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 2020

- Revenue: HK$5,119 million
- Profit attributable to equity shareholders: HK$317 million
- Cash balance: HK$1,530 million
- Basic and diluted earnings per share: HK$1.34
- Proposed final dividend per share: HK$0.31

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 2020.

FINANCIAL RESULTS

The adverse impact of COVID-19 pandemic and the Hong Kong social unrest affected our business-to-business customers in hotel, bakery, catering and food manufacturing. This was partly offset by our growth in e-commerce and Fast Moving Consumer Goods segments of Edible Oil and Home Care. The Group sales revenue decreased by 3.7% from the previous year. Gross profit margin improved by 1.6 percentage points to 23.3% as a result of our product premiumisation strategy and favourable material costs for Flour and Home Care. The Group invested in higher marketing spend to enhance brand equity and in emerging e-commence channels to maintain business momentum. Profits attributable to shareholders decreased by 6.8% to HK$317 million due to higher taxation from additional provision for People's Republic of China ("PRC") dividends withholding tax.

DIVIDENDS

The Directors are recommending a final dividend for the financial year ended 30 June 2020 of HK$0.31 per share totaling approximately HK$75,440,000 at the forthcoming Annual General Meeting. In addition to the interim dividend of HK$0.14 per share paid earlier this year (2019: interim dividend of HK$0.14 and final dividend of HK$0.30 per share, total dividend for the whole year amounts to approximately HK$107,076,000), total dividend for the year amounts to HK$0.45 per share totaling approximately HK$109,509,000. Subject to shareholders' approval, the final dividend will be payable on Wednesday, 2 December 2020 to the shareholders whose names appear on the register of members on Friday, 20 November 2020.

REVIEW OF OPERATIONS

BUSINESS REVIEW

Food Segment

Food Segment recorded revenues of HK$4,375 million, a 5.0% reduction against the previous year and profits from operations slipped 6.7% to HK$368 million, mainly due to flour volume reduction under the challenging backdrop of the COVID-19 pandemic.

During the year, our Flour Division continues to pursue its long-term strategy to transform from an ingredient supplier to a solutions provider. This includes introduction of new high-quality and higher-margin products to cater for the evolving customer and consumer demands, opening additional baking centres to provide hands-on technical training and solutions to our business-to-business customers, deepening and widening our distribution coverage and strengthening our production facilities and supply chain.

In the midst of the intensifying U.S.-China trade relationship, the Group has conducted rigorous sourcing and evaluation of various wheat types from PRC and Europe with the aim to lessen its current dependence on U.S., Canada and Australia wheat. This exercise has not only yielded cost savings but enabled the Group to identify and use various wheat sources that provide bespoke mixes that support our expanding flour products portfolio.

Our highest quality Royal Sakura flour continues to penetrate into the market, albeit at a slower pace than previously planned due to disruption of product demonstrations and roadshows from the pandemic lockdowns. Our specialty fats factory in Jintan continues to proceed on track and is expected to be operational in fourth quarter of FY20/21. Specialty fats is a complementary product to the Group's business with overlapping targeted customers, synergistic distribution network, and operational and system requirements. This will add a strong new pillar to fuel our business growth in the near future.

For Edible Oil, it registered robust revenue growth in the year under review against the challenge of higher raw material costs of corn and peanut. Our core Knife Oil business-to-consumer business had strong growth, both offline in South China and in online e-commerce. This successfully offset our decline in catering and institutional business-to-business. In the very competitive Guangzhou market, Knife grew significantly and reached a new high of 6.3% market value share.[1] Knife grew and expanded in e-commerce via expanding channels into different and wider platforms, enriching the online specific product portfolio and implementing new attractive sales and marketing programmes. In the mature Hong Kong market, Knife delivered solid growth and continued to lead in the very important peanut segment with total market share in value and volume at 27.9% and 31.9% respectively.[2] To capture the prevailing health-conscious trend among consumers, Knife continued to strengthen its premium range offering, with the addition of Supreme Peanut Blended Oil, Supreme Corn Oil and Supreme Canola Oil, which sets a foundation for growth in future.

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[1] Lam Soon's calculation based in part on data reported by Nielsen through its Retail Index Service for the Edible Oil (Consumer Pack) Category for the rolling year June 2020 (from July 2019 to June 2020), for the China Guangdong market. (Copyright @2020, The Nielsen Company.)

[2] Lam Soon's calculation based in part on data reported by Nielsen through its Retail Index Service for the Edible Oil Category from July 2018 to June 2020 for Total Supermarkets & Convenience Stores in Hong Kong. (Copyright @2020, The Nielsen Company.)

BUSINESS REVIEW *(continued)*

Food Segment *(continued)*

The Group commenced distribution of Manuka Health honey products in PRC via cross border e-commerce platform in the current year and expects to expand to cover more channels, especially e-commerce, in the upcoming financial year, to provide a new source of future growth.

Home Care Segment

Home Care Segment revenue grew 4.5% to HK$744 million and profits from operations increased 40.1% to HK$84 million. This was mainly attributed to consolidation of distributorships, consumer trade up through AXE premiumisation, strong momentum of e-commerce and favourable material costs.

In Hong Kong, we upheld strong market leadership in the dishwashing detergent category with combined value and volume market share at 39.0% and 51.0%.[3] In Guangdong, we maintained our No. 2 market position in dishwashing detergent category with a combined market share of 17.6% in value and 16.4% in volume respectively.[4]

We will continue to execute our long-term strategy to transform Home Care to a wider range household business via rejuvenating the AXE brand, trading up consumers in dishwashing detergent and expanding beyond dishwashing, e.g. Fabric Care. COVID-19 is a threat to most businesses but for Home Care, it is also an opportunity. We strengthened our portfolio and business through the launch of the anti-bacteria range of Triple Actions and Artemisia and accelerated our momentum in our firmly established online channels to pave the way for our further geographical expansion and growth in the future.

OUTLOOK

The financial year just ended has been a year marked with volatility and uncertainty as geo-political tensions dampened business sentiment and the COVID-19 pandemic disrupted economic and social activities. It has been a year many had not foreseen nor experienced before. The Group through its strong fundamentals and support of its customers has managed to emerge with minor revenue and profit slippages. It is steadfast to pursue its business agenda to strengthen its products and market support while solidifying its distribution channels and relations with its valued clients. It continues with its plan to introduce new products in higher valued flour and specialty fats from its new plants in Yixing and soon Jintan and in superior offerings of Edible Oil under the Supreme series and in Home Care under new product categories. The Group has taken necessary steps to risk manage its supply chain as best as it can, heightened improved health and safety measures and worked more closely with our customers to assure the availability of our products to our consumers.

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[3] Lam Soon's calculation based in part on data reported by Nielsen through its Retail Index Service for the Dishwashing Detergent Category from July 2018 to June 2020 for Total Supermarkets, Convenience Stores and Drug Stores in Hong Kong. (Copyright @2020, The Nielsen Company.)

[4] Lam Soon's calculation based in part on data reported by Nielsen through its Retail Index Service for the Dishwashing Liquid Category for the rolling year June 2020 (from July 2019 to June 2020), for the China Guangdong market. (Copyright @2020, The Nielsen Company.)

OUTLOOK *(continued)*

The outlook for the new financial year 2020/21 is expected to be challenging as the COVID-19 pandemic continues to ripple across the globe while communities and businesses struggle to cope with the resultant disruption and to operate under a new normal. The stage - two effects of disrupted businesses, job losses and economic retrenchment will start to bite deeper in the new financial year and economic activities may remain soft. Against this backdrop, the Group enters financial year 2020/21 with vigilance and discipline but mindful that its strong financial position and business fundamentals will be a safeguard and allow it to grow when the economic recovery emerges.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2020, the Group had a cash balance of HK$1,530 million (2019: HK$1,318 million). This was mainly attributable to the net cash generated from operating activities. About 76% of these funds were denominated in Renminbi, 17% in Hong Kong dollars and 7% in United States dollars.

Banking facilities available to Group companies and not yet drawn as at 30 June 2020 amounted to HK$611 million (2019: HK$721 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 2020, the inventory turnover days were 62 days (2019: 59 days). The trade receivable turnover days remained at a stable level of 21 days (2019: 24 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.

Capital expenditure

During the year ended 30 June 2020, the Group invested a total sum of HK$93 million (2019: HK$121 million) on construction of new plant and new production lines in China and acquisition of other plant equipment.

HUMAN RESOURCES

As at 30 June 2020, there were 1,735 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. Share options were granted to eligible employees to recognise their contribution and provide incentives to achieve better performance.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 30 June 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*4*	**5,119,437**	5,316,205
Cost of sales		**(3,925,837)**	(4,161,761)
Gross profit		**1,193,600**	1,154,444
Other income		**67,793**	43,702
Selling and distribution expenses		**(661,831)**	(614,519)
Administrative expenses		**(199,692)**	(185,499)
Profit from operations		**399,870**	398,128
Finance costs	*5*	**(238)**	-
Profit before taxation	*5*	**399,632**	398,128
Taxation	*6*	**(82,743)**	(58,052)
Profit for the year		**316,889**	340,076
Attributable to:			
Equity shareholders of the Company		**316,889**	340,076
Non-controlling interests		**-**	-
Profit for the year		**316,889**	340,076
Earnings per share			
Basic	*8(a)*	**HK$1.34**	HK$1.44
Diluted	*8(b)*	**HK$1.34**	HK$1.43

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

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 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**316,889**	340,076
Other comprehensive income for the year (net of nil tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(64,048)**	(61,555)
Exchange reserves reclassified to profit or loss upon liquidation of a subsidiary	**(595)**	-
Other comprehensive income for the year	**(64,643)**	(61,555)
Total comprehensive income for the year	**252,246**	278,521
Attributable to:		
Equity shareholders of the Company	**252,246**	278,521
Non-controlling interests	**-**	-
Total comprehensive income for the year	**252,246**	278,521

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Note	2020	2019
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Leasehold land and property, plant and equipment		**668,030**	703,570
Intangible assets and goodwill		**6,862**	9,597
Deferred tax assets		**26**	-
Other non-current assets		**17,284**	11,498
		692,202	724,665
Current assets			
Inventories		**646,073**	625,843
Trade and other receivables	*9*	**347,216**	393,284
Cash and short term funds		**1,529,608**	1,317,927
		2,522,897	2,337,054
Current liabilities			
Trade and other payables	*10*	**639,793**	673,063
Contract liabilities		**39,369**	28,232
Tax payables		**35,146**	13,636
Lease liabilities		**2,767**	160
		717,075	715,091
Net current assets		**1,805,822**	1,621,963
Total assets less current liabilities		**2,498,024**	2,346,628
Non-current liabilities			
Deferred tax liabilities		**19,543**	11,731
Lease liabilities		**1,584**	354
		21,127	12,085
NET ASSETS		**2,476,897**	2,334,543

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2020

	2020	2019
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**672,777**	672,777
Reserves	**1,804,120**	1,651,053
Total equity attributable to equity shareholders of the Company	**2,476,897**	2,323,830
Non-controlling interests	**-**	10,713
TOTAL EQUITY	**2,476,897**	2,334,543

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 30 June 2020 and the financial information relating to the year ended 30 June 2019 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 2019, 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 2020 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 2019 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 2019. 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 new and revised 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 and prior accounting periods reflected in these financial statements.

2. Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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.

2. Changes in accounting policies *(continued)*

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 July 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of lease liabilities and the corresponding right-of-use assets at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 July 2019. For contracts entered into before 1 July 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

2. **Changes in accounting policies** *(continued)*

HKFRS 16, *Leases (continued)*

(b) Lessee accounting and transitional impact (continued)

At the date of transition to HKFRS 16 (i.e. 1 July 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 July 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.14%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 June 2020; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	1 July 2019 *HK$'000*
Operating lease commitments at 30 June 2019	3,423
Less: commitments relating to leases exempt from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 30 June 2020	(219)
	3,204
Less: total future interest expenses	(122)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019	3,082
Add: finance lease liabilities recognised as at 30 June 2019	514
Total lease liabilities recognised at 1 July 2019	3,596

2. Changes in accounting policies *(continued)*

HKFRS 16, *Leases (continued)*

(b) Lessee accounting and transitional impact *(continued)*

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 30 June 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 30 June 2019	**Capitalisation of operating lease contracts**	**Carrying amount at 1 July 2019**
	HK$'000	***HK$'000***	***HK$'000***
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Leasehold land and property, plant and equipment	703,570	3,082	706,652
Total non-current assets	**724,665**	**3,082**	**727,747**
Lease liabilities (current)	160	2,206	2,366
Total current liabilities	**715,091**	**2,206**	**717,297**
Net current assets	**1,621,963**	**(2,206)**	**1,619,757**
Total assets less current liabilities	**2,346,628**	**876**	**2,347,504**
Lease liabilities (non-current)	354	876	1,230
Total non-current liabilities	**12,085**	**876**	**12,961**

2. **Changes in accounting policies** *(continued)*

HKFRS 16, *Leases (continued)*

(c) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 July 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The adoption of HKFRS 16 does not have material impact on the financial results and segment results of the Group for the year ended 30 June 2020.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flows.

(d) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

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.

3. Segment reporting *(continued)*

(a) Segments results, assets and liabilities *(continued)*

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:

	2020			2019		
	Food *HK$'000*	**Home Care** *HK$'000*	**Segment Total** *HK$'000*	Food *HK$'000*	Home Care *HK$'000*	Segment Total *HK$'000*
Disaggregated by timing of revenue recognition on point in time						
Revenue from external customers	**4,375,117**	**743,923**	**5,119,040**	4,603,540	712,214	5,315,754
Reportable segment profit from operations	**367,632**	**84,451**	**452,083**	393,892	60,268	454,160
Interest income on financial assets measured at amortised cost	**21,163**	**4,680**	**25,843**	17,226	2,034	19,260
Finance costs	**(176)**	**(32)**	**(208)**	-	-	-
Depreciation and amortisation	**(53,533)**	**(3,048)**	**(56,581)**	(50,962)	(2,169)	(53,131)
Other material profit or loss items:						
- Net exchange gains/(losses)	**194**	**(681)**	**(487)**	869	204	1,073
- Loss allowance recognised for trade receivables	**(93)**	**-**	**(93)**	(228)	-	(228)
Taxation	**(47,961)**	**(20,880)**	**(68,841)**	(35,264)	(14,045)	(49,309)
Reportable segment assets	**2,496,136**	**289,548**	**2,785,684**	2,380,153	262,705	2,642,858
Reportable segment liabilities	**543,637**	**155,776**	**699,413**	562,867	140,849	703,716
Additions to non-current segment assets	**74,566**	**5,182**	**79,748**	103,225	3,951	107,176

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

3. **Segment reporting** *(continued)*

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**5,119,040**	5,315,754
Rental income	**397**	451
Consolidated revenue	**5,119,437**	5,316,205
Profit		
Reportable segment profit from operations	**452,083**	454,160
Unallocated exchange losses	**(2,764)**	(3)
Unallocated head office and corporate expenses	**(49,449)**	(56,029)
Finance costs	**(238)**	-
Consolidated profit before taxation	**399,632**	398,128
Assets		
Reportable segment assets	**2,785,684**	2,642,858
Elimination of inter-segment receivables	**(4,005)**	(9,196)
	2,781,679	2,633,662
Deferred tax assets	**26**	-
Unallocated head office and corporate assets	**433,394**	428,057
Consolidated total assets	**3,215,099**	3,061,719
Liabilities		
Reportable segment liabilities	**699,413**	703,716
Elimination of inter-segment payables	**(4,005)**	(9,196)
	695,408	694,520
Deferred tax liabilities	**19,543**	11,731
Unallocated head office and corporate liabilities	**23,251**	20,925
Consolidated total liabilities	**738,202**	727,176

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

3. **Segment reporting** *(continued)*

(c) Geographical information

The following table sets out information about the geographical location of (i) the reportable segment's revenue from external customers and (ii) the Group's leasehold land and property, plant and equipment, intangible assets and goodwill and prepayments for property, plant and equipment ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the leasehold land and property, plant and equipment is based on the physical location of the assets, in the case of prepayments for property, plant and equipment, the location of operations and in the case of intangible assets and goodwill, the location of the operation to which they are allocated.

	2020			2019		
	Hong Kong and Macau *HK$'000*	**Mainland China** *HK$'000*	**Total** *HK$'000*	Hong Kong and Macau *HK$'000*	Mainland China *HK$'000*	Total *HK$'000*
Revenue from external customers	**744,657**	**4,374,383**	**5,119,040**	746,543	4,569,211	5,315,754
Specified non-current assets	**82,790**	**608,614**	**691,404**	83,764	640,901	724,665

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4. **Revenue**

Revenue represents the amounts receivable for the goods sold in the normal course of business, net of discounts, value added tax and other related taxes to external customers as well as rental income.

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

	2020 *HK$'000*	2019 *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
- Sales of goods	**5,119,040**	5,315,754
Revenue from other sources		
Rental income	**397**	451
	5,119,437	5,316,205

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.

During the years ended 30 June 2020 and 2019, there was no single external customer that contributed 10% or more of the Group's total revenue from external customers.

5. Profit before taxation

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

	2020	2019
	HK$'000	*HK$'000*
Finance costs		
Interest on lease liabilities	**238**	-
Depreciation and amortisation		
Leasehold land and property, plant and equipment	**63,738**	57,187
Intangible assets	**4,643**	4,599
	68,381	61,786
Other items		
Loss allowance recognised for trade receivables	**93**	228
Net losses on disposal of property, plant and equipment *(note (i))*	**8,499**	66
Net exchange losses/(gains)	**3,251**	(1,070)
Net realised and unrealised (gains)/losses on derivative financial instruments *(note (ii))*	**(4,526)**	3,327
Government grants income *(note (i))*	**(30,219)**	(7,766)

Notes:

(i) During the year ended 30 June 2020, expenditure relating to the plant relocation project of HK$22,713,000 (2019: HK$7,766,000) which mainly included fixed asset write-off of the old plant of HK$8,325,000 (2019: Nil) and corporate income tax of HK$11,751,000 (2019: Nil) had been incurred. A corresponding amount of government compensation was then credited to the consolidated statement of profit or loss.

(ii) The Group entered into various foreign exchange forward contracts to manage its foreign currency risk exposures during the year.

(iii) The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6. Taxation

Taxation in the consolidated statement of profit or loss represents:

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**5,125**	4,022
(Over)/under-provision in respect of prior years	**(63)**	11
	5,062	4,033
Current tax - Outside Hong Kong		
Provision for the year	**69,214**	48,244
Under/(over)-provision in respect of prior years	**681**	(1,220)
	69,895	47,024
Deferred tax		
Origination and reversal of temporary differences	**7,786**	6,995
	82,743	58,052

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2019: 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 2020 and 2019.

Other subsidiaries operating in Mainland China are subject to CIT tax rate of 25% (2019: 25%).

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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:

	2020	2019
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.14 (2019: HK$0.14) per ordinary share	**33,220**	33,223
Final dividend proposed after the end of the reporting period of HK$0.31 (2019: HK$0.30) per ordinary share	**73,622**	71,147
	106,842	104,370

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:

	2020	2019
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.30 (2019: HK$0.27) per ordinary share	**71,077**	63,731

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$316,889,000 (2019: HK$340,076,000) and the weighted average number of 237,190,000 (2019: 236,811,000) ordinary shares in issue during the year, calculated as follows:

	2020	2019
	'000	*'000*
Issued ordinary shares at the beginning of year	**243,354**	243,354
Effect of shares repurchased in prior years	**(10,337)**	(8,849)
Effect of shares repurchased in current year	**(309)**	(638)
	(10,646)	(9,487)
Effect of share options exercised in prior years	**4,140**	2,070
Effect of share options exercised in current year	**342**	874
	4,482	2,944
Weighted average number of ordinary shares at the end of year	**237,190**	236,811

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$316,889,000 (2019: HK$340,076,000) and the weighted average number of ordinary shares of 237,190,000 (2019: 237,491,000) after adjusting the effect of deemed issue of shares under the Company's share option scheme, calculated as follows:

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares at the end of year	**237,190**	236,811
Effect of deemed issue of shares under the Company's share option scheme	**-**	680
Weighted average number of ordinary shares (diluted) at the end of year	**237,190**	237,491

9. Trade and other receivables

	2020	2019
	HK$'000	*HK$'000*
Trade receivables, net of loss allowance	**310,159**	349,530
Derivative financial instruments:		
- Foreign exchange forward contracts	**584**	47
Other receivables, deposits and prepayments	**36,473**	43,707
	347,216	393,284

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Aging analysis

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:

	2020	2019
	HK$'000	*HK$'000*
Within 3 months	**307,465**	346,398
3 to 6 months	**2,398**	2,751
Over 6 months	**296**	381
	310,159	349,530

Individual credit evaluations are performed on all customers requiring credit. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Credits are offered to customers following financial assessments and established payment records where applicable. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. Customers considered to be with credit risk are traded on a cash basis. General credit terms are payment within 30 to 60 days following the sales took place. Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. Collaterals over properties are obtained from certain customers. An ageing analysis of the debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these debtors.

10. 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:

	2020	2019
	HK$'000	*HK$'000*
Within 3 months	**306,865**	356,051
More than 3 months	**6,529**	7,611
Trade payables	**313,394**	363,662
Deposits received	**10,259**	8,909
Other payables and accruals	**311,554**	285,547
Deferred income	**4,472**	14,945
Derivative financial instruments:		
- Foreign exchange forward contracts	**114**	-
	639,793	673,063

Notes: All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

11. Comparative Figures

The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

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 702,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK$9,302,000.

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 2020, 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 2020.

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 2020 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)	6 November 2020 (Friday) to 11 November 2020 (Wednesday)
Latest time to lodge transfers	4:30 p.m. on 5 November 2020 (Thursday)
Record date	11 November 2020 (Wednesday)
Annual General Meeting	11 November 2020 (Wednesday)

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

Closure dates of Register of Members (both days inclusive)	19 November 2020 (Thursday) to 20 November 2020 (Friday)
Latest time to lodge transfers	4:30 p.m. on 18 November 2020 (Wednesday)
Record date	20 November 2020 (Friday)
Proposed final dividend payment date	2 December 2020 (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, 27 August 2020

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. TANG Hong Cheong
Dr. WHANG Sun Tze
Mr. TAN Lim Heng

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