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## 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 2021

	Year ended 30 June		Increase
	2021	2020	
	HK\$'M	HK\$'M	
Revenue	5,761	5,119	13%
Gross profit	1,284	1,194	8%
Profit for the year	358	317	13%
	HK\$	HK\$	
Basic earnings per share	1.51	1.34	13%
Dividend per share:			
Interim	0.15	0.14	7%
Proposed final	0.33	0.31	6%
Total	0.48	0.45	7%
	As at	As at	
	30 June 2021	30 June 2020	
	HK\$'M	HK\$'M	
Total equity	2,881	2,477	16%

The Board of Directors (the “Board”) of Lam Soon (Hong Kong) Limited (the “Company”) is pleased to announce its consolidated results of the Company and its subsidiaries (collectively the “Group”) for the financial year ended 30 June 2021.

#### FINANCIAL RESULTS

Amidst the unprecedented challenges posed by a continuing COVID-19 pandemic, Group sales revenue increased by 13% from the previous year, driven mainly by increased sales of our core products in PRC, supported by favourable bran prices and appreciation of the Renminbi.

Due to unfavourable raw material costs (in particular the increased costs of edible oils), our gross profit margin was lower by 1 percentage point to 22%. A specific focus on implementation of various cost control measures has resulted in an overall improvement of operational efficiencies, which in turn led to a reduction of operating expenses as a percentage of sales by 1 percentage point compared to last year. Profit for the year increased by 13% to HK\$358 million, a result of sales growth as well as reduction in taxation expenses.

## **DIVIDENDS**

The Directors are recommending a final dividend for the financial year ended 30 June 2021 of HK\$0.33 per share totaling approximately HK\$80,307,000 at the forthcoming Annual General Meeting. In addition to the interim dividend of HK\$0.15 per share paid earlier this year (2020: interim dividend of HK\$0.14 and final dividend of HK\$0.31 per share, total dividend for the whole year amounts to approximately HK\$109,509,000), total dividend for the year amounts to HK\$0.48 per share totaling approximately HK\$116,810,000. Subject to shareholders' approval, the final dividend will be payable on Wednesday, 1 December 2021 to the shareholders whose names appear on the register of members on Friday, 19 November 2021.

## **REVIEW OF OPERATIONS**

### **OVERVIEW**

The financial year just ended had been another year of volatility under a prolonged COVID-19 pandemic. The Group had demonstrated adaptability and agility to withstand a rapidly changing market, while staying on course to pursue its long-term mission and strategy. During these times, the Group embarked on a heightened risk management mode and has been closely monitoring our costs and expenditures, except for strategically important investments in production infrastructure, brand equity and channel development. Based on the Group's strong fundamentals, we managed to achieve double-digit growth in both sales and profits under challenging circumstances, which serves as a strong indication of the Group's overall strength and resilience.

### **BUSINESS REVIEW**

#### **Food Segment**

Despite the continuing lifestyle restrictions impacting channel dynamics, an economic slow-down in the lower household income segment and the increased polarisation of consumer spending habits and sentiments, revenue from our food segment increased by 13% to HK\$4,957 million, with a corresponding increase in profit from operations of 3% to HK\$379 million. This growth was the net result of the Group's conscious efforts to strategically focus on selected growing segments, improving our product mix, and the execution of agile and responsive sales and marketing activities, while leveraging on external factors such as favourable bran prices and Renminbi appreciation.

In response to the COVID-19 pandemic's continued impact on consumer behaviour and channel dynamics, our Flour Division made short-term tactical adjustments whilst staying focused on its long-term strategic plans to transform itself from being an ingredients supplier to an all-round solution provider to our customers.

## **REVIEW OF OPERATIONS** *(continued)*

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

#### **Food Segment** *(continued)*

On the product and marketing front, we continue to differentiate our products in support of our premiumisation strategy. We made increased efforts to drive our signature Royal Sakura range and introduced new premium products such as Golden Statue Japanese Flour and French Flour, with a view to enhance product segmentation and meet our customers' diverse needs.

On the other hand, our sales team had executed appropriate measures which deepened and widened our distribution coverage across different tiers of cities in China. In view of the accelerated shift to digital channels, the Group had dedicated more resources to interactive online communication channels via live-streaming and a series of social media platforms to stay connected with our customers during this challenging period.

In relation to our strategic investment, with our project team's discipline, dedication and hard work, the establishment of our new Specialty Fats Plant in Jintan was substantially completed in June 2021. The new plant will commence operations in the first quarter of the next financial year. Specialty fats is a key component complementing our Flour portfolio as they share common targeted customers, synergized distribution network as well as other operational and system requirements. The new plant, equipped with state-of-the-art facilities, will provide a new solid pillar to support business growth in the near future.

During the year, our Edible Oil Division had been adversely impacted by significant increase in oil prices, which gave rise to higher cost of goods sold. In response, we had put in place various mitigating measures to control related expenses and also instituted compensatory price increases across channels to counter the higher raw material costs. In order to continue to support our position as a premium brand in the Edible Oil market, we remained committed to spend on strategically important brand-building and marketing activities; for instance, the launch of our Knife Brand Celebrity Campaign (the "Campaign") featuring a celebrity artist on various platforms, ranging from television advertisements to promotional exposure on different kinds of public transportation in China.

For the purpose of evaluating the effectiveness of our Campaign and striving for continuous improvement when executing such activities in the future, we arranged a post-campaign assessment<sup>1</sup> conducted by a professional party which indicated that the Campaign was effective in enhancing our Knife Brand's consumer appeal. The Campaign had successfully repositioned our long-standing Knife Brand and equipped it with a contemporary image, which helped differentiate the brand from market competitors.

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<sup>1</sup> 2021 AC Nielsen 2021 Post Knife Campaign Customised Research

## **REVIEW OF OPERATIONS** *(continued)*

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

#### **Food Segment** *(continued)*

We considered this to be a valuable investment that had not only fueled the continuous growth in our current core markets, including Shenzhen and Guangzhou, but also facilitated regional expansion into other Guangdong cities and enhanced our brand position in e-commerce channels. For the mature Hong Kong market, our continuous efforts in our premiumisation strategy had successfully led to an increase in market share for our Knife Supreme range<sup>2</sup>, despite the lower profits as a result of intense price competition.

As regards Manuka Health honey products, the Group continued to implement its distribution in China primarily through various e-commerce platforms. We believe that we have established the foundation for this business.

#### **Home Care Segment**

In respect of the Home Care Division, despite a revenue growth by 8% year-on-year to HK\$805 million, the negative impact of increasing costs of raw materials and intense market competition had resulted in a smaller increase in profit from operations by 2% to HK\$86 million.

During the year, social lockdowns and movement restrictions caused by the COVID-19 pandemic accelerated a change in consumer preference from physical stores to online sales platforms. We will closely monitor and analyze the consumer behavioural pattern, so as to make appropriate strategic and tactical adjustments as and when necessary. The Home Care division will continue to pursue its product differentiation and premiumization strategies, as well as expand our product categories and geographical coverage to drive sustainable growth. To this end, the Group had launched new product variants under the AXE and Labour brands, with the AXE brand image refreshed via a cross-brand collaboration with a local design “B. Duck”. Our sales team also implemented measures which not only deepened and widened our channel coverage in the Guangdong province, but also further promoted our brands on various e-commerce channels.

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<sup>2</sup> AC Nielsen 2020-21 Hong Kong Retail Audit Report

## **REVIEW OF OPERATIONS** *(continued)*

### **OUTLOOK**

Looking ahead, we remain cautiously optimistic that the overall business environment will improve in tandem with progress made in vaccination rates and related medical treatments, as well as timely actions taken by different governments such as contact tracing and lockdowns to counter and contain the COVID-19 pandemic. However, we recognize that the situation remains fluid, not least because of the emergence of highly contagious variants of COVID-19.

The Group had been agile in its response and will remain vigilant and disciplined to adopt best practices to safeguard the general well-being of our employees, customers and all other stakeholders. Higher commodity costs coupled with intense price competition would remain challenges, in particular for our Edible Oil Division. The price of edible oil is expected to remain high in the short term and the situation will be closely monitored to ensure that any impact to the bottom line is properly managed.

In spite of these challenging times, the Group remains focused and committed to the continued execution of its strategies to pursue long-term sustainable growth for our business.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

At 30 June 2021, the Group had a cash balance of HK\$1,485 million (2020: HK\$1,530 million). About 63% of these funds were denominated in Renminbi, 34% in Hong Kong dollars and 3% in United States dollars. In addition, the Group invested in fixed income government bonds in Mainland China and equity securities listed in Hong Kong with carrying amounts of HK\$68 million (2020: Nil) and HK\$82 million (2020: Nil) respectively as at 30 June 2021.

Banking facilities available to Group companies and not yet drawn as at 30 June 2021 amounted to HK\$610 million (2020: HK\$611 million).

The Group centralises all the financing and treasury activities at corporate level. There are internal controls over the application of financial and hedging instruments which can only be employed to manage and mitigate the commodity price risk and currency risk for trade purposes.

At 30 June 2021, the inventory turnover days were 72 days (2020: 62 days). The trade receivable turnover days improved to 18 days (2020: 21 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.

### **Foreign Currency Exposure**

The Group has operations in Mainland China, Hong Kong and Macau. Local costs and revenue are primarily denominated in Renminbi, Hong Kong dollars, and Macau Patacas.

The Group is exposed to currency risk primarily through sales and purchases, which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group monitors 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.

### **Equity Price Exposure**

The Group maintains an investment portfolio which comprises equity securities listed in Hong Kong for investment yield enhancement purpose. Equity investments are subject to asset allocation limits.

## **FINANCIAL REVIEW** *(continued)*

### **Capital expenditure**

During the year ended 30 June 2021, the Group invested a total sum of HK\$140 million (2020: HK\$93 million) on construction of new plant and new production lines in China and acquisition of other plant equipment.

### **HUMAN RESOURCES**

As at 30 June 2021, there were 1,690 employees in the Group. Annual increment and year-end performance bonus mechanism were incorporated in the Group's remuneration policy to retain, reward and motivate individuals for their contributions to the Group. In addition, the Company also operates a share option scheme for granting of options to eligible employees.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

		<u>2021</u>	<u>2020</u>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4	<b>5,761,248</b>	5,119,437
Cost of sales		<u>(4,476,856)</u>	<u>(3,925,837)</u>
<b>Gross profit</b>		<b>1,284,392</b>	1,193,600
Other income		<b>45,966</b>	67,793
Selling and distribution expenses		<b>(711,441)</b>	(661,831)
Administrative expenses		<b>(197,881)</b>	(199,692)
<b>Profit from operations</b>		<b>421,036</b>	399,870
Finance costs	5	<b>(283)</b>	(238)
<b>Profit before taxation</b>	5	<b>420,753</b>	399,632
Taxation	6	<b>(63,055)</b>	(82,743)
<b>Profit for the year</b>		<b><u>357,698</u></b>	<u>316,889</u>
<b>Earnings per share</b>			
Basic and diluted	8	<b><u>HK\$1.51</u></b>	<u>HK\$1.34</u>

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.



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

*For the year ended 30 June 2021*

	<u>2021</u> <i>HK\$'000</i>	<u>2020</u> <i>HK\$'000</i>
<b>Profit for the year</b>	<b>357,698</b>	316,889
<b>Other comprehensive income for the year (net of nil tax and reclassification adjustments)</b>		
<b>Item that will not be reclassified to profit or loss:</b>		
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	(5,079)	-
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	175,805	(64,048)
Exchange reserves reclassified to profit or loss upon liquidation of a subsidiary	-	(595)
	<u>175,805</u>	<u>(64,643)</u>
<b>Other comprehensive income for the year</b>	<b>170,726</b>	(64,643)
<b>Total comprehensive income for the year</b>	<b>528,424</b>	252,246

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		<u>2021</u>	<u>2020</u>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Leasehold land and property, plant and equipment		824,301	668,030
Intangible assets and goodwill		5,199	6,862
Other financial assets	9	82,760	772
Deferred tax assets		672	26
Other non-current assets		4,250	16,512
		<u>917,182</u>	<u>692,202</u>
<b>Current assets</b>			
Inventories		849,824	646,073
Trade and other receivables	10	355,390	346,632
Other financial assets	9	67,669	584
Cash and short term funds		1,485,477	1,529,608
		<u>2,758,360</u>	<u>2,522,897</u>
<b>Current liabilities</b>			
Trade and other payables	11	726,111	639,793
Contract liabilities		35,536	39,369
Tax payables		12,772	35,146
Lease liabilities		3,365	2,767
		<u>777,784</u>	<u>717,075</u>
<b>Net current assets</b>		<u>1,980,576</u>	<u>1,805,822</u>
<b>Total assets less current liabilities</b>		<u>2,897,758</u>	<u>2,498,024</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		15,246	19,543
Lease liabilities		1,847	1,584
		<u>17,093</u>	<u>21,127</u>
<b>NET ASSETS</b>		<u>2,880,665</u>	<u>2,476,897</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		672,777	672,777
Reserves		2,207,888	1,804,120
<b>TOTAL EQUITY</b>		<u>2,880,665</u>	<u>2,476,897</u>

*Notes:*

**1. Basis of preparation**

The unaudited financial information relating to the year ended 30 June 2021 and the financial information relating to the year ended 30 June 2020 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 30 June 2020, is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 30 June 2021 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the consolidated financial statements for the year ended 30 June 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements for the year ended 30 June 2020. 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 sections 406(2), 407(2) or (3) of the Companies Ordinance.

The Group's consolidated 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the 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").

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

**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.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3. Segment reporting

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, the Group has two reportable segments, as described below. Businesses in each reporting segment have similar operating and currency risks, class of customer for products, distribution channels and safety regulation. The following summary describes the operations in each segment:

Food: manufacture and distribution of a wide range of food products including flour, edible oils and specialty fats, and trading and distribution of health products.

Home Care: manufacture and distribution of household and institutional cleaning products.

#### (a) Segments results, assets and liabilities

The Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

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 deferred tax assets and other corporate assets. Segment liabilities include tax payables, all trade and other payables and contract liabilities attributable to the manufacturing and sales activities of the individual segments and lease liabilities with the exception of deferred tax liabilities and other corporate liabilities.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management is set out below:

	2021			2020		
	Food HK\$'000	Home Care HK\$'000	Segment Total HK\$'000	Food HK\$'000	Home Care HK\$'000	Segment Total HK\$'000
<b>Disaggregated by timing of revenue recognition on point in time</b>						
Revenue from external customers	<u>4,956,534</u>	<u>804,714</u>	<u>5,761,248</u>	<u>4,375,117</u>	<u>743,923</u>	<u>5,119,040</u>
Reportable segment profit from operations	<u>379,159</u>	<u>85,740</u>	<u>464,899</u>	<u>367,632</u>	<u>84,451</u>	<u>452,083</u>
Reportable segment assets	<u>2,687,394</u>	<u>296,146</u>	<u>2,983,540</u>	<u>2,496,136</u>	<u>289,548</u>	<u>2,785,684</u>
Reportable segment liabilities	<u>617,525</u>	<u>148,784</u>	<u>766,309</u>	<u>543,637</u>	<u>155,776</u>	<u>699,413</u>

### 3. Segment reporting (continued)

#### (b) Reconciliation of reportable segment profit or loss

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit</b>		
Reportable segment profit from operations	<b>464,899</b>	452,083
Unallocated exchange gains/(losses)	<b>8,085</b>	(2,764)
Unallocated interest income on financial assets measured at amortised cost	<b>2,465</b>	6,297
Dividend income	<b>3,535</b>	-
Unallocated head office and corporate expenses	<b>(57,948)</b>	(55,746)
Finance costs	<b>(283)</b>	(238)
	<hr/>	<hr/>
Consolidated profit before taxation	<b>420,753</b>	399,632
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#### (c) Geographical information

The following table sets out information about the geographical location of the reportable segment's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	2021			2020		
	Hong Kong and Macau <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>	Hong Kong and Macau <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<b>725,353</b>	<b>5,035,895</b>	<b>5,761,248</b>	744,657	4,374,383	5,119,040
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#### 4. Revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
- Sales of goods	5,761,248	5,119,040
<b>Revenue from other sources</b>		
Rental income	-	397
	<u>5,761,248</u>	<u>5,119,437</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographical markets is disclosed in notes 3(a) and 3(c) respectively.

#### 5. Profit before taxation

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Finance costs</b>		
Interest on lease liabilities	<u>283</u>	<u>238</u>
<b>Staff costs</b>		
Salaries, wages and other benefits	416,802	391,463
Share-based payment expenses	-	78
Contribution to defined contribution retirement plans ( <i>note (i)</i> )	<u>19,316</u>	<u>18,414</u>
	<u>436,118</u>	<u>409,955</u>
<b>Depreciation and amortisation</b>		
Leasehold land and property, plant and equipment	59,672	63,738
Intangible assets	<u>3,242</u>	<u>4,643</u>
	<u>62,914</u>	<u>68,381</u>

## 5. Profit before taxation (continued)

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Other items</b>		
Interest income on financial assets measured at amortised cost	<b>(26,764)</b>	(32,140)
Dividend income	<b>(3,535)</b>	-
Net exchange (gains)/losses	<b>(2,587)</b>	3,251
Net losses on disposal of property, plant and equipment <i>(note (iii))</i>	<b>2,608</b>	8,499
Loss allowance recognised for trade receivables	<b>2</b>	93
Net unrealised (gain)/loss on club membership	<b>(43)</b>	143
Net realised and unrealised losses/(gains) on derivative financial instruments <i>(note (iv))</i>	<b>6,457</b>	(4,526)
Government grants <i>(note (ii) &amp; (iii))</i>	<b>(12,447)</b>	(30,219)

*Notes:*

- (i) During the year ended 30 June 2021, social security contributions amounted to HK\$13,873,000 (2020: HK\$10,727,000) were exempted in Mainland China following the government introduced temporary waiver from the payment of social security contributions due to COVID-19 pandemic.
- (ii) During the year ended 30 June 2021, government grants primarily represented one-off government subsidies granted due to COVID-19 pandemic of HK\$8,958,000 (2020: HK\$1,806,000) under the Employment Support Scheme of Hong Kong.
- (iii) During the year ended 30 June 2020, expenditure relating to the plant relocation project of HK\$22,713,000 which mainly included fixed asset write-off of the old plant of HK\$8,325,000 and corporate income tax of HK\$11,751,000 had been incurred. A corresponding amount of government compensation was then credited to the consolidated statement of profit or loss.
- (iv) The Group entered into various foreign exchange forward contracts to manage its foreign currency risk exposures during the year.

## 6. Taxation

Taxation in the consolidated statement of profit or loss represents:

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	<b>4,087</b>	5,125
Over-provision in respect of prior years	<b>(266)</b>	(63)
	<u><b>3,821</b></u>	<u>5,062</u>
<b>Current tax - Outside Hong Kong</b>		
Provision for the year	<b>63,833</b>	69,214
Under-provision in respect of prior years	<b>344</b>	681
	<u><b>64,177</b></u>	<u>69,895</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(4,943)</b>	7,786
	<u><b>63,055</b></u>	<u>82,743</u>

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2020: 16.5%) on the respective estimated assessable profits of the companies within the Group operating in Hong Kong during the year.

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 rates prevailing in the respective regions.

All entities engaged in the primary processing of agricultural products in Mainland China are exempted from PRC corporate income tax (“CIT”). As a result, the profits from flour mill operations are exempted from CIT for the years ended 30 June 2021 and 2020.

Other subsidiaries operating in Mainland China are subject to CIT tax rate of 25% (2020: 25%).

In addition, the Group is subject to withholding tax at the applicable rate of 5% on distribution of profits generated after 31 December 2007 from the foreign investment enterprises established in Mainland China. Deferred tax liabilities have been provided for in this regard based on the expected distributable dividends by its subsidiaries established in Mainland China in respect of profits generated after 31 December 2007.



## 7. 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 year:**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.15 (2020: HK\$0.14) per ordinary share	35,493	33,220
Final dividend proposed after the end of the reporting period of HK\$0.33 (2020: HK\$0.31) per ordinary share	<u>77,994</u>	<u>73,622</u>
	<u><b>113,487</b></u>	<u><b>106,842</b></u>

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

**(b) Dividends payable to equity shareholders of the Company (excluding the amount paid to shares held by the Group under ESOP reserve) attributable to the previous financial year, approved and paid during the year:**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.31 (2020: HK\$0.30) per ordinary share	<u>73,461</u>	<u>71,077</u>

## 8. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year of HK\$357,698,000 (2020: HK\$316,889,000) and the weighted average number of 236,875,000 (2020: 237,190,000) ordinary shares in issue during the year, calculated as follows:

	<b>2021</b> <b>'000</b>	2020 <b>'000</b>
Issued ordinary shares at the beginning of year	<u>243,354</u>	<u>243,354</u>
Effect of shares repurchased in prior years	<b>(11,039)</b>	(10,337)
Effect of shares repurchased in current year	<u>(615)</u>	<u>(309)</u>
	<u><b>(11,654)</b></u>	<u>(10,646)</u>
Effect of share options exercised in prior years	<b>5,175</b>	4,140
Effect of share options exercised in current year	<u>-</u>	<u>342</u>
	<u><b>5,175</b></u>	<u>4,482</u>
Weighted average number of ordinary shares at the end of year	<u><b>236,875</b></u>	<u>237,190</u>

### (b) Diluted earnings per share

The diluted earnings per share equalled the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 30 June 2021 and 2020.

## 9. Other financial assets

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Debt securities measured at amortised cost	<i>(i)</i>	<b>67,669</b>	-
Equity securities designated at FVOCI (non-recycling):			
- Equity securities listed in Hong Kong	<i>(ii)</i>	<b>81,945</b>	-
Financial assets measured at FVPL:			
- Club membership		<b>815</b>	772
Derivative financial instruments:			
- Foreign exchange forward contracts		-	584
		<b>150,429</b>	1,356
Representing:			
- Non-current assets		<b>82,760</b>	772
- Current assets		<b>67,669</b>	584
		<b>150,429</b>	1,356

### Notes:

- (i) The debt securities are unsecured, bearing fixed interest rates from 2.2% to 3.2% per annum and will mature in 2022.
- (ii) The equity securities designated at FVOCI (non-recycling) include the listed equity securities of companies engaged in banking and finance industry of HK\$62,525,000 (2020: Nil) and telecommunications industry of HK\$19,420,000 (2020: Nil). The Group designated these investments as equity securities at FVOCI (non-recycling), as the investments are held for investment yield enhancement purpose.

## 10. Trade and other receivables

As of the end of the reporting period, the aging analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	289,991	307,465
3 to 6 months	979	2,398
Over 6 months	14	296
	<hr/>	<hr/>
Trade receivables, net of loss allowance	290,984	310,159
Other receivables, deposits and prepayments	64,406	36,473
	<hr/>	<hr/>
	<b>355,390</b>	<b>346,632</b>
	<hr/> <hr/>	<hr/> <hr/>

## 11. Trade and other payables

As of the end of the reporting period, the aging analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	404,349	306,865
More than 3 months	3,657	6,529
	<hr/>	<hr/>
Trade payables	408,006	313,394
Deposits received	14,977	10,259
Other payables and accruals	297,583	311,554
Deferred income	5,505	4,472
Derivative financial instruments:		
- Foreign exchange forward contracts	40	114
	<hr/>	<hr/>
	<b>726,111</b>	<b>639,793</b>
	<hr/> <hr/>	<hr/> <hr/>

## **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 shares of the Company to satisfy the exercise of options which may be granted pursuant to the Executive Share Option Scheme adopted on 23 April 2013, purchased 1,145,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK\$15,452,000.

Save as disclosed above, during the year, 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.

## **CODE ON CORPORATE GOVERNANCE PRACTICES ("CGP Code")**

The Board has adopted a Code of Corporate Governance Practices (the "CGP Code"), which is based on the Corporate Governance Code set out in Appendix 14 (the "HKEX Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has complied with the HKEX Code for the year ended 30 June 2021, 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.

## **REVIEW BY BOARD AUDIT AND RISK MANAGEMENT COMMITTEE ("BARMC")**

The BARMC has reviewed with the management the accounting principles and practices adopted by the Company and discussed the auditing, risk management, internal controls and financial reporting matters including a review of the annual results of the Company for the year ended 30 June 2021.

## **SCOPE OF WORK PERFORMED BY AUDITOR**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

## **CLOSURE OF REGISTER OF MEMBERS**

For ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting:

Closure dates of Register of Members (both days inclusive)	5 November 2021 (Friday) to 10 November 2021 (Wednesday)
Latest time to lodge transfers	4:30 p.m. on 4 November 2021 (Thursday)
Record date	10 November 2021 (Wednesday)
Annual General Meeting	10 November 2021 (Wednesday)

For ascertaining shareholders' entitlement to the proposed final dividend\*:

Closure dates of Register of Members (both days inclusive)	18 November 2021 (Thursday) to 19 November 2021 (Friday)
Latest time to lodge transfers	4:30 p.m. on 17 November 2021 (Wednesday)
Record date	19 November 2021 (Friday)
Proposed final dividend payment date	1 December 2021 (Wednesday)

*(\*subject to shareholders' approval at the annual general meeting)*

During the periods of the closure of Register of Members, no share transfers will be registered. For registration, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars and Transfer Office – Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before the relevant latest time to lodge transfers.

By Order of the Board  
**CHENG Man Ying**  
*Company Secretary*

Hong Kong, 23 August 2021

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

*Chairman:*  
Mr. KWEK Leng Hai

*Group Managing Director:*  
Mr. WONG Cho Fai

*Non-Executive Directors:*  
Mr. CHEW Seong Aun  
Dr. WHANG Sun Tze

*Independent Non-Executive Directors:*  
Mr. LO Kai Yiu, Anthony  
Mr. HUANG Lester Garson, *SBS, JP*  
Ms. HO Yuk Wai, Joan