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 2023

FINANCIAL HIGHLIGHTS

	Year ended 30 June		
	2023	2022	
	HK$'M	HK$'M	*(Decrease)*
Revenue	**5,119**	6,107	*(16%)*
Gross profit	**876**	1,143	*(23%)*
Profit for the year	**85**	257	*(67%)*
	HK$	HK$	
Basic earnings per share	**0.36**	1.09	*(67%)*
Dividend per share:			
Interim	**0.10**	0.15	*(33%)*
Proposed final	**0.20**	0.33	*(39%)*
Total	**0.30**	0.48	*(38%)*
	As at 30 June 2023	As at 30 June 2022	
	HK$'M	HK$'M	
Total equity	**2,786**	2,959	*(6%)*

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 2023.

FINANCIAL RESULTS

The Group's revenue declined by 16% to HK$5,119 million for the financial year ended 30 June 2023, mainly due to lower sales volume from our Food Segment and the depreciation of the Renminbi. Compared to last year, gross profit margin declined by 2 percentage points to 17%, as unfavourable raw material costs outweighed price adjustment efforts and sales mix improvements. Profit for the year decreased by 67% to HK$85 million, as the Group's largest Food Segment generated lower sales and profits.

DIVIDENDS

The Directors are recommending a final dividend for the financial year ended 30 June 2023 of HK$0.20 per share totaling approximately HK$48,671,000 at the forthcoming Annual General Meeting. In addition to the interim dividend of HK$0.10 per share paid earlier this year (2022: interim dividend of HK$0.15 and final dividend of HK$0.33 per share, total dividend for the whole year amounts to approximately HK$116,810,000), total dividend for the year amounts to HK$0.30 per share totaling approximately HK$73,006,000. Subject to shareholders' approval, the final dividend will be payable on Tuesday, 5 December 2023 to the shareholders whose names appear on the register of members on Tuesday, 21 November 2023.

REVIEW OF OPERATIONS

OVERVIEW

During the year, the Russia-Ukraine war continued to disrupt supplies, driving up commodity prices and inducing more volatility to the markets. Our major raw materials – wheat and edible oils ingredients – remained highly sensitive to these events, trending higher to the detriment of our product cost. In Mainland China, consumer demand fell significantly in the first half of FY22/23 due to pandemic lockdowns. Although restrictions were lifted in the second half, a strong and sustainable rebound in sentiment is yet to be seen. The Group continued to take proactive actions over the year to protect its margins by reinforcing cost control measures and vigilantly monitor our raw material procurement decisions. In parallel, we pushed forward on initiatives to strengthen our internal infrastructures and NPD pipelines so that we can better cater to the needs of our partners and consumers.

BUSINESS REVIEW

Food Segment

Revenue from our Food segment decreased by 18% to HK$4,326 million whereas its profit from operations decreased by 81% to HK$52 million. The profit decline was driven by higher wheat and edible oil ingredients cost, lower sales volume, and the loss incurred by our Specialty Fats business.

Both Flour and Specialty Fats businesses were affected by more intense competition amid industry-wide cost pressures and weakened market demand. Customer retention and penetration, especially in the premium segment, became more difficult as budget-conscious customers traded down to reduce costs in a softer market. Drastic fluctuations in palm oil prices in 2022 compounded our problems, as our Specialty Fats business incurred losses in the process of selling high-cost inventories to maintain market share and inventory turns.

Despite being hard hit by both upstream and downstream challenges, the Group executed a balanced and tactical pricing strategy over the year to mitigate the impact and ease some of the cost pressure. As a leading provider of total bakery solutions, our Group competes in the market not only through pricing, but also via the provision of enhanced value-added services. The quality of our products and solutions are integral towards securing our customers' trust and satisfaction. Enhancing their stickiness will protect our profit margin and market share, as well as pave the way for more cross-selling opportunities in the future. In line with this direction and our core competence, we continued to build on our Flour business' strong equity position in Mainland China, sharpening our focus on premium Flour segments as we formulate plans to achieve breakthrough in Specialty Fats.

Food Segment *(continued)*

Following a leadership change in the second half, the Group reorganized our sales force with the dual intention of expediting volume recovery and generating more synergies between the Flour and Specialty Fats businesses. In addition, we took steps to further optimize and integrate our procurement, production, and R&D practices so that we can respond in a more agile manner towards market opportunities and risks.

The Group's Edible Oil business faced another tough year. Three consecutive years of high and increasing raw material costs, coupled with shrinking market demand in our core markets, have severely stretched our ability to strike an optimal balance between volume and profit protection. In response to these pressures and uncertainties, we focused on areas where we had more control. We slowed down geographic expansion plans, elevated focus on core markets and offline channels, materially reduced our marketing spend, and drove new products that could deliver incremental value to consumers and strengthen Knife's premium brand positioning. Our proprietary and patented adjustable bottle cap has been well-received by the market and will continue to help us expand our young consumer base. Despite ongoing competitive and cost challenges, we see opportunities to leverage on Knife's premium positioning to expand into untapped price tiers and gain share within Corn and Peanut oil markets in Guangdong. With oil raw material costs potentially showing early signs of stabilization, we plan to prudently step up our marketing programs to enhance Knife's brand equity in our core Guangdong and Hong Kong markets.

Home Care Segment

Softer demand in core markets and supply chain disruptions in Mainland China also played a role in shaping the performance of the Home Care segment this year. We were able to sustain overall volume growth. However, these gains were offset by the impact from unfavourable foreign currency translation of our Mainland China sales, thereby resulting in a slight decline in overall revenue. Meanwhile, management's efforts to drive supply chain and product cost savings generated momentum throughout the year. These initiatives, combined with our careful price adjustments and focus on higher-return distribution channels to sustain volume, led to a material improvement in profitability. As a result, Home Care segment revenue declined by 4% to HK$793 million, while operating profit increased by 33% to HK$73 million.

Anticipating new opportunities and challenges in the post-Covid era, our team has stepped up investment in new product development and marketing programs in Mainland China towards the end of the financial year. Our new dishwashing product – AXE Hyaluronic Acid – will allow us to expand into untapped segments with a differentiated approach. These products and programs are geared towards enhancing our brand image and market position in key offline and e-Commerce channels. This will solidify our footing for the new fiscal year.

In the more mature Hong Kong market, we extended our leadership in the dishwashing category via the launch of AXE Supra – a new product in the super concentrated segment of the dishwashing category – and continued business momentum in our more premium AXE Triple Action range. We engaged in an IP collaboration with Din Dong, a Hong Kong-based cartoon cat, to boost the appeal of AXE's brand and core dishwashing range to new and younger consumers. We also made progress in our efforts to expand beyond the dishwashing category, launching laundry capsule products under the AXE brand in selected channels.

OUTLOOK

Although Covid-19 has passed, geopolitical conflicts and tensions, the global interest rate environment, and the unpredictable post-pandemic recovery in Mainland China and Hong Kong's economies will continue to generate uncertainties and external headwinds for our businesses. Against this backdrop, cost control and procurement discipline remain key towards mitigating these risks, and the Group will continue to adopt best practices in these areas.

Whilst ongoing challenges are likely to persist in the new fiscal, we still see meaningful opportunities for us to expand and penetrate deeper in our core markets. In this regard, management will focus on premium segments where we can develop a clear competitive advantage or differentiated edge. Equally important is the need for us to remain steadfast and agile in our execution of these initiatives, especially in light of the dynamic marketplace and competitive landscape in Mainland China.

Investment in longer-term initiatives remains a top priority for the Group. Specifically, we will continue to invest in people and programs to boost our R&D and digital capabilities across the organization, and further build our bench strength in all divisions and functions. These fundamentals will better position us to deliver sustainable growth and value to our shareholders over the long-term.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2023, the Group had a cash balance of HK$1,457 million (2022: HK$1,541 million). About 67% of these funds were denominated in Renminbi, 31% 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$91 million (2022: HK$24 million) and HK$67 million (2022: HK$94 million) respectively as at 30 June 2023.

Banking facilities available to Group companies and not yet drawn as at 30 June 2023 amounted to HK$553 million (2022: HK$659 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 2023, the inventory turnover days were 62 days (2022: 65 days). The trade receivable turnover days were 21 days (2022: 18 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.

FINANCIAL REVIEW *(continued)*

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.

Capital expenditure

During the year ended 30 June 2023, the Group invested a total sum of HK$49 million (2022: HK$108 million) on acquisition of plant equipment and other fixed assets.

HUMAN RESOURCES

As at 30 June 2023, there were 1,634 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 2023

	Note	2023 *HK$'000*	2022 *HK$'000*
Revenue	*4*	**5,118,938**	6,106,635
Cost of sales		**(4,242,965)**	(4,963,246)
Gross profit		**875,973**	1,143,389
Other income		**45,186**	40,193
Selling and distribution expenses		**(641,384)**	(694,554)
Administrative expenses		**(188,996)**	(203,301)
Profit from operations		**90,779**	285,727
Finance costs	*5*	**(208)**	(296)
Profit before taxation	*5*	**90,571**	285,431
Taxation	*6*	**(5,222)**	(28,171)
Profit for the year		**85,349**	257,260
Earnings per share			
Basic and diluted	*8*	**HK$0.36**	HK$1.09

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 2023

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**85,349**	257,260
Other comprehensive income for the year (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)	**3,820**	39
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(162,078)**	(50,580)
Other comprehensive income for the year	**(158,258)**	(50,541)
Total comprehensive income for the year	**(72,909)**	206,719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2023

	Note	**2023** **HK$'000**	2022 HK$'000
Non-current assets			
Leasehold land and property, plant and equipment		**771,353**	846,003
Intangible assets and goodwill		**4,625**	5,671
Other financial assets	*9*	**90,468**	118,778
Deferred tax assets		**14,586**	884
Other non-current assets		**2,485**	3,841
		883,517	975,177
Current assets			
Inventories		**667,918**	868,995
Trade and other receivables	*10*	**347,364**	415,335
Other financial assets	*9*	**69,340**	-
Cash and deposits		**1,456,839**	1,541,454
		2,541,461	2,825,784
Current liabilities			
Trade and other payables	*11*	**589,238**	745,825
Contract liabilities		**20,824**	69,492
Tax payables		**8,850**	9,291
Lease liabilities		**3,112**	3,177
		622,024	827,785
Net current assets		**1,919,437**	1,997,999
Total assets less current liabilities		**2,802,954**	2,973,176
Non-current liabilities			
Deferred tax liabilities		**15,572**	12,813
Lease liabilities		**1,069**	1,239
		16,641	14,052
NET ASSETS		**2,786,313**	2,959,124
CAPITAL AND RESERVES			
Share capital		**672,777**	672,777
Reserves		**2,113,536**	2,286,347
TOTAL EQUITY		**2,786,313**	2,959,124

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 30 June 2023 and the financial information relating to the year ended 30 June 2022 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 2022, 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 2023 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 2022 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 2022. 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 period reflected in these financial statements.

2. Changes in accounting policies

(i) Amended HKFRSs

The HKICPA has issued certain 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.

2. Changes in accounting policies (continued)

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

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; 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 guidance on the accounting considerations 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 its 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. 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 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 30 June 2022.

In these annual financial statements and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the abovementioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. Management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time these financial statements are authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its interim financial statements for the six months ending 31 December 2023.

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.

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:

	2023			2022		
	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	**4,326,192**	**792,746**	**5,118,938**	5,283,560	823,075	6,106,635
Reportable segment profit from operations	**52,296**	**73,055**	**125,351**	274,857	55,092	329,949
Reportable segment assets	**2,460,053**	**333,727**	**2,793,780**	2,781,421	324,578	3,105,999
Reportable segment liabilities	**498,415**	**133,857**	**632,272**	678,713	149,206	827,919

3. Segment reporting (continued)

(b) Reconciliation of reportable segment profit or loss

	2023	2022
	HK$'000	*HK$'000*
Profit		
Reportable segment profit from operations	**125,351**	329,949
Unallocated exchange losses	**(1,941)**	(1,852)
Unallocated net realised and unrealised gains on derivative financial instruments	**-**	995
Unallocated interest income on financial assets measured at amortised cost	**14,081**	1,890
Dividend income	**4,710**	5,262
Unallocated head office and corporate expenses	**(51,422)**	(50,517)
Finance costs	**(208)**	(296)
Consolidated profit before taxation	**90,571**	285,431

(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.

	2023			2022		
	Hong Kong and Macau	**Mainland China**	**Total**	Hong Kong and Macau	Mainland China	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**778,731**	**4,340,207**	**5,118,938**	798,991	5,307,644	6,106,635

4. Revenue

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

	2023	2022
	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	**5,118,938**	6,106,635

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):

	2023	2022
	HK$'000	*HK$'000*
Finance costs		
Interest on lease liabilities	**208**	296
Staff costs		
Salaries, wages and other benefits	**418,543**	435,783
Share-based payment expenses	**2,196**	2,537
Contribution to defined contribution retirement plans	**35,245**	37,458
	455,984	475,778
Depreciation and amortisation		
Leasehold land and property, plant and equipment	**75,664**	65,015
Intangible assets	**971**	962
	76,635	65,977

5. Profit before taxation (continued)

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

	2023	2022
	HK$'000	*HK$'000*
Other items		
Interest income on financial assets measured at amortised cost	**(32,628)**	(24,675)
Dividend income *(note (ii))*	**(4,710)**	(5,262)
Net exchange (gains)/ losses	**(331)**	2,533
Net gains on disposal of property, plant and equipment	**(539)**	(127)
Loss allowance recognised/(reversed) for trade receivables	**9**	(54)
Net unrealised (gain)/loss on club membership	**(150)**	93
Net realised and unrealised gains on derivative financial instruments *(note (iii))*	**-**	(1,228)
Government grants *(note (i))*	**(2,950)**	(4,921)

Notes:

(i) During the year ended 30 June 2023, government grants included government subsidies granted due to COVID-19 pandemic of HK$1,327,000 (2022: HK$2,700,800) under the Employment Support Scheme of Hong Kong.

(ii) The Group recognised dividend income of HK$4,710,000 (2022: HK$5,262,000) from the equity securities designated at fair value through other comprehensive income ("FVOCI"), of which HK$1,045,000 (2022: HK$Nil) related to investment derecognised during the year and HK$3,665,000 (2022: HK$5,262,000) related to investments held at 30 June 2023.

(iii) During the year ended 30 June 2022, 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 year ended 30 June 2023.

6. Taxation

Taxation in the consolidated statement of profit or loss represents:

	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**3,757**	3,436
Over-provision in respect of prior years	**(497)**	(448)
	3,260	2,988
Current tax - Outside Hong Kong		
Provision for the year	**13,305**	28,298
Over-provision in respect of prior years	**(159)**	(473)
	13,146	27,825
Deferred tax		
Origination and reversal of temporary differences	**(11,184)**	(2,642)
	5,222	28,171

The provision for Hong Kong Profits Tax for the year ended 30 June 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, 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 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 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.

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:

	2023	2022
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.10 (2022: HK$0.15) per ordinary share	**23,495**	35,316
Final dividend proposed after the end of the reporting period of HK$0.20 (2022: HK$0.33) per ordinary share	**46,989**	77,568
	70,484	112,884

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:

	2023	2022
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.33 (2022: HK$0.33) per ordinary share	**77,539**	77,895

(c) During the year ended 30 June 2022, dividends declared by the Company which were unclaimed over a period of six years amounting to HK$1,050,000 were forfeited and transferred to revenue reserve in accordance with the Company's Articles of Association.

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$85,349,000 (2022: HK$257,260,000) and the weighted average number of 234,981,000 (2022: 235,726,000) ordinary shares in issue during the year, calculated as follows:

	2023	2022
	'000	*'000*
Issued ordinary shares at the beginning of year	**243,354**	243,354
Effect of shares repurchased in prior years	**(13,476)**	(12,184)
Effect of shares repurchased in current year	**(72)**	(619)
	(13,548)	(12,803)
Effect of share options exercised in prior years	**5,175**	5,175
Weighted average number of ordinary shares at the end of year	**234,981**	235,726

(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 2023 and 2022.

9. Other financial assets

	Note	2023 HK$'000	2022 HK$'000
Debt securities measured at amortised cost	*(i)*	**91,446**	24,023
Equity securities designated at FVOCI (non-recycling):			
- Equity securities listed in Hong Kong	*(ii)*	**67,490**	94,033
Financial assets measured at fair value through profit or loss:			
- Club membership		**872**	722
		159,808	118,778
Representing:			
- Non-current assets		**90,468**	118,778
- Current assets		**69,340**	-
		159,808	118,778

Notes:

(i) At 30 June 2023, the debt securities are unsecured, bearing fixed interest rates from 2.0% to 3.3% (2022: 2.8%) per annum and will mature in one to two years (2022: mature in 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$67,490,000 (2022: HK$70,758,000) and telecommunications industry of HK$Nil (2022: HK$23,275,000). The Group designated these investments as equity securities at FVOCI (non-recycling), as the investments are held for investment yield enhancement purpose.

During the year ended 30 June 2023, the Group disposed part of the equity securities for capital preservation purpose. The fair value on the date of disposal was HK$30,363,000 (2022: HK$6,452,000), resulting in a transfer of accumulated gain on the equity securities designated at FVOCI (non-recycling) of HK$6,173,000 (2022: HK$595,000) within equity.

10. 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:

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**299,742**	310,011
3 to 6 months	**3,004**	6,164
Over 6 months	**-**	188
Trade receivables, net of loss allowance	**302,746**	316,363
Other receivables, deposits and prepayments	**44,618**	98,972
	347,364	415,335

11. 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:

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**364,645**	460,823
More than 3 months	**2,694**	3,174
Trade payables	**367,339**	463,997
Deposits received	**17,009**	14,984
Other payables and accruals	**200,910**	261,926
Deferred income	**3,980**	4,918
	589,238	745,825

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 108,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK$1,064,000.

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.

CORPORATE GOVERNANCE CODE

The Board has adopted a Corporate Governance Code, which is based on the principles as 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 all appliable code provisions of the HKEX Code for the year ended 30 June 2023.

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 2023.

SCOPE OF WORK PERFORMED BY AUDITOR

The 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 2023 as set out in the preliminary announcement have been agreed 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. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no option or assurance conclusion has been expressed by KPMG on the preliminary announcement.

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)	8 November 2023 (Wednesday) to 13 November 2023 (Monday)
Latest time to lodge transfers	4:30 p.m. on 7 November 2023 (Tuesday)
Record date	13 November 2023 (Monday)
Annual General Meeting	13 November 2023 (Monday)

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

Closure dates of Register of Members (both days inclusive)	20 November 2023 (Monday) to 21 November 2023 (Tuesday)
Latest time to lodge transfers	4:30 p.m. on 17 November 2023 (Friday)
Record date	21 November 2023 (Tuesday)
Proposed final dividend payment date	5 December 2023 (Tuesday)

*(*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 Shops 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, 1 September 2023

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