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 2023

FINANCIAL HIGHLIGHTS			
	Six months ended 31 December		
	2023	2022	*Increase/*
	HK$'M	HK$'M	*(Decrease)*
Revenue	**2,659**	2,715	*(2%)*
Gross profit	**582**	449	*30%*
Profit for the period	**129**	42	*205%*
	HK$	HK$	
Basic earnings per share	**0.55**	0.18	*206%*
Interim dividend per share	**0.13**	0.10	*30%*
	As at 31 December 2023	As at 30 June 2023	
	HK$'M	HK$'M	
Total equity	**2,900**	2,786	*4%*

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 2023.

OVERVIEW

The economic recovery of our core markets, Mainland China and Hong Kong, has been slower than expected following the lifting of Covid-19 border controls. Consumer confidence has only been gradually improving, as concerns over geopolitical tensions, global interest rates, and future economic growth continue to weigh on sentiment. Keen market competition also posted challenges on our product prices. However, on the positive side, commodity prices showed signs of easing as global supply stablised.

Despite these challenges, we remained committed in executing the Group's business initiatives and enhancing the appeal for our brands, with a particular focus on the premium segment, which continued to deliver progress. With a constantly improved product portfolio for both the Food and Home Care segments and a competitive pricing strategy, we ensure our products continue to remain attractive in the fiercely challenging markets. This has helped to maintain and, in some cases, increase our market share. As a result, all segments reported an increase in sales volume. In addition to the favorable wheat and oil costs for the period, the management team diligently managed procurement to effectively optimized overall raw material costs and enhanced supply stability, contributing an improved profitability for the first half of the financial year.

SUMMARY OF FINANCIAL RESULTS

The Group recorded a decline in revenue by 2% to HK$2,659 million comparing to the previous corresponding period, due to lower average exchange rate for Renminbi. Excluding such impact, revenue would have improved marginally by 1%, mainly attributable to sales volume growth. Gross profit margin notably increased by 5.4 percentage points to 21.9%, mainly due to favourable wheat cost and oil cost, as well as sales mix improvement in our Flour and Home Care businesses along with improvement in the performance of our Specialty Fats business. As a result, the Group's profit for the period increased by 205% to HK$129 million.

As at 31 December 2023, the Group's cash balance was at HK$1,544 million, increased by 6% since previous financial year end. For yield enhancement of cash-on-hand, the Group invested in quality fixed income government bonds in Mainland China and equity securities listed in Hong Kong with total carrying amount of HK$155 million as at 31 December 2023. In light of our liquidity and strong financial position, we will continue to adapt a strategy not only to protect our business fundamentals but also look for the right opportunities for transformation and growth.

DIVIDENDS

The Board had declared an interim dividend of HK$0.13 per share totalling approximately HK$32 million for the six months ended 31 December 2023 (six months ended 31 December 2022: HK$0.10 per share totalling approximately HK$24 million), which will be payable on Wednesday, 20 March 2024 to the shareholders whose names appear on the register of members of the Company on Friday, 8 March 2024.

BUSINESS REVIEW

Food Segment

Food segment's revenue dropped by 3% to HK$2,232 million. Stripping off the Renminbi depreciation impact, the revenue increased by 1%. Operating profit of the segment posted a surge of 408% to HK$126 million as compared to the previous corresponding period.

The Group's Flour and Specialty Fats business navigated through challenges in the first half of the financial year as soft market demand and intense price competition prevailed. To achieve our post-pandemic sales volume recovery, the Group prioritized the growth of the core premium segment by optimizing resources in procurement, production, R&D, and our commercial teams. While for the lower price segments, a strategic pricing approach has been implemented to balance volume and profit, considering the ongoing trend of budget-conscious customers trading down in uncertain times. As a result, the Flour business registered an increase in its sales volume. During the period, with a more favourable wheat cost compared to the 2022 levels, the business achieved a significant profit increase in the first half of the financial year. The Group's Specialty Fat business put its focus on the premium segment to withstand strong price competition which helped with its operational recovery. Looking ahead, we plan for these two revenue streams to forge stronger synergy in terms of products, sales channel, and customer conversion to drive growth.

BUSINESS REVIEW *(continued)*

Food Segment *(continued)*

Despite keen pricing pressure from competition, the Oil division regained momentum in volume growth. Implementation of effective sales and marketing plans during the festive seasons have yielded good sales for Knife, one of our key brands. Additionally, the Group gained deeper segment participation with the launch of a new lower price corn oil product which has been supported by strategic distribution expansion to benefit volume and profitability. The revitalization of our e-commerce channel, coupled with optimized sales and swift response to market demand have fuelled further increases in sales volume. The large drop in oil prices has also bought a significant benefit to the profit of the division for the period. We will continue to strengthen our overall business fundamentals and to enhance the brand and product offering to drive business momentum and profitability.

Home Care Segment

Home Care Division revenue grew by 2% to HK$427 million while operating profit increased by 9% to HK$44 million. We were able to achieve both volume and revenue growth despite softer demand in markets and unfavourable foreign currency translation impact on our Mainland China sales. Ongoing supply chain optimization programs, combined with raw material cost savings will provide us with additional profitability and resources to reinvest in new growth initiatives.

In Mainland China, our simultaneous and relentless efforts to deepen penetration in core markets, expansion in our product range and geographic expansion helped us generate incremental growth in a challenging and highly competitive market environment. Our new and more premium dishwashing product – AXE Hyaluronic Acid – got off to a positive start. We leveraged on the AXE brand strength and our capabilities in e-Commerce channels to promote and drive trial of this new product nationwide in a relatively short period of time. In offline markets, we have begun venturing beyond our core base in Guangdong and Fujian to test consumer receptibility of our products in new geographic territories.

OUTLOOK

As we look ahead, the economic outlook for Mainland China and Hong Kong markets remains soft with global uncertainties persisting in 2024. Most of the current challenging factors in our market place still have not changed. The Group will stay vigilant, focusing on enhancing operational efficiency, cost control, and strengthening our supply chain and strategic supplier relationships to bolster our competitive position. We will allocate resources to develop differentiating new products that align with emerging consumer trends. Additionally in the second half, we will allocate more resources to new e-commerce channels as well as to deepen existing channel strategies to enhance our market reach and positioning. The Group will continue to protect our core business fundamentals, create differentiation in our products in order to deliver sustainable growth.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2023, the Group had a cash balance of HK$1,544 million (30 June 2023: HK$1,457 million). About 70% of the balance was denominated in Renminbi, 28% in Hong Kong dollars and 2% in other currencies. 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$94 million (30 June 2023: HK$91 million) and HK$61 million (30 June 2023: HK$67 million) respectively as at 31 December 2023.

Banking facilities available to Group companies and not yet drawn as at 31 December 2023 amounted to HK$590 million (30 June 2023: HK$553 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 commodity price risk and currency risk for trade purposes.

At 31 December 2023, the inventory turnover days were 60 days (30 June 2023: 62 days). The trade receivable turnover days were 22 days (30 June 2023: 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 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.

Capital Expenditure

During the six months ended 31 December 2023, the Group invested a total sum of HK$26 million (2022: HK$34 million) on acquisition of plant equipment.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2023 (Unaudited)

	Note	**2023**	2022
		HK$'000	*HK$'000*
Revenue	*3*	**2,659,166**	2,715,046
Cost of sales		**(2,076,867)**	(2,265,990)
Gross profit		**582,299**	449,056
Other income		**30,801**	25,600
Selling and distribution expenses		**(351,095)**	(329,933)
Administrative expenses		**(103,689)**	(93,919)
Profit from operations		**158,316**	50,804
Finance costs	*4*	**(131)**	(106)
Profit before taxation	*4*	**158,185**	50,698
Taxation	*5*	**(29,312)**	(8,491)
Profit for the period		**128,873**	42,207
Earnings per share			
Basic and diluted	*7*	**HK$0.55**	HK$0.18

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 31 December 2023 (Unaudited)

	2023	2022
	HK$'000	*HK$'000*
Profit for the period	**128,873**	42,207
Other comprehensive income for the period (net of nil tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	**(6,500)**	(4,994)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**38,449**	(84,242)
Other comprehensive income for the period	**31,949**	(89,236)
Total comprehensive income for the period	**160,822**	(47,029)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2023

	Note	**At 31 December 2023 (Unaudited)** *HK$'000*	At 30 June 2023 (Audited) *HK$'000*
Non-current assets			
Leasehold land and property, plant and equipment		**769,210**	771,353
Intangible assets and goodwill		**4,157**	4,625
Other financial assets	*8*	**61,312**	90,468
Deferred tax assets		**11,414**	14,586
Other non-current assets		**5,406**	2,485
		851,499	883,517
Current assets			
Inventories		**666,104**	667,918
Trade and other receivables	*9*	**442,038**	347,364
Other financial assets	*8*	**93,647**	69,340
Cash and deposits		**1,544,055**	1,456,839
		2,745,844	2,541,461
Current liabilities			
Trade and other payables	*10*	**634,150**	589,238
Contract liabilities		**18,584**	20,824
Tax payables		**15,862**	8,850
Lease liabilities		**3,597**	3,112
		672,193	622,024
Net current assets		**2,073,651**	1,919,437
Total assets less current liabilities		**2,925,150**	2,802,954
Non-current liabilities			
Deferred tax liabilities		**20,643**	15,572
Lease liabilities		**2,188**	1,069
Long service payment liabilities		**1,875**	-
		24,706	16,641
NET ASSETS		**2,900,444**	2,786,313

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2023

	Note	**At 31 December 2023 (Unaudited)**	At 30 June 2023 (Audited)
		HK$'000	*HK$'000*
CAPITAL AND RESERVES			
Share capital		**672,777**	672,777
Reserves		**2,227,667**	2,113,536
TOTAL EQUITY		**2,900,444**	2,786,313

Notes:

1. Basis of preparation

The preliminary announcement of the Company's interim results has 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, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial statements included in this announcement has been prepared in accordance with the same accounting policies adopted in the 2022/23 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023/24 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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 2022/23 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 financial information in this announcement is unaudited. The financial information relating to the financial year ended 30 June 2023 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 2023 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 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

(i) Amended HKFRSs

The Group has applied the following amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 12,
  Income taxes: International tax reform – Pillar Two model rules

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Notes:

2. Changes in accounting policies *(continued)*

(i) Amended HKFRSs *(continued)*

Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. In adopting these amendments, the Group has applied the temporary mandatory exception from recognising and disclosing information about deferred tax assets and liabilities arising from implementation of the OECD's Pillar Two income taxes. The disclosures in respect of the current tax expense related to the Pillar Two income taxes and the known or reasonably estimable exposure to Pillar Two income taxes are required from annual reporting periods beginning on or after 1 January 2023, but they are not required to be disclosed in interim financial reports for any interim period ending on or before 31 December 2023.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

Notes:

2. Changes in accounting policies *(continued)*

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism *(continued)*

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the financial year ended 30 June 2023, with the corresponding adjustment to the comparative carrying amount of the LSP liability. However, since the amount of the catch-up profit or loss adjustment was immaterial with reference to the assessment by the external specialist engaged by the Group, the Group did not restate the comparative figures for consolidated financial statements.

The following table illustrates the amounts that would have been in the Group's consolidated statement of profit or loss for the six months ended 31 December 2023 and the consolidated statement of financial position as at that date, if the Group had not changed its accounting policy as noted above and had continued to apply the practical expedient in paragraph 93(b) of HKAS 19:

	As reported *HK$'000*	Backing out effect of adoption of the HKICPA guidance *HK$'000*	If accounting policy had not been changed *HK$'000*
<u>Consolidated statement of profit or loss for the six months ended 31 December 2023:</u>			
Selling and distribution expenses	(351,095)	1,151	(349,944)
Administrative expenses	(103,689)	724	(102,965)
Profit from operations	**158,316**	**1,875**	**160,191**
Profit before taxation	**158,185**	**1,875**	**160,060**
Profit for the period	**128,873**	**1,875**	**130,748**
Earnings per share			
Basic and diluted	HK$0.55	HK$0.01	HK$0.56

Notes:

2. Changes in accounting policies *(continued)*

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism *(continued)*

	As reported *HK$'000*	Backing out effect of adoption of the HKICPA guidance *HK$'000*	If accounting policy had not been changed *HK$'000*
Consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2023:			
Total comprehensive income for the period	**160,822**	**1,875**	**162,697**
Consolidated statement of financial position as at 31 December 2023:			
Long service payment liabilities	1,875	(1,875)	-
Total non-current liabilities	**24,706**	**(1,875)**	**22,831**
Net assets	**2,900,444**	**1,875**	**2,902,319**
Reserves	2,227,667	1,875	2,229,542
Total equity	**2,900,444**	**1,875**	**2,902,319**

Notes:

3. Revenue and 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.

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

(a) Disaggregation of revenue

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

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
- Sales of goods	**2,659,166**	2,715,046
Disaggregated by geographical location of customers		
- Hong Kong and Macau	**379,470**	402,676
- Mainland China	**2,279,696**	2,312,370
	2,659,166	2,715,046

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

Notes:

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

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by 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:

	Six months ended 31 December					
	2023 (Unaudited)			2022 (Unaudited)		
	Food	**Home Care**	**Segment Total**	Food	Home Care	Segment Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition on point in time						
Revenue from external customers	**2,232,244**	**426,922**	**2,659,166**	2,294,585	420,461	2,715,046
Reportable segment profit from operations	**126,401**	**44,408**	**170,809**	24,874	40,671	65,545

	At 31 December 2023 (Unaudited)			At 30 June 2023 (Audited)		
	Food	**Home Care**	**Segment Total**	Food	Home Care	Segment Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	**2,630,093**	**379,836**	**3,009,929**	2,460,053	333,727	2,793,780
Reportable segment liabilities	**549,094**	**148,530**	**697,624**	498,415	133,857	632,272

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.

Notes:

3. Revenue and segment reporting *(continued)*

(c) Reconciliations of reportable segment profit or loss

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Reportable segment profit from operations	**170,809**	65,545
Unallocated exchange gains/(losses)	**586**	(1,256)
Unallocated interest income on financial assets measured at amortised cost	**10,956**	6,135
Dividend income	**5,087**	4,710
Unallocated head office and corporate expenses	**(29,122)**	(24,330)
Finance costs	**(131)**	(106)
Consolidated profit before taxation	**158,185**	50,698

4. Profit before taxation

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

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance costs		
Interest on lease liabilities	**131**	106
Staff costs		
Salaries, wages and other benefits	**216,322**	209,175
Share-based payment expenses	**1,291**	1,522
Expenses recognised in respect of long service payments	**1,875**	-
Contribution to defined contribution retirement plans	**17,702**	16,953
	237,190	227,650

Notes:

4. Profit before taxation *(continued)*

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

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation		
Leasehold land and property, plant and equipment	**35,691**	37,863
Intangible assets	**479**	485
	36,170	38,348
Other items		
Interest income on financial assets measured at amortised cost	**(22,557)**	(15,485)
Dividend income	**(5,087)**	(4,710)
Net exchange gains	**(893)**	(520)
Net gains on disposal of property, plant and equipment	**(13)**	(447)
(Reversal of write-down)/write-down of inventories (*note (i)*)	**(1,243)**	6,415
Net unrealised loss on club membership	**550**	100
Net realised gains on derivative financial instruments (*note (ii)*)	**(68)**	-
Government grants (*note (iii)*)	**(1,371)**	(2,253)

Notes:

(i) During the six months ended 31 December 2022, the Group recognised HK$5,700,000 for the write-down of inventories to their estimated net realizable value in its new specialty fats company in Jintan, East China, which resulted from competitive pricing strategy triggered by sharp decline in palm oil prices to maintain market share and to keep inventory turns.

(ii) During the six months ended 31 December 2023, the Group entered into various foreign exchange forward contracts to manage its foreign currency risk exposures. There have been no foreign exchange forward contracts entered into by the Group during the six months ended 31 December 2022.

(iii) During the six months ended 31 December 2022, government grants included government subsidies granted due to COVID-19 pandemic of HK$1,327,000 under the Employment Support Scheme of Hong Kong.

Notes:

5. Taxation

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**4,575**	587
Current tax – Outside Hong Kong	**16,257**	8,042
Deferred taxation	**8,480**	(138)
	29,312	8,491

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the respective estimated assessable profits of companies within the Group operating in Hong Kong for the six months ended 31 December 2023, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

Taxation for subsidiaries operating in Mainland China and Macau is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable 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 six months ended 31 December 2023 and 2022.

Other subsidiaries operating in Mainland China are subject to CIT tax rate of 25% (2022: 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.

Notes:

6. Dividends

(a) Dividends payable to equity shareholders of the Company (excluding the amount paid to shares held by the Group under the ESOP reserve) attributable to the interim period

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared and paid after the interim period of HK$0.13 (2022: HK$0.10) per ordinary share	**30,527**	23,497

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

(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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.20 (2022: HK$0.33) per ordinary share	**46,976**	77,539

Notes:

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of HK$128,873,000 (2022: HK$42,207,000) and the weighted average number of 234,898,000 (2022: 235,008,000) ordinary shares in issue during the interim period.

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	'000	*'000*
Issued ordinary shares at beginning of period	**243,354**	243,354
Effect of shares purchased in prior years	**(13,584)**	(13,476)
Effect of shares purchased in current period	**(47)**	(45)
	(13,631)	(13,521)
Effect of shares options exercised in prior years	**5,175**	5,175
Weighted average number of ordinary shares at end of period	**234,898**	235,008

(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 six months ended 31 December 2023 and 2022.

Notes:

8. Other financial assets

	Note	**At 31 December 2023 (Unaudited)**	At 30 June 2023 (Audited)
		HK$'000	*HK$'000*
Debt securities measured at amortised cost	*(i)*	**93,647**	91,446
Equity securities designated at fair value through other comprehensive income ("FVOCI") (non-recycling):			
- Equity securities listed in Hong Kong	*(ii)*	**60,990**	67,490
Financial assets measured at fair value through profit or loss:			
- Club membership		**322**	872
		154,959	159,808
Representing:			
- Non-current assets		**61,312**	90,468
- Current assets		**93,647**	69,340
		154,959	159,808

Notes:

(i) At 31 December 2023, the debt securities are unsecured, bearing fixed interest rates at 2.0% to 3.3% (30 June 2023: 2.0% to 3.3%) per annum and will mature in one year (30 June 2023: mature in one to two years).

(ii) The equity securities designated at FVOCI (non-recycling) include the listed equity securities of companies engaged in banking and finance industry of HK$60,990,000 (30 June 2023: HK$67,490,000). The Group designated these investments as equity securities at FVOCI (non-recycling), as the investments are held for investment yield enhancement purpose.

Notes:

9. Trade and other receivables

As of the end of the reporting period, the ageing 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:

	At 31 December 2023 (Unaudited) *HK$'000*	At 30 June 2023 (Audited) *HK$'000*
Within 3 months	**338,438**	299,742
3 to 6 months	**2,942**	3,004
Over 6 months	**14**	-
Trade receivables, net of loss allowance	**341,394**	302,746
Other receivables, deposits and prepayments	**100,644**	44,618
	442,038	347,364

10. Trade and other payables

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

	At 31 December 2023 (Unaudited) *HK$'000*	At 30 June 2023 (Audited) *HK$'000*
Within 3 months	**383,323**	364,645
More than 3 months	**463**	2,694
Trade payables	**383,786**	367,339
Deposits received	**10,632**	17,009
Other payables and accruals	**235,952**	200,910
Deferred income	**3,780**	3,980
	634,150	589,238

REVIEW BY BOARD AUDIT AND RISK MANAGEMENT COMMITTEE

The unaudited interim results for the six months ended 31 December 2023 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 Corporate Governance Code which is based on the principles as set out in Appendix 14 (which has been renumbered to Appendix C1 with effect from 31 December 2023) (the "HKEX Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During the period, the Company has complied with all applicable code 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 which may be granted pursuant to the Executive Share Option Scheme adopted on 23 April 2013, purchased 123,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK$1,006,000.

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 on Friday, 8 March 2024, on such date 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 Registrar and Transfer Office — Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 March 2024.

By Order of the Board
CHENG Man Ying
Company Secretary

Hong Kong, 20 February 2024

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

Chairman:
Mr. KWEK Leng Hai

Executive Director:
Mr. WONG Cho Fai - Group Managing Director / Chief Executive Officer

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