in the business of manufacturing, processing and trading of flour products. The investment is estimated at about HK$100 million which will be financed by internal resources and by external borrowing. At the balance sheet date, the Group has incurred a capital sum of HK$15 million.

HUMAN RESOURCES

At 31 December 2007, there were approximately 1,700 employees in the Group. The Group remunerates its employees in accordance with the nature of their duties and responsibilities, as well as the prevailing market conditions. Annual increment and year-end performance bonus mechanism are incorporated in the Group's remuneration policy to retain, reward and motivate individuals for their contributions to the Group. The Company also operates a Share Option Scheme for granting of options to eligible employees. There were 5,200,000 share options outstanding at 31 December 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 31 December	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Turnover	*2*	**1,004,283**	815,809
Cost of sales		**(836,931)**	(651,033)
Gross profit		**167,352**	164,776
Other income		**22,840**	14,708
Selling and distribution expenses		**(88,796)**	(77,743)
Administrative expenses		**(43,952)**	(41,753)
Other operating expenses		**(430)**	(3,676)
Operating profit	*2*	**57,014**	56,312
Net interest expenses		**(2,191)**	(2,838)
Share of profit of a jointly controlled entity		**1,494**	1,103
Profit before taxation	*3*	**56,317**	54,577
Taxation	*4*	**(6,441)**	15,538
Profit for the period from continuing operations		**49,876**	70,115
Discontinuing operation			
Profit for the period from a discontinuing operation	*5*	**8,318**	8,368
Profit for the period		**58,194**	78,483
Attributable to:			
Shareholders of the Company		**59,552**	76,723
Minority interests		**(1,358)**	1,760
Profit for the period		**58,194**	78,483
Dividend – interim declared after the balance sheet date	*6*	**14,601**	14,601
Earnings per share (HK$)	*7*		
Basic and diluted		**0.25**	0.32
For profit from continuing operations (HK$)			
Basic and diluted		**0.21**	0.29
For profit from a discontinuing operation (HK$)			
Basic and diluted		**0.04**	0.03

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 31 December 2007 HK$'000	Audited 30 June 2007 HK$'000
NON-CURRENT ASSETS			
Fixed assets		**458,996**	693,943
Leasehold lands		**47,747**	52,020
Intangible assets		**2,175**	2,175
Interest in associates		**1,488**	1,488
Interest in a jointly controlled entity		**61,416**	59,921
Available-for-sale financial assets		**742**	741
Deferred tax assets		**5,600**	13,321
		578,164	823,609
CURRENT ASSETS			
Inventories		**231,644**	301,214
Debtors, deposits and prepayments	8	**266,050**	258,471
Bills receivable		**-**	1,376
Financial assets at fair value through profit or loss		**144**	2,922
Amount due from a jointly controlled entity		**16,005**	7,867
Deposits with financial institutions – pledged		**-**	51
Cash and bank balances		**138,073**	293,083
		651,916	864,984
Assets of a disposal group classified as held for sale	5	**572,037**	-
		1,223,953	864,984
CURRENT LIABILITIES			
Bank loans		**164,366**	142,104
Creditors, deposits received and accruals	9	**259,032**	321,249
Bills payable		**-**	5,427
Tax payable		**5,004**	6,430
Other current liabilities		**4,144**	4,994
		432,546	480,204
Liabilities directly associated with the assets classified as held for sale	5	**117,025**	-
		549,571	480,204
NET CURRENT ASSETS		**674,382**	384,780
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,252,546**	1,208,389
NON-CURRENT LIABILITIES			
Employee benefit obligations		**-**	1,210
Deferred tax liabilities		**1,959**	9,598
Other non-current liabilities		**131**	354
		2,090	11,162
NET ASSETS		**1,250,456**	1,197,227
CAPITAL & RESERVES			
Share capital		**243,354**	243,354
Reserves		**922,456**	868,356
Equity attributable to shareholders of the Company		**1,165,810**	1,111,710
Minority interests		**84,646**	85,517
TOTAL EQUITY		**1,250,456**	1,197,227

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 30 June 2007, except that the Group has changed certain of its accounting policies following the adoption of new and revised Hong Kong Financial Reporting Standards ("new HKFRSs", which also include the relevant new HKASs and Interpretations) issued by the HKICPA effective for accounting periods commencing on or after 1 November 2006.

HK (IFRIC) - Int 10 Interim Financial Reporting and Impairment
HK (IFRIC) - Int 11 HKFRS 2-Group and Treasury Share Transactions
HKFRS 7 Financial Instruments: Disclosures

The adoption of the new HKFRSs has no material effect on the Group's results and financial position for the current or prior periods.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The Group is in the process of making assessment of the impacts of these standards and interpretations that are expected to be in the period of initial application.

	Effective for accounting periods beginning on or after
HKAS 1 (Revised) Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised) Borrowing Costs	1 January 2009
HKFRS 8 Operating Segments	1 January 2009
HK(IFRIC) – Int 12 Service Concession Arrangements	1 January 2008
HK(IFRIC) – Int 13 Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction	1 January 2008

2. Segmental information

The Company is an investment holding company and the Group principally operates in four business segments as described below. The analysis of the Group's turnover and contribution to profit from operations by business segment is as follows:

	Turnover		Operating profit/(loss)	
	Six months ended 31 December			
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Business segment:				
Continuing operations				
Food	**765,808**	602,517	**47,659**	44,794
Detergent	**89,521**	65,737	**4,572**	2,474
Distribution	**146,684**	146,060	**20,451**	25,880
Others	**2,270**	1,495	**(15,668)**	(16,836)
	1,004,283	815,809	**57,014**	56,312
Discontinuing operation				
Packaging	**383,071**	381,403	**9,246**	9,905
Total	**1,387,354**	1,197,212	**66,260**	66,217

3. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):	Six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Depreciation and amortisation	**32,628**	34,554
Staff costs	**96,279**	87,932
Gain on disposal of fixed assets	**(7,223)**	(1,671)
Provision for/(reversal of) obsolete inventories	**486**	(3,559)

The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinuing operation.

4. Taxation

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

		Six months ended 31 December	
	Notes	**2007**	2006
		HK$'000	*HK$'000*
The Group			
Hong Kong taxation	*(i)*	**3,105**	(19,268)
Overseas taxation	*(ii)*	**3,688**	4,399
Deferred taxation		**(352)**	(669)
		6,441	(15,538)

4. Taxation *(continued)*

Notes:

(i) Hong Kong profits tax has been provided for at the rate of 17.5% (31 December 2006: 17.5%) on the respective estimated assessable profits of companies within the Group operating in Hong Kong during the period.

In prior period, the Group received tax refunds amounted to HK$20 million in respect of two tax cases settled with the Hong Kong Inland Revenue Department.

(ii) Overseas taxation represents tax charge on the estimated taxable profits of certain subsidiaries operating in Mainland China.

Subsidiaries operating in Mainland China are subject to income tax rates ranging from 15% to 27% (31 December 2006: 15% to 27%).

5. Discontinuing operation

The Company has entered into a disposal agreement to sell its entire interest in Packaging business of the Group. The disposal was completed on 28 February 2008. Detailed information of the disposal is set out in the Company's announcement dated 18 February 2008.

The results of Packaging business for the period are presented below:

	Six months ended 31 December	
	2007	**2006**
	HK$'000	***HK$'000***
Turnover	**383,071**	381,403
Cost of sales	**(357,331)**	(352,485)
Gross profit	**25,740**	28,918
Other income	**6,352**	4,560
Selling and distribution expenses	**(9,117)**	(9,998)
Administrative expenses	**(12,107)**	(13,575)
Other operating expenses	**(1,622)**	-
Operating profit	**9,246**	9,905
Net interest expenses	**(1,113)**	(15)
Profit before taxation	**8,133**	9,890
Taxation	**185**	(1,522)
Profit for the period from a discontinuing operation	**8,318**	8,368

5. Discontinuing operation *(continued)*

The major classes of assets and liabilities of Packaging business classified as held for sale at 31 December 2007 are as follows:

	Unaudited 31 December 2007 *HK$'000*	Audited 30 June 2007 *HK$'000*
ASSETS		
Fixed assets	**219,304**	-
Leasehold lands	**4,509**	-
Deferred tax assets	**9,622**	-
Inventories	**122,169**	-
Debtors, deposits and prepayments	**91,638**	-
Bills receivable	**1,282**	-
Cash and bank balances	**123,513**	-
Assets of a disposal group classified as held for sale	**572,037**	-
LIABILITIES		
Creditors, deposits received and accruals	**107,231**	-
Bills payable	**150**	-
Tax payable	**40**	-
Employee benefit obligations	**1,587**	-
Deferred tax liabilities	**7,844**	-
Other non-current liabilities	**173**	-
Liabilities directly associated with the assets classified as held for sale	**117,025**	-
NET ASSETS DIRECTLY ASSOCIATED WITH THE DISPOSAL GROUP	**455,012**	-

At 31 December 2007, net asset value of the Packaging business attributable to shareholders of the Company was HK$395,324,000.

5. Discontinuing operation *(continued)*

The net cash flows incurred by Packaging business are as follows:

	Six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Net cash (used in)/from operating activities	**(25,935)**	12,397
Net cash from/(used in) investing activities	**658**	(3,759)
Net cash (used in)/from financing activities	**(3,104)**	3,102
(Decrease)/increase in cash and cash equivalents	**(28,381)**	11,740
Cash and cash equivalents at 1 July	**149,519**	117,468
Effect of foreign exchange rate changes	**2,375**	(592)
Cash and cash equivalents at 31 December	**123,513**	128,616

6. Dividend

	Six months ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Proposed interim dividend of HK$0.06 per share (31 December 2006: HK$0.06 per share)	**14,601**	14,601

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$59,552,000 (31 December 2006: HK$76,723,000) and the weighted average number of 241,961,165 (31 December 2006: 242,914,355) ordinary shares in issue during the period.

Diluted earnings per share is calculated by reference to the profit attributable to shareholders of HK$59,552,000 (31 December 2006: HK$76,723,000) and the weighted average number of 241,961,165 (31 December 2006: 242,914,355) ordinary shares in issue, plus the weighted average number of 316,943 (31 December 2006: 347,826) ordinary shares with the assumption that they have been issued at no consideration on the deemed exercise of all share options during the period.

8. Debtors, deposits and prepayments

The ageing analysis of trade debtors (net of provisions for bad and doubtful debts) is as follows:

	Unaudited 31 December 2007 *HK$'000*	Audited 30 June 2007 *HK$'000*
0 – 3 months	**126,519**	167,256
4 – 6 months	**2,188**	6,881
Total trade debtors	**128,707**	174,137
Other debtors, deposits and prepayments	**134,517**	81,625
Current portion of leasehold lands	**2,826**	2,709
	266,050	258,471

The credit terms given to customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

9. Creditors, deposits received and accruals

The ageing analysis of trade creditors is as follows:

	Unaudited 31 December 2007 *HK$'000*	Audited 30 June 2007 *HK$'000*
0 – 3 months	**180,837**	213,044
4 – 6 months	**179**	23,343
Over 6 months	**170**	238
Total trade creditors	**181,186**	236,625
Other creditors, deposits received and accruals	**77,846**	84,624
	259,032	321,249

10. Event after the balance sheet date

On 18 February 2008, the Company and Canmake Business Limited entered into an agreement pursuant to which the Company has agreed to sell the packaging business of the Group to Canmake Business Limited through the disposal. The Consideration payable by Canmake Business Limited was US$53.5 million (approximately HK$417 million) which was fully received on 28 February 2008. An estimated net gain of US$1.3 million (approximately HK$10 million) was recognised by the Group.

11. Comparative figures

The comparative interim condensed consolidated financial statements have been re-presented as if the discontinuing operation during the period had been discontinuing at the beginning of the comparative period (note 5).

REVIEW BY BOARD AUDIT COMMITTEE

The unaudited interim results for six months ended 31 December 2007 have been reviewed with no disagreement by the Board Audit Committee of the Company. The information in these interim results does not constitute statutory accounts.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the period, 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 for the period.

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 of the Company. 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 unaudited consolidated financial statements of the Group for the period ended 31 December 2007.

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 of the Company.

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

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 7 April 2008 to Wednesday, 9 April 2008, both days inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar 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 Thursday, 3 April 2008.

GENERAL

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

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, 18 March 2008

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