LAM SOON (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 411)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The Board of Directors (the "Board") of Lam Soon (Hong Kong) Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2019.

OVERVIEW

Amidst an economic slowdown in mainland China ("China") and social unrest in Hong Kong, the Group's revenue and profit growth were dampened during the period under review. In addition, the lingering effect of a weaker Renminbi, US-China trade war, and swine flu in China leading to lower bran prices, further impacted our profitability. However, notwithstanding the uncertain macroeconomic and political environment, the Group stayed on course to execute its key strategic initiatives to lay the foundation for long-term growth.

As part of an ongoing effort to expand its flour business, the Group's Yixing plant recommenced operations following its relocation to a new state-of-the-art factory at the start of the financial year. The new Yixing plant launched the Royal Sakura brand of premium flour representing the start of production of a high valued series of flour, not currently produced in China. Royal Sakura parallels the high quality imported Japanese flour and its introduction clearly sets a new standard in the market.

Focussed channel and marketing investments behind the Group's oil business in Guangzhou / South China and e-Commerce in the past few years continue to fuel *Knife*'s rate of growth. The offline distributor rationalisation exercise undertaken by the Group's Home Care China division in the first half will drive market embedment and strengthen distribution channels post-consolidation. Meanwhile, its e-Commerce business continued to deliver strong performance.

SUMMARY OF FINANCIAL RESULTS

The Group's interim net profit attributable to shareholders declined 7% to HK$187.3 million in this period. Revenue grew marginally to HK$2,861 million, whereas gross profit margin improved from 22.2% to 23% despite higher oil costs and low bran price. This arose from continued focus on improving product mix of our premium brands, lower material cost for Home Care products, and price increases for flour and Home Care products. Operating expenses grew by 9.6% to HK$452 million, predominantly driven by business-building initiatives to boost brand awareness and stimulate growth.

SUMMARY OF FINANCIAL RESULTS *(continued)*

As at 31 December 2019, the Group's cash balance increased by 5% to HK$1,378 million. With a strong cash position, the Group will be able to make capital investments to strengthen its supply chain to support geographic and business expansions.

DIVIDENDS

The Board has declared an interim dividend of HK$0.14 per share totalling approximately HK$34 million for the six months ended 31 December 2019 (six months ended 31 December 2018: HK$0.14 per share totalling approximately HK$34 million), which will be payable on Tuesday, 24 March 2020 to the shareholders whose names appear on the register of members of the Company on Thursday, 12 March 2020.

BUSINESS REVIEW

Food Segment

Food Segment's revenue of HK$2,488 million was on par with the same period last year whereas operating profit declined by 12% to HK$215 million.

The Group's edible oil business posted healthy revenue growth but suffered a reduction in gross margin due to the higher raw material costs of corn and peanut oil, two major oil types in our product portfolio. New *Knife* product introductions such as Supreme Corn, Supreme Peanut, Supreme Sunflower, and Peanut-Olive helped satisfy consumers' ever-increasing quality and health-seeking appetite and contributed to the overall oil segment's revenue and market share growth. Our online business also generated strong year-on-year expansion, gradually increasing awareness of *Knife* beyond the traditional mainstay of South China to appeal to a wider national audience.

The Group's flour business was affected noticeably by an overall softer baking industry in both Hong Kong and China. The social unrest in Hong Kong certainly exacerbated the problem as bakery and catering outlets struggled to stay open while demand dwindled. Lower bran prices in the first half put pressure on profit margins while higher selling prices and R&D product optimisation programmes helped to mitigate the decline. While overall growth of the premium flour segment slowed, the Group's progress in the third and fourth-tier cities remained the key source of its expansion.

Specialty Fats, continued to gain market acceptance through the steady sales growth seen in the first 6 months of the financial year. Upon commission of our new specialty fats factory in Jintan, Jiangsu Province in the second half of FY20/21, the supply chain lead-time will be trimmed and will result in improved efficiency and cost.

For the Oil and Flour businesses, they will both continue to make selective capital investments in the coming years to accommodate their volumetric and geographic growth.

BUSINESS REVIEW *(continued)*

Home Care Segment

This segment's revenue was flat at HK$372 million versus last year. However, operating profit jumped 71% due to favourable material costs and price increase. A flat revenue trend can be traced primarily to an overall sluggish dishwash detergent market in both Hong Kong and Guangdong, China. In Hong Kong, the launch of the new premium dishwash product line, *AXE Triple Action* injected new life into an otherwise mature segment. New and improved products beyond our core dishwash segment, such as laundry liquid, toilet cleaners, etc. are in the pipeline as we drive business growth through portfolio and geographic expansion.

OUTLOOK

At the time of this interim report, the covid-19 outbreak has occurred in China and certain parts of the world. The ramification and impact of this is still manifesting not only in the loss of human lives but in the disruption to economic and social activities in the markets that the Group operates in. We expect reduced sales and lower profits in the third quarter of the financial year before gradual recovery in the final quarter if the covid-19 outbreak recedes by then. We are taking all necessary actions to ensure the impairment to our businesses is minimized, our employees and associates are safe and that our valued customers continue to be served as best as we can. This short term aberration will not change the fundamentals of our business. The Group remains long term focused and optimistic about our prospects. We remain steadfast to pursue our strategic initiatives to strengthen our business and to serve our customers with better and a wider variety of products to meet their daily needs.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2019, the Group had a cash balance of HK$1,378 million (30 June 2019: HK$1,318 million). This was mainly attributable to the net cash generated from operating activities. About 81% of the balance was denominated in Renminbi and 19% in Hong Kong dollars.

Banking facilities available to Group companies and not yet drawn as at 31 December 2019 amounted to HK$600 million (30 June 2019: HK$721 million).

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

At 31 December 2019, the inventory turnover days were 58 days (30 Jun 2019: 59 days). The trade receivable turnover days remained at a stable level of 22 days (30 June 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.

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 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 six months ended 31 December 2019, the Group invested a total sum of HK$47 million (2018: HK$73 million) on construction of new plant and new production lines in PRC and acquisition of other plant equipment.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2019 (Unaudited)

	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*3*	**2,860,591**	2,856,886
Cost of sales		**(2,203,016)**	(2,222,116)
Gross profit		**657,575**	634,770
Other income		**23,662**	17,154
Selling and distribution expenses		**(347,120)**	(317,025)
Administrative expenses		**(104,966)**	(95,625)
Profit from operations		**229,151**	239,274
Finance costs	*4*	**(118)**	-
Profit before taxation	*4*	**229,033**	239,274
Taxation	*5*	**(41,708)**	(37,867)
Profit for the period		**187,325**	201,407
Attributable to:			
Equity shareholders of the Company		**187,325**	201,407
Non-controlling interests		**-**	-
Profit for the period		**187,325**	201,407
Earnings per share			
Basic	*7(a)*	**HK$0.79**	HK$0.85
Diluted	*7(b)*	**HK$0.79**	HK$0.85

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 31 December 2019 (Unaudited)

	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**187,325**	201,407
Other comprehensive income for the period (after 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	**(27,256)**	(58,553)
Other comprehensive income for the period, net of tax	**(27,256)**	(58,553)
Total comprehensive income for the period	**160,069**	142,854
Attributable to:		
Equity shareholders of the Company	**160,069**	142,854
Non-controlling interests	**-**	-
Total comprehensive income for the period	**160,069**	142,854

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 31 December 2019

	Note	**At 31 December 2019 (Unaudited)**	At 30 June 2019 (Audited)
		HK$'000	*HK$'000*
Non-current assets			
Leasehold land and property, plant and equipment		**709,932**	703,570
Intangible assets and goodwill		**7,552**	9,597
Deferred tax assets		**28**	-
Other non-current assets		**9,900**	11,498
		727,412	724,665
Current assets			
Inventories		**695,676**	625,843
Trade and other receivables	*8*	**425,097**	393,284
Cash and cash equivalents		**1,377,996**	1,317,927
		2,498,769	2,337,054
Current liabilities			
Trade and other payables	*9*	**702,492**	673,063
Contract liabilities		**50,304**	28,232
Tax payables		**26,472**	13,636
Lease liabilities		**3,553**	160
		782,821	715,091
Net current assets		**1,715,948**	1,621,963
Total assets less current liabilities		**2,443,360**	2,346,628
Non-current liabilities			
Deferred tax liabilities		**19,550**	11,731
Lease liabilities		**2,300**	354
		21,850	12,085
NET ASSETS		**2,421,510**	2,334,543

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2019

	At 31 December 2019 (Unaudited)	At 30 June 2019 (Audited)
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**672,777**	672,777
Reserves	**1,738,020**	1,651,053
Total equity attributable to equity shareholders of the Company	**2,410,797**	2,323,830
Non-controlling interests	**10,713**	10,713
TOTAL EQUITY	**2,421,510**	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 preliminary announcement of the Company's interim results has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial statements included in this announcement has been prepared in accordance with the same accounting policies adopted in the 2018/19 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019/20 annual financial statements. Details of any changes in accounting policies are set out in note 2.

This announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018/19 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information in this announcement is unaudited. The financial information relating to the financial year ended 30 June 2019 that is included in this preliminary announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30 June 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 financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes:

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.

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) Changes in the accounting policies

(i) 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 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

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. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Notes:

2. Changes in accounting policies *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting *(continued)*

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

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

Notes:

2. Changes in accounting policies *(continued)*

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

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;

(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); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 30 June 2019 as an alternative to performing an impairment review.

Notes:

2. Changes in accounting policies *(continued)*

(c) Transitional impact *(continued)*

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

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 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 asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets in "Leasehold land and property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

Notes:

2. Changes in accounting policies *(continued)*

(c) Transitional impact *(continued)*

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 *HK$'000*	**Capitalisation of operating lease contracts** *HK$'000*	**Carrying amount at 1 July 2019** *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**

Notes:

2. Changes in accounting policies *(continued)*

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 31 December 2019		At 1 July 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within 1 year	**3,553**	**3,741**	2,366	2,474
After 1 year but within 2 years	**1,501**	**1,557**	1,002	1,016
After 2 years but within 5 years	**799**	**831**	228	228
Total	**2,300**	**2,388**	1,230	1,244
	5,853	**6,129**	3,596	3,718
Less: total future interest expenses		**(276)**		(122)
Present value of lease liabilities		**5,853**		3,596

Notes:

2. Changes in accounting policies *(continued)*

(e) 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 six months ended 31 December 2019.

In the cash flow statement, 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 cash flow statement.

3. Revenue and segment reporting

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

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

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

Notes:

3. Revenue and segment reporting *(continued)*

(a) Disaggregation of revenue

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

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
- Sales of goods	**2,860,318**	2,856,705
Revenue from other sources		
Rental income	**273**	181
	2,860,591	2,856,886
Disaggregated by geographical location of customers		
- Hong Kong and Macau	**391,864**	384,131
- Mainland China	**2,468,454**	2,472,574
	2,860,318	2,856,705

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

Notes:

3. Revenue and segment reporting *(continued)*

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

Disaggregation of revenue from contracts with customers by 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:

	Six months ended 31 December					
	2019 (Unaudited)			2018 (Unaudited)		
	Food	**Home Care**	**Segment Total**	Food	Home Care	Segment Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Disaggregated by timing of revenue recognition on point in time						
Revenue from external customers	**2,488,409**	**371,909**	**2,860,318**	2,486,157	370,548	2,856,705
Reportable segment profit from operations	**215,295**	**40,699**	**255,994**	244,017	23,816	267,833

	At 31 December 2019 (Unaudited)			At 30 June 2019 (Audited)		
	Food	**Home Care**	**Segment Total**	Food	Home Care	Segment Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	**2,617,220**	**283,761**	**2,900,981**	2,380,153	262,705	2,642,858
Reportable segment liabilities	**632,927**	**139,763**	**772,690**	562,867	140,849	703,716

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.

The measure used for reporting segment profit is "profit from operations". To arrive at "profit from operations", the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

Notes:

3. Revenue and segment reporting *(continued)*

(c) Reconciliations of reportable segment revenue and profit or loss

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**2,860,318**	2,856,705
Rental income	**273**	181
Consolidated revenue	**2,860,591**	2,856,886
Profit		
Reportable segment profit from operations	**255,994**	267,833
Unallocated exchange (losses)/gains	**(405)**	146
Unallocated head office and corporate expenses	**(26,438)**	(28,705)
Finance costs	**(118)**	-
Consolidated profit before taxation	**229,033**	239,274

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. Profit before taxation

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

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Staff costs		
Salaries, wages and other benefits	**197,036**	177,913
Share-based payment expenses	**78**	181
Contribution to defined contribution retirement plans	**14,404**	14,262
	211,518	192,356
Finance costs		
Interest on lease liabilities	**118**	-

Notes:

4. Profit before taxation *(continued)*

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

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation		
- Leasehold land and property, plant and equipment	**31,480**	28,602
- Intangible assets	**2,317**	2,299
	33,797	30,901
Other items		
Interest income on financial assets measured at amortised cost	**(16,983)**	(12,892)
Net exchange gains	**(284)**	(1,840)
Net losses/(gains) on disposal of property, plant and equipment (*note (i)*)	**8,086**	(592)
Write-down of inventories	**988**	1,431
Net unrealised loss on club membership	**163**	50
Net realised and unrealised (gains)/losses on derivative financial instruments (*note (ii)*)	**(82)**	3,417
Government grants income (*note (i)*)	**(10,260)**	-

Notes:

(i) During the six months ended 31 December 2019, expenditure relating to the plant relocation project of HK$10,260,000 (2018: Nil) which mainly included fixed asset write-off of the old plant of HK$8,325,000 (2018: 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 period.

(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.

Notes:

5. Taxation

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**3,698**	1,936
Current tax – Outside Hong Kong	**30,219**	26,192
Deferred taxation	**7,791**	9,739
	41,708	37,867

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the respective estimated assessable profits of companies within the Group operating in Hong Kong for the six months ended 31 December 2019. Taxation for subsidiaries operating in Mainland China and Macau is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the respective regions.

All entities engaged in the primary processing of agricultural products in Mainland China are exempted from PRC corporate income tax ("CIT"). As a result, the profits from flour mill operations are exempted from CIT for the six months ended 31 December 2019 and 2018.

Other subsidiaries operating in Mainland China are subject to CIT tax rates 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.

Notes:

6. Dividends

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

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared and paid after the interim period of HK$0.14 (2018: HK$0.14) per ordinary share	**33,227**	33,085

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

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

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.30 (2018: HK$0.27) per ordinary share	**71,077**	63,731

Notes:

7. 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$187,325,000 (2018: HK$201,407,000) and the weighted average number of 237,073,000 (2018: 236,370,000) ordinary shares in issue during the interim period.

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	'000	*'000*
Issued ordinary shares at beginning of period	**243,354**	243,354
Effect of shares purchased in prior years	**(10,337)**	(8,849)
Effect of shares purchased in current period	**(128)**	(290)
	(10,465)	(9,139)
Effect of shares options exercised in prior years	**4,140**	2,070
Effect of share options exercised in current period	**44**	85
	4,184	2,155
Weighted average number of ordinary shares at end of period	**237,073**	236,370

Notes:

7. 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$187,325,000 (2018: HK$201,407,000) and the weighted average number of ordinary shares of 237,411,000 (2018: 238,047,000) after adjusting the effect of deemed issue of shares under the Company's share option scheme, calculated as follows:

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	'000	*'000*
Weighted average number of ordinary shares at end of period	**237,073**	236,370
Effect of deemed issue of shares under the Company's share option scheme	**338**	1,677
Weighted average number of ordinary shares (diluted) at end of period	**237,411**	238,047

8. Trade and other receivables

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

	At 31 December 2019	At 30 June 2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 3 months	**360,755**	346,398
3 to 6 months	**5,658**	2,751
Over 6 months	**1,389**	381
Trade receivables, net of loss allowance	**367,802**	349,530
Derivative financial instruments:		
- Foreign exchange forward contracts	**16**	47
Other receivables, deposits and prepayments	**57,279**	43,707
	425,097	393,284

Notes:

8. Trade and other receivables *(continued)*

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.

9. 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:

	At 31 December 2019 (Unaudited) ***HK$'000***	At 30 June 2019 (Audited) *HK$'000*
Within 3 months	**371,732**	356,051
More than 3 months	**3,490**	7,611
Trade payables	**375,222**	363,662
Deposits received	**9,924**	8,909
Other payables and accruals	**292,213**	285,547
Deferred income	**25,133**	14,945
	702,492	673,063

REVIEW BY BOARD AUDIT AND RISK MANAGEMENT COMMITTEE

The unaudited interim results for the six months ended 31 December 2019 have been reviewed by the Board Audit and Risk Management Committee of the Company. The information in these interim results does not constitute statutory accounts.

CORPORATE GOVERNANCE

Corporate Governance Code

The Board has adopted a 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.

During the period, the Company has complied with the HKEx Code, 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.

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

During the period, a wholly-owned subsidiary of the Company, as the trustee for a trust set up for the purpose of acquiring shares of the Company to satisfy the exercise of options which may be granted pursuant to the Executive Share Option Scheme adopted on 23 April 2013, purchased 323,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK$4,431,000.

Save as disclosed above, during the period, the Company did not redeem any of its listed shares. Neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 12 March 2020, on such date no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar and Transfer Office — Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 11 March 2020.

By Order of the Board
CHENG Man Ying
Company Secretary

Hong Kong, 26 February 2020

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. HUANG Lester Garson, *SBS, JP*
Ms. HO Yuk Wai Joan