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## 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 2021

	Six months ended 31 December		
	2021 HK\$'M	2020 HK\$'M	Increase/ (decrease)
Revenue	3,227	3,051	6%
Gross profit	626	732	-14%
Profit for the period	173	238	-27%
	HK\$	HK\$	
Basic earnings per share	0.73	1.01	-28%
Interim dividend per share	0.15	0.15	-
	As at 31 December 2021 HK\$'M	As at 30 June 2021 HK\$'M	
Total equity	3,000	2,881	4%

The Board of Directors (the “Board”) of Lam Soon (Hong Kong) Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December 2021.

#### OVERVIEW

In the six months ended 31 December 2021, the COVID-19 pandemic continues to take its toll on the economies in which we operate, having persisted beyond most predictions. During these trying times, the Group achieved steady revenue growth despite encountering pressure upon profitability due to significantly increased raw materials costs across all divisions, in particular edible oil costs, and from newly emerging channel disruption in Mainland China.

The Group adopted a heightened risk management approach and has resorted to a balanced business plan which enables the Group to capture selective market opportunities while enhancing our resilience to cope with increasing raw material costs amidst an uncertain market environment. The Group has reacted to the situation with suitably modified pacing strategies without compromising the long-term initiatives of the Group. We have protected fundamental aspects of the business by focusing on core business areas, products, customers and operational activities, and continuing to deploy necessary resources to uphold overall business momentum. Meanwhile, we have deployed a new taskforce for enhancing expenditure efficiency, and repositioned selective high-spending activities in certain regions and categories. As for our newly established Specialty Fats plant in Jintan, East China, we have commenced operations in the first quarter of FY2021/22 whereby we

## **OVERVIEW** *(continued)*

have begun adding new products by leveraging on our state-of-the-art facilities. Our expanding customer base will continue to propel business growth in the years to come.

## **SUMMARY OF FINANCIAL RESULTS**

Despite the on-going COVID-19 pandemic, the Group was able to deliver a revenue growth of 6% from the previous corresponding period, supported by sales volume growth, higher bran selling prices and RMB appreciation. However, gross profit margin declined by 4.6 percentage points to 19.4% which was severely impacted by escalation in wheat, edible oil and detergent material costs. As a result of the pressured profit margin and the absence of government COVID-19 subsidies for the period, mitigated by tightened operating costs, profit for the period decreased by 27% to HK\$173 million.

As at 31 December 2021, the Group's cash balance was at HK\$1,481 million. As an interim measure to enhance returns, the Group invested in quality fixed income government bonds in Mainland China and equity securities listed in Hong Kong with total carrying amounts of HK\$189 million as at 31 December 2021. With a strong cash and liquidity position, the Group will continue to seek out investment opportunities to strengthen its supply chain and to support geographic and business expansions.

## **DIVIDENDS**

The Board had declared an interim dividend of HK\$0.15 per share totalling approximately HK\$37 million for the six months ended 31 December 2021 (six months ended 31 December 2020: HK\$0.15 per share totalling approximately HK\$37 million), which will be payable on Tuesday, 22 March 2022 to the shareholders whose names appear on the register of members of the Company on Friday, 11 March 2022.

## **BUSINESS REVIEW**

### **Food Segment**

Food segment's revenue increased by 6% to HK\$2,791 million whereas its operating profit declined by 36% to HK\$175 million.

The Group's flour business had a solid and healthy growth in revenue but experienced an adjustment in gross profit margin due to an increase in wheat price. Within Mainland China, COVID-19 triggered city lockdowns, flooding and governmental control in the use of electricity have also caused disruptions to some of our manufacturing and catering customers. Despite the challenging market environment, we have been able to capture positive benefits from baking channels. In view of changing market dynamics and consumer behaviours under the COVID-19 pandemic, we continue to adopt interactive online communications via live streaming and social media platforms, which have enabled us to stay connected with our customers, thereby strengthening our ongoing business relationships with them.

## **BUSINESS REVIEW** *(continued)*

### **Food Segment** *(continued)*

Our new premium product range, including brands such as Golden Statue Japanese, Golden Statue French and signature Royal Sakura range, has established a strong foothold and has enabled us to grow with a sustainable momentum. With the commencement of our operations in our newly established Specialty Fats factory in Jintan, we have successfully expanded our product portfolio by synergizing with our distribution network and well-established operational system. These have equipped the Group with a unique competitive advantage to better serve our baking customers.

Our Edible Oil business has been negatively impacted by unprecedented increases in raw material costs and newly emerging channel disruption. To mitigate the exposure, the Group has implemented several rounds of price increase, executed controlled spending strategies, leveraged on television celebrity for our Knife brand-building campaign, and implemented effective trade promotions to sustain our market share. To cope with the newly emerging channel disruption resulted from Community Group Purchase (CGP) and Key Account Online to Offline (O2O), we have carefully selected customer partners and also tightened and accelerated our internal channel coordination.

### **Home Care Segment**

Home Care segment's revenue increased by 2% to HK\$435 million whereas its operating profit declined by 33% to HK\$34 million.

Similar to the Food segment, our Home Care business have also faced challenges of high raw material cost and intense market competition. After a major market surge under the development of a new normal, consumption of Home Care products has returned to pre-COVID period levels as demonstrated by certain trade down trends. All these have yielded pressure on gross margin and intensified price-driven competition and promotional activities. The Group has increased price on Home Care products, exercised greater caution on trade and channel spendings to ensure our AXE and Labour brands retain a competitive position, whilst launching new products in parallel such as the new Dishwash fragrances, foaming Handwash and Degerming Mist with a view to differentiating and broadening our product portfolio against our market competitors. We continue to modernize the AXE brand image via a cross-over with B.Duck IP.

## **OUTLOOK**

Looking forward, we believe that the COVID-19 pandemic and commodity price fluctuations remain as key factors affecting the economy and overall business outlook. The Group anticipates an upsurge in raw material costs and fluctuating market consumption patterns and we will closely monitor the situation. We will protect our business fundamentals, maintain our agility, vigilance and discipline whilst continuing to adapt to the changing dynamics in consumer behaviour, channels and the market arena. The Group remains cautious but optimistic, and is confident in our team and corporate values to capture the foreseeable recovery.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

At 31 December 2021, the Group had a cash balance of HK\$1,481 million (30 June 2021: HK\$1,485 million). About 72% of the balance was denominated in Renminbi, 27% in Hong Kong dollars and 1% 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\$95 million (30 June 2021: HK\$68 million) and HK\$94 million (30 June 2021: HK\$82 million) respectively as at 31 December 2021.

Banking facilities available to Group companies and not yet drawn as at 31 December 2021 amounted to HK\$611 million (30 June 2021: HK\$610 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 2021, the inventory turnover days were 57 days (30 June 2021: 72 days). The trade receivable turnover days remained at a stable level of 18 days (30 June 2021: 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.

### **Foreign Currency Exposure**

The Group has operations in Mainland China, Hong Kong and Macau. Local costs and revenue are primarily denominated in Renminbi, Hong Kong dollars, and Macau Patacas.

The Group is exposed to currency risk primarily through sales and purchases, which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group monitors its exposure by considering factors including, but not limited to, exchange rate movement of the relevant foreign currencies as well as the Group's cash flow requirements to ensure that its foreign exchange exposure is kept at an acceptable level.

### **Equity Price Exposure**

The Group maintains an investment portfolio which comprises equity securities listed in Hong Kong for investment yield enhancement purpose. Equity investments are subject to asset allocation limits.

### **Capital Expenditure**

During the six months ended 31 December 2021, the Group invested a total sum of HK\$62 million (2020: HK\$54 million) on construction of new plant, new production lines and acquisition of other plant equipment.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 31 December 2021 (Unaudited)*

	<i>Note</i>	<u>2021</u> <i>HK\$'000</i>	<u>2020</u> <i>HK\$'000</i>
<b>Revenue</b>	3	<b>3,226,931</b>	3,051,295
Cost of sales		<b>(2,600,706)</b>	(2,319,618)
<b>Gross profit</b>		<b>626,225</b>	731,677
Other income		<b>18,252</b>	28,203
Selling and distribution expenses		<b>(354,687)</b>	(352,872)
Administrative expenses		<b>(101,472)</b>	(112,784)
<b>Profit from operations</b>		<b>188,318</b>	294,224
Finance costs	4	<b>(161)</b>	(127)
<b>Profit before taxation</b>	4	<b>188,157</b>	294,097
Taxation	5	<b>(15,123)</b>	(55,864)
<b>Profit for the period</b>		<b>173,034</b>	238,233
<b>Earnings per share</b>			
Basic and diluted	7	<b>HK\$0.73</b>	HK\$1.01

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021 (Unaudited)

	<u>2021</u> <i>HK\$'000</i>	<u>2020</u> <i>HK\$'000</i>
<b>Profit for the period</b>	<b>173,034</b>	238,233
<b>Other comprehensive income for the period (net of nil tax and reclassification adjustments)</b>		
<b>Item that will not be reclassified to profit or loss:</b>		
Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	(5,199)	-
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	40,789	146,952
<b>Other comprehensive income for the period</b>	<b>35,590</b>	146,952
<b>Total comprehensive income for the period</b>	<b>208,624</b>	385,185

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	At 31 December 2021 <b>(Unaudited)</b> <i>HK\$'000</i>	At 30 June 2021 <b>(Audited)</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Leasehold land and property, plant and equipment		873,722	824,301
Intangible assets and goodwill		5,962	5,199
Other financial assets	8	120,151	82,760
Deferred tax assets		7	672
Other non-current assets		4,568	4,250
		<u>1,004,410</u>	<u>917,182</u>
<b>Current assets</b>			
Inventories		831,775	849,824
Trade and other receivables	9	398,351	355,390
Other financial assets	8	69,915	67,669
Cash and short term funds		1,481,403	1,485,477
		<u>2,781,444</u>	<u>2,758,360</u>
<b>Current liabilities</b>			
Trade and other payables	10	716,357	726,111
Contract liabilities		34,760	35,536
Tax payables		18,602	12,772
Lease liabilities		4,235	3,365
		<u>773,954</u>	<u>777,784</u>
<b>Net current assets</b>		<u>2,007,490</u>	<u>1,980,576</u>
<b>Total assets less current liabilities</b>		<u>3,011,900</u>	<u>2,897,758</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		9,803	15,246
Lease liabilities		2,321	1,847
		<u>12,124</u>	<u>17,093</u>
<b>NET ASSETS</b>		<u>2,999,776</u>	<u>2,880,665</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***At 31 December 2021*

	<i>Note</i>	<b>At 31 December 2021 (Unaudited) <u>HK\$'000</u></b>	<b>At 30 June 2021 (Audited) <u>HK\$'000</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>672,777</b>	672,777
Reserves		<b>2,326,999</b>	2,207,888
<b>TOTAL EQUITY</b>		<b><u>2,999,776</u></b>	<u>2,880,665</u>

*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 2020/21 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021/22 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 2020/21 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 2021 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 2021 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 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.

*Notes:*

**3. Revenue and segment reporting**

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

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

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

**(a) Disaggregation of revenue**

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

	<b>Six months ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
- Sales of goods	<u><b>3,226,931</b></u>	<u>3,051,295</u>
<b>Disaggregated by geographical location of customers</b>		
- Hong Kong and Macau	<b>403,721</b>	375,192
- Mainland China	<u><b>2,823,210</b></u>	<u>2,676,103</u>
	<u><b>3,226,931</b></u>	<u>3,051,295</u>

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

*Notes:*

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management is set out below:

	Six months ended 31 December					
	2021 (Unaudited)			2020 (Unaudited)		
	Food <i>HK\$'000</i>	Home Care <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>	Food <i>HK\$'000</i>	Home Care <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition on point in time</b>						
Revenue from external customers	<u>2,791,465</u>	<u>435,466</u>	<u>3,226,931</u>	<u>2,626,427</u>	<u>424,868</u>	<u>3,051,295</u>
Reportable segment profit from operations	<u>175,452</u>	<u>33,977</u>	<u>209,429</u>	<u>274,105</u>	<u>50,720</u>	<u>324,825</u>
	At 31 December 2021 (Unaudited)			At 30 June 2021 (Audited)		
	Food <i>HK\$'000</i>	Home Care <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>	Food <i>HK\$'000</i>	Home Care <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>
Reportable segment assets	<u>2,881,226</u>	<u>343,911</u>	<u>3,225,137</u>	<u>2,687,394</u>	<u>296,146</u>	<u>2,983,540</u>
Reportable segment liabilities	<u>613,479</u>	<u>164,746</u>	<u>778,225</u>	<u>617,525</u>	<u>148,784</u>	<u>766,309</u>

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

*Notes:*

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

**(c) Reconciliations of reportable segment profit or loss**

	Six months ended 31 December	
	2021	2020
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment profit from operations	209,429	324,825
Unallocated exchange gains	465	6,678
Unallocated net realised and unrealised losses on derivative financial instruments	(108)	(5,566)
Unallocated interest income on financial assets measured at amortised costs	590	1,761
Dividend income	2,404	-
Unallocated head office and corporate expenses	(24,462)	(33,474)
Finance costs	(161)	(127)
	<u>188,157</u>	<u>294,097</u>
Consolidated profit before taxation	<u>188,157</u>	<u>294,097</u>

**4. Profit before taxation**

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

	Six months ended 31 December	
	2021	2020
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Finance costs</b>		
Interest on lease liabilities	<u>161</u>	<u>127</u>
<b>Staff costs</b>		
Salaries, wages and other benefits	214,775	215,395
Share-based payment expenses	1,118	-
Contribution to defined contribution retirement plans <i>(note (i))</i>	<u>17,846</u>	<u>1,847</u>
	<u>233,739</u>	<u>217,242</u>

*Notes:*

**4. Profit before taxation** (*continued*)

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

	<b>Six months ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><u>HK\$'000</u></b>	<b><u>HK\$'000</u></b>
<b>Depreciation and amortisation</b>		
Leasehold land and property, plant and equipment	<b>32,840</b>	30,190
Intangible assets	<b>416</b>	2,599
	<b><u>33,256</u></b>	<u>32,789</u>
<b>Other items</b>		
Interest income on financial assets measured at amortised cost	<b>(12,660)</b>	(14,947)
Dividend income	<b>(2,404)</b>	-
Net exchange losses/(gains)	<b>857</b>	(2,299)
Net losses on disposal of property, plant and equipment	<b>45</b>	1,909
(Reversal of write-down)/write-down of inventories	<b>(106)</b>	435
Net unrealised (gain)/loss on club membership	<b>(7)</b>	150
Net realised and unrealised (gains)/losses on derivative financial instruments ( <i>note (iii)</i> )	<b>(126)</b>	5,566
Government grants ( <i>note (ii)</i> )	<b>(413)</b>	(10,484)

*Notes:*

- (i) During the six months ended 31 December 2020, social security contributions amounted to HK\$13,873,000 were exempted in Mainland China following the government introduced temporary waiver from the payment of social security contributions.
- (ii) During the six months ended 31 December 2020, government grants primarily represented one-off government subsidies granted due to COVID-19 pandemic of HK\$9,029,000 under the Employment Support Scheme of Hong Kong.
- (iii) The Group entered into various foreign exchange forward contracts to manage its foreign currency risk exposures during the period.

*Notes:*

**5. Taxation**

Taxation in the consolidated statement of profit or loss represents:

	<b>Six months ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Current tax – Hong Kong Profits Tax	<b>2,276</b>	3,183
Current tax – Outside Hong Kong	<b>17,625</b>	46,472
Deferred taxation	<b>(4,778)</b>	6,209
	<b><u>15,123</u></b>	<b><u>55,864</u></b>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the respective estimated assessable profits of companies within the Group operating in Hong Kong for the six months ended 31 December 2021.

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 2021 and 2020.

Other subsidiaries operating in Mainland China are subject to CIT tax rate of 25% (2020: 25%).

In addition, the Group is subject to withholding tax at the applicable rate of 5% on distribution of profits generated after 31 December 2007 from the foreign investment enterprises established in Mainland China. Deferred tax liabilities have been provided for in this regard based on the expected distributable dividends by its subsidiaries established in Mainland China in respect of profits generated after 31 December 2007.

Notes:

## 6. Dividends

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

	Six months ended 31 December	
	2021	2020
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared and paid after the interim period of HK\$0.15 (2020: HK\$0.15) per ordinary share	<u>35,327</u>	<u>35,510</u>

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	
	2021	2020
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.33 (2020: HK\$0.31) per ordinary share	<u>77,895</u>	<u>73,461</u>

*Notes:*

**7. Earnings per share**

**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit for the period of HK\$173,034,000 (2020: HK\$238,233,000) and the weighted average number of 236,110,000 (2020: 236,734,000 ) ordinary shares in issue during the interim period.

	<b>Six months ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><u>(Unaudited)</u></b>	<b><u>(Unaudited)</u></b>
	<b>'000</b>	<b>'000</b>
Issued ordinary shares at beginning of period	<b>243,354</b>	243,354
Effect of shares purchased in prior years	<b>(12,184)</b>	(11,039)
Effect of shares purchased in current period	<b>(235)</b>	(756)
	<b><u>(12,419)</u></b>	<u>(11,795)</u>
Effect of shares options exercised in prior years	<b>5,175</b>	5,175
Weighted average number of ordinary shares at end of period	<b><u>236,110</u></b>	<u>236,734</u>

**(b) Diluted earnings per share**

The diluted earnings per share equalled the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 31 December 2021 and 2020.

*Notes:*

**8. Other financial assets**

		At 31 December 2021 <u>(Unaudited)</u> <i>HK\$'000</i>	At 30 June 2021 <u>(Audited)</u> <i>HK\$'000</i>
Debt securities measured at amortised cost	(i)	<b>94,696</b>	67,669
Equity securities designated at fair value through other comprehensive income (“FVOCI”) (non-recycling):			
- Equity securities listed in Hong Kong	(ii)	<b>94,548</b>	81,945
Financial assets measured at fair value through profit or loss:			
- Club membership		<b>822</b>	815
		<b>190,066</b>	150,429
Representing:			
- Non-current assets		<b>120,151</b>	82,760
- Current assets		<b>69,915</b>	67,669
		<b>190,066</b>	150,429

*Notes:*

- (i) The debt securities are unsecured, bearing fixed interest rates from 2.2% to 3.2% per annum and will mature in 2022 and 2024.
- (ii) The equity securities designated at FVOCI (non-recycling) include the listed equity securities of companies engaged in banking and finance industry of HK\$66,936,000 (30 June 2021: HK\$62,525,000) and telecommunications industry of HK\$27,612,000 (30 June 2021: HK\$19,420,000). The Group designated these investments as equity securities at FVOCI (non-recycling), as the investments are held for investment yield enhancement purpose.

*Notes:*

**9. Trade and other receivables**

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

	<b>At 31 December 2021 (Unaudited) <i>HK\$'000</i></b>	<b>At 30 June 2021 (Audited) <i>HK\$'000</i></b>
Within 3 months	<b>351,096</b>	289,991
3 to 6 months	<b>628</b>	979
Over 6 months	<b>16</b>	14
Trade receivables, net of loss allowance	<b>351,740</b>	290,984
Other receivables, deposits and prepayments	<b>46,611</b>	64,406
	<b>398,351</b>	355,390

**10. Trade and other payables**

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

	<b>At 31 December 2021 (Unaudited) <i>HK\$'000</i></b>	<b>At 30 June 2021 (Audited) <i>HK\$'000</i></b>
Within 3 months	<b>425,323</b>	404,349
More than 3 months	<b>1,826</b>	3,657
Trade payables	<b>427,149</b>	408,006
Deposits received	<b>10,772</b>	14,977
Other payables and accruals	<b>272,661</b>	297,583
Deferred income	<b>5,453</b>	5,505
Derivative financial instruments:		
- Foreign exchange forward contracts	<b>322</b>	40
	<b>716,357</b>	726,111

## **REVIEW BY BOARD AUDIT AND RISK MANAGEMENT COMMITTEE**

The unaudited interim results for the six months ended 31 December 2021 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 835,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK\$12,736,000.

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed on Friday, 11 March 2022, 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 Thursday, 10 March 2022.

By Order of the Board  
**CHENG Man Ying**  
*Company Secretary*

Hong Kong, 22 February 2022

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

*Chairman:*

Mr. KWEK Leng Hai

*Group Managing Director:*

Mr. WONG Cho Fai

*Non-Executive Directors:*

Mr. 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