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 2019

- Revenue: HK$5,316 million
- Profit attributable to equity shareholders: HK$340 million
- Cash balance: HK$1,318 million
- Basic and diluted earnings per share: HK$1.44 and HK$1.43 respectively
- Proposed final dividend per share: HK$0.30

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 2019.

FINANCIAL RESULTS

Amidst a year of volatile and uncertain political and economic environment, weakness in the Renminbi and the ongoing US-China trade dispute, the Group delivered profit growth against the previous year. Group sales volume increased by 2.6% for the year but revenue growth was dampened by a lower Renminbi exchange, by which 86% of Group revenue was denominated. 2018/19 revenue of HK$5,316 million represents a 1% decline while net profit attributable to shareholders of HK$340 million represents a 4% growth against last year. In the second half of the year, the continued softening of the Hong Kong and Chinese economy, coupled with rising wheat costs and a significant drop in bran price stemming from the widespread swine fever in China, adversely affected our business performance. Notably, these were mitigated by the continued improvement of our product / channel mix, cost control measures and operational efficiencies, resulting in a 0.3 percentage point year-on-year improvement of our Group net profit margin to 6.4%.

DIVIDENDS

The Directors are recommending a final dividend for the financial year ended 30 June 2019 of HK$0.30 per share totaling approximately HK$73,006,000 at the forthcoming Annual General Meeting. In addition to the interim dividend of HK$0.14 per share paid earlier this year (2018: interim dividend of HK$0.13 and final dividend of HK$0.27 per share, total dividend for the whole year amounts to approximately HK$97,342,000), total dividend for the year amounts to HK$0.44 per share totaling approximately HK$107,076,000. Subject to shareholders' approval, the final dividend will be payable on Wednesday, 4 December 2019 to the shareholders whose names appear on the register of members on Friday, 22 November 2019.

REVIEW OF OPERATIONS

BUSINESS REVIEW

Food Segment

Food segment recorded revenue of HK$4,604 million, a 2% reduction versus last year (2.2% increase if excluding foreign exchange translation impact). Volume increased 2.3% and profit from operations increased marginally to HK$394 million versus last year, mainly attributable to an overall weaker Renminbi and lower bran price in the flour business.

Oil's growth momentum is reflected in its continued volume increase seen in the year. With its profitability benefitting from the favourable oil cost trend during the year, the marketing support for the Knife brand, launch of new products and growth in its key distribution channels contributed to its sales performance and further enhanced margins. Despite an overall flat oil category in the year, Knife's market share in Hong Kong remains strong with annual volume and value market shares increasing to 32.5% and 28.5%, respectively.[1] Strong support behind corn and canola oils and the new Knife Supreme Sunflower oil, all played a key role in the volume market share increase. In the highly competitive Guangzhou market, Knife's heavier support in the past few years behind its comprehensive product portfolio continued to bear fruit. Given an otherwise mature category, Knife gained in both annual volume and value market shares to achieve 3.9% and 4.8%, respectively.[2] Knife expanded its business through the e-commerce channel during the year, increasing its national brand awareness and setting the stage to penetrate into areas outside of Guangdong Province.

In order to ensure that our manufacturing capacity keeps pace with business expansion and demand for higher quality products, the new Yixing flour plant will begin to produce in the new financial year the highest quality Lam Soon "Royal Sakura" flour products. This reinforces our strategy of market segmentation and premiumisation, with the primary aim to substitute currently imported premium products from Japan. On the other hand, our new growth pillar, specialty fats, will be enhanced by the plan to build a new factory adjacent to our existing Jintan flour facility in Jiangsu Province. This business will continue to leverage on the existing flour sales and distribution infrastructure and overlapping institutional customer base to tap the synergies within the Group. Flour and specialty fats (i.e. two major ingredients within the bakery industry) will help the Group to transform from an ingredient supplier to a solution provider.

Although the second half of the year was particularly challenging for our flour business due to the steep decline in bran price, we remain encouraged by the continued healthy growth of our higher margin premium core flour products in China beyond our established presence in first and second-tier cities.

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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 category from July 2017 to June 2019 for Total Supermarkets & Convenience Stores in Hong Kong. (Copyright © 2019, 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 (Consumer Pack) Category for the rolling year June 2018 (from July 2017 to June 2018) and the rolling year June 2019 (from July 2018 to June 2019), for the China Guangdong market. (Copyright © 2019, The Nielsen Company.)

BUSINESS REVIEW (continued)

Food Segment (continued)

As the US-China strained trade relationship has led to China's recent curtail in purchase of agricultural products from the United States, the Group will step up procurement efforts for alternative supply sourcing while enhancing its research and development and manufacturing initiatives to optimize wheat formulation and operations to achieve cost efficiencies while maintaining / improving quality. The Group will increase its procurement of high quality local wheat from the market and via the contract farming model in China.

Bran is a by-product of the milling process of wheat into flour and contributes to our revenue stream in the form of sales largely as livestock feed. The swine fever occurrence had curtailed pig rearing in the past year in China and led to reduced demand for bran. Hence its price has dropped by 27% per metric tonne in the latter part of the financial year. This situation appears to be gradually subsiding and coupled with the Group's effort to transform its crude wheat bran into other higher margin added-value edible consumables, it should help to mitigate this risk in the near future.

Home Care Segment

Revenue for Home Care grew 5% (9% revenue increase if excluding foreign exchange translation impact) to HK$712 million this year. Operating profit of HK$60 million, a 31% increase from last year was aided by reduced material costs, AXE and Labour price increases, and continued strong e-commerce growth during the year.

In the Hong Kong dishwashing detergent market, AXE and Labour retained their leading position with a combined annual value and volume market shares of 37.8% and 50.8% respectively.[3] The Group's balanced channel mix approach in the past two years has helped to optimize profitability of this segment. Introduction of the new Triple Action dishwash detergent product in the last quarter of the financial year was well received by customers and consumers alike.

In Guangdong Province, the Group's strong presence in the dishwashing detergent market is reflected by AXE and Labour's combined annual value and volume market shares of 20.7% and 19.6% respectively. These two brands gained ground compared to a year ago, both in terms of volume and value. Specifically, AXE increased 0.4 and 0.1 percentage points in annual volume and value market share, respectively against last year. Labour, on the other hand, increased 1.0 and 0.6 percentage points in annual volume and value market share respectively versus last year.[4]

In this coming year, Home Care will introduce new products outside of the dishwashing category (e.g. laundry care), supporting our long-term strategy to transform itself from mainly a dishwashing business into a household cleaning company. As we expand our product portfolio, we will strengthen our presence in both online and offline channels. Given its high growth trend in the e-commerce channel in the past several years, Home Care will aim to achieve increased awareness for its brands and penetrate further into the national scene.

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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 2017 to June 2019 for Total Supermarkets, Convenience Stores and Drug Stores in Hong Kong. (Copyright © 2019, The Nielsen Company.)

[4] Lam Soon's calculation based in part on data reported by Nielsen through its Retail Index Service for the Dish Washing Liquid Category for the rolling year June 2019 (from July 2018 to June 2019), for the China Guangdong province total. (Copyright © 2019, The Nielsen Company.)

OUTLOOK

While the current market uncertainties and volatilities are expected to linger, the Group, with a strong balance sheet, remains steadfast in the execution of our long-term initiatives to build sustainable growth, strengthen its fundamentals and enhance its competitive advantages. We believe the markets that the Group serves in China and Hong Kong will grow not only in size but more importantly, demand higher quality products that the Group produces. We are well placed to serve this demand and have made appropriate investments, tangible in production facilities and intangible in brands, research and development, human resource and channel infrastructure to enhance its competitive position.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2019, the Group had a cash balance of HK$1,318 million (2018: HK$1,162 million). This was mainly attributable to the net cash generated from operating activities. About 73% of these funds were denominated in Renminbi, 24% in Hong Kong dollars and 3% in United States dollars.

Banking facilities available to Group companies and not yet drawn as at 30 June 2019 amounted to HK$721 million (2018: HK$728 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 for trade purposes.

At 30 June 2019, the inventory turnover days were 59 days (2018: 57 days). The trade receivable turnover days remained at a stable level of 24 days (2018: 22 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 2019, the Group invested a total sum of HK$121 million (2018: HK$85 million) on construction of new plant and new production lines in China and acquisition of other plant equipment.

HUMAN RESOURCES

As at 30 June 2019, there were 1,681 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 are granted to the Group Managing Director and other eligible employees to recognise their contribution and provide incentives to achieve better performance in coming years.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019

	Note	2019	2018
		HK$'000	*HK$'000*
Revenue	*4*	**5,316,205**	5,374,273
Cost of sales		**(4,161,761)**	(4,243,311)
Gross profit		**1,154,444**	1,130,962
Other income		**43,702**	36,424
Selling and distribution expenses		**(614,519)**	(602,767)
Administrative expenses		**(185,499)**	(173,557)
Profit before taxation	*5*	**398,128**	391,062
Taxation	*6*	**(58,052)**	(64,683)
Profit for the year		**340,076**	326,379
Attributable to:			
Equity shareholders of the Company		**340,076**	326,379
Non-controlling interests		**-**	-
Profit for the year		**340,076**	326,379
Earnings per share			
Basic	*8(a)*	**HK$1.44**	HK$1.38
Diluted	*8(b)*	**HK$1.43**	HK$1.37

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 July 2018. Under the transition methods chosen, 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 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**340,076**	326,379
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Transfer to profit or loss on disposal of an available-for-sale financial asset	**-**	7
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(61,555)**	38,878
Other comprehensive income for the year, net of tax	**(61,555)**	38,885
Total comprehensive income for the year	**278,521**	365,264
Attributable to:		
Equity shareholders of the Company	**278,521**	365,264
Non-controlling interests	**-**	-
Total comprehensive income for the year	**278,521**	365,264

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Non-current assets			
Leasehold land and property, plant and equipment		**703,570**	663,409
Intangible assets and goodwill		**9,597**	14,196
Deferred tax assets		**-**	6
Available-for-sale financial assets		**-**	177
Other non-current assets		**11,498**	6,268
		724,665	684,056
Current assets			
Inventories		**625,843**	640,109
Trade and other receivables	*9*	**393,284**	385,101
Cash and cash equivalents		**1,317,927**	1,162,146
		2,337,054	2,187,356
Current liabilities			
Trade and other payables	*10*	**673,063**	680,930
Contract liabilities		**28,232**	-
Tax payables		**13,636**	14,886
Obligations under finance leases		**160**	312
		715,091	696,128
Net current assets		**1,621,963**	1,491,228
Total assets less current liabilities		**2,346,628**	2,175,284
Non-current liabilities			
Deferred tax liabilities		**11,731**	4,742
Obligations under finance leases		**354**	357
		12,085	5,099
NET ASSETS		**2,334,543**	2,170,185

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019

	2019	2018
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**672,777**	672,777
Reserves	**1,651,053**	1,486,695
Total equity attributable to equity shareholders of the Company	**2,323,830**	2,159,472
Non-controlling interests	**10,713**	10,713
TOTAL EQUITY	**2,334,543**	2,170,185

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 30 June 2019 and the financial information relating to the year ended 30 June 2018 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 2018, 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 2019 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 2018 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 2018. 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 number of new HKFRSs, amendments to HKFRSs and interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

2. Changes in accounting policies (continued)

The Group has not applied any new standard, amendments or interpretation that is not yet effective for the current accounting period.

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 July 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 July 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on revenue reserve at 1 July 2018.

	HK$'000
Revenue reserve	
Recognition of fair value gains of available-for-sale financial asset now measured at fair value through profit or loss ("FVPL")	890
Net increase in revenue reserve at 1 July 2018	890

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

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

2. Changes in accounting policies (continued)

(i) HKFRS 9, *Financial instruments (continued)*

a. Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 30 June 2018 *HK$'000*	**Reclassification** *HK$'000*	**Remeasurement** *HK$'000*	**HKFRS 9 carrying amount at 1 July 2018** *HK$'000*
Financial assets carried at FVPL				
Club membership *(note)*	-	177	890	**1,067**
Financial assets classified as available-for-sale under HKAS 39 *(note)*	177	(177)	-	-

Note: Under HKAS 39, club membership was classified as an available-for-sale financial asset measured at cost less impairment losses. It is classified as a financial asset carried at FVPL within "Other non-current assets" under HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 July 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 July 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the ECL model to financial assets measured at amortised cost (including other non-current assets, trade and other receivables, deposits and prepayments and cash and cash equivalents).

The adoption of the ECL model has no significant financial impact to the financial assets of the Group.

2. Changes in accounting policies (continued)

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 July 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time.

If the contract terms and the entity's activities do not fall into any of those situations in which control of the promised good or service is regarded as being transferred over time, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Revenue from sale of goods will continue to be recognised at a point in time and the adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operations based on the current business model.

2. Changes in accounting policies (continued)

(ii) HKFRS 15, *Revenue from contracts with customers (continued)*

b. Presentation of contract assets and contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As a result of the adoption of HKFRS 15, certain balance of the "advances received for goods to be sold" previously grouped under "deposits received" within trade and other payables is now separately disclosed.

c. Disclosure of the estimated impact on the amounts reported in respect of the year ended 30 June 2019 as a result of the adoption of HKFRS 15 on 1 July 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 30 June 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) *HK$'000*	Hypothetical amounts under HKAS 18 (B) *HK$'000*	Difference: Estimated impact of adoption of HKFRS 15 on 2019 (A-B) *HK$'000*
Line items in the consolidated statement of financial position as at 30 June 2019 impacted by the adoption of HKFRS 15:			
Trade and other payables	**673,063**	**701,295**	**(28,232)**
Contract liabilities	**28,232**	**-**	**28,232**
Line items in the consolidated statement of cash flows for year ended 30 June 2019 impacted by the adoption of HKFRS 15:			
Increase in trade and other payables	**38,463**	**38,908**	**(445)**
Increase in contract liabilities	**445**	**-**	**445**

2. Changes in accounting policies (continued)

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

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: the manufacture and sale of a broad range of food products including flour and edible oil.

Home Care: the manufacture and sale 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 obligations under finance leases with the exception of deferred tax liabilities and other corporate liabilities.

3. Segment reporting (continued)

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

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:

	2019			2018		
	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	**4,603,540**	**712,214**	**5,315,754**	4,693,347	679,784	5,373,131
Reportable segment profit from operations	**393,892**	**60,268**	**454,160**	392,901	45,843	438,744
Interest income on financial assets measured at amortised cost	**17,226**	**2,034**	**19,260**	18,329	1,605	19,934
Depreciation and amortisation	**(50,962)**	**(2,169)**	**(53,131)**	(52,124)	(1,867)	(53,991)
Other material profit or loss items:						
- Net exchange gains/(losses)	**869**	**204**	**1,073**	(611)	(817)	(1,428)
- Loss allowance (recognised)/ reversed for trade receivables	**(228)**	**-**	**(228)**	293	-	293
- Impairment losses recognised for property, plant and equipment	**-**	**-**	**-**	(1,606)	-	(1,606)
Taxation	**(35,264)**	**(14,045)**	**(49,309)**	(40,446)	(10,890)	(51,336)
Reportable segment assets	**2,380,153**	**262,705**	**2,642,858**	2,185,280	201,359	2,386,639
Reportable segment liabilities	**562,867**	**140,849**	**703,716**	626,585	120,344	746,929
Additions to non-current segment assets	**103,225**	**3,951**	**107,176**	70,045	2,811	72,856

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 2(ii)).

3. Segment reporting (continued)

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

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**5,315,754**	5,373,131
Rental income	**451**	1,142
Consolidated revenue	**5,316,205**	5,374,273
Profit		
Reportable segment profit from operations	**454,160**	438,744
Unallocated exchange (losses)/gains	**(3)**	973
Unallocated head office and corporate expenses	**(56,029)**	(48,655)
Consolidated profit before taxation	**398,128**	391,062
Assets		
Reportable segment assets	**2,642,858**	2,386,639
Elimination of inter-segment receivables	**(9,196)**	(70,260)
	2,633,662	2,316,379
Deferred tax assets	**-**	6
Unallocated head office and corporate assets	**428,057**	555,027
Consolidated total assets	**3,061,719**	2,871,412
Liabilities		
Reportable segment liabilities	**703,716**	746,929
Elimination of inter-segment payables	**(9,196)**	(70,260)
	694,520	676,669
Deferred tax liabilities	**11,731**	4,742
Unallocated head office and corporate liabilities	**20,925**	19,816
Consolidated total liabilities	**727,176**	701,227

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 other non current assets ("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 other non-current assets, the location of operations and in the case of intangible assets and goodwill, the location of the operation to which they are allocated.

	2019			2018		
	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	**746,543**	**4,569,211**	**5,315,754**	721,729	4,651,402	5,373,131
Specified non-current assets	**83,764**	**640,901**	**724,665**	84,687	599,186	683,873

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:

	2019 ***HK$'000***	2018 *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
- Sales of goods	**5,315,754**	5,373,131
Revenue from other sources		
Rental income	**451**	1,142
	5,316,205	5,374,273

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 2(ii)).

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 2019 and 2018, 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):

	2019	2018
	HK$'000	*HK$'000*
Depreciation and amortisation		
- Leasehold land and property, plant and equipment	**57,187**	57,351
- Intangible assets	**4,599**	4,599
	61,786	61,950
Losses allowance recognised/(reversed) for trade receivables	**228**	(293)
Impairment losses recognised for property, plant and equipment	**-**	1,606
Net losses on disposal of property, plant and equipment	**66**	497
Net realised and unrealised losses on derivative financial instruments *(note)*	**3,327**	542
Government grants income	**(7,766)**	-

Note: The Group entered into various foreign exchange forward contracts to manage its foreign currency risk exposures during the year.

6. Taxation

Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**4,022**	3,042
Under/(over)-provision in respect of prior years	**11**	(169)
	4,033	2,873
Current tax - Outside Hong Kong		
Provision for the year	**48,244**	58,174
Over-provision in respect of prior years	**(1,220)**	(783)
	47,024	57,391
Deferred tax		
Origination and reversal of temporary differences	**6,995**	4,419
	58,052	64,683

6. Taxation (continued)

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2018: 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 2019 and 2018.

Other subsidiaries operating in Mainland China are subject to CIT tax rate of 25% (2018: 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

	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.14 (2018: HK$0.13) per ordinary share	**33,223**	30,799
Final dividend proposed after the end of the reporting period of HK$0.30 (2018: HK$0.27) per ordinary share	**71,147**	63,875
	104,370	94,674

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

7. Dividends (continued)

(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

	2019	2018
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.27 (2018: HK$0.23) per ordinary share	**63,731**	54,149

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$340,076,000 (2018: HK$326,379,000) and the weighted average number of 236,811,000 (2018: 236,262,000) ordinary shares in issue during the year, calculated as follows:

	2019	2018
	'000	*'000*
Issued ordinary shares at beginning of year	**243,354**	243,354
Effect of shares purchased in prior years	**(8,849)**	(7,164)
Effect of shares purchased in current year	**(638)**	(911)
	(9,487)	(8,075)
Effect of share options exercised in prior years	**2,070**	-
Effect of share options exercised in current year	**874**	983
	2,944	983
Weighted average number of ordinary shares at end of year	**236,811**	236,262

8. Earnings per share (continued)

(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$340,076,000 (2018: HK$326,379,000) and the weighted average number of ordinary shares of 237,491,000 (2018: 238,120,000) after adjusting the effect of deemed issue of shares under the Company's share option scheme, calculated as follows:

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares at end of year	**236,811**	236,262
Effect of deemed issue of shares under the Company's share option scheme	**680**	1,858
Weighted average number of ordinary shares (diluted) at end of year	**237,491**	238,120

9. Trade and other receivables

	2019	2018
	HK$'000	*HK$'000*
Trade receivables, net of loss allowance	**349,530**	346,523
Derivative financial instruments:		
- Foreign exchange forward contracts	**47**	877
Other receivables, deposits and prepayments	**43,707**	37,701
	393,284	385,101

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

9. Trade and other receivables (continued)

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:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**346,398**	342,085
3 to 6 months	**2,751**	3,375
Over 6 months	**381**	1,063
	349,530	346,523

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:

	Note	**30 June 2019** *HK$'000*	1 July 2018 *HK$'000*	30 June 2018 *HK$'000*
Within 3 months		**356,051**	334,927	334,927
More than 3 months		**7,611**	3,831	3,831
Trade payables		**363,662**	338,758	338,758
Deposits received	*(i)*	**8,909**	8,788	37,715
Other payables and accruals		**285,547**	280,567	280,567
Deferred income		**14,945**	23,836	23,836
Derivative financial instruments:				
- Foreign exchange forward contracts		**-**	54	54
		673,063	652,003	680,930

Notes:

(i) As a result of the adoption of HKFRS 15, the advances received amounted to HK$28,927,000 as at 1 July 2018 are classified as contract liabilities.

(ii) 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

Certain comparative figures have been adjusted to conform to current year's presentation.

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

During the year, a wholly-owned subsidiary of the Company, as the trustee for a trust set up for the purpose of acquiring shares of the Company to satisfy the exercise of options which may be granted pursuant to the Executive Share Option Scheme adopted on 23 April 2013, purchased 1,488,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK$21,326,000.

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 2019, 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 2019.

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 2019 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)	8 November 2019 (Friday) to 13 November 2019 (Wednesday)
Latest time to lodge transfers	4:30 p.m. on 7 November 2019 (Thursday)
Record date	13 November 2019 (Wednesday)
Annual General Meeting	13 November 2019 (Wednesday)

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

Closure dates of Register of Members (both days inclusive)	21 November 2019 (Thursday) to 22 November 2019 (Friday)
Latest time to lodge transfers	4:30 p.m. on 20 November 2019 (Wednesday)
Record date	22 November 2019 (Friday)
Proposed final dividend payment date	4 December 2019 (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, 29 August 2019

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

Chairman:
Mr. KWEK Leng Hai

Group Managing Director:
Mr. Joseph LEUNG

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. AU Chee Ming
Mr. HUANG Lester Garson, *SBS, J.P.*