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 2018

- Revenue: HK$5,374 million
- Profit attributable to equity shareholders: HK$326 million
- Cash balance: HK$1,162 million
- Basic and diluted earnings per share: HK$1.38 and HK$1.37 respectively
- Proposed final dividend per share: HK$0.27

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 2018.

FINANCIAL RESULTS

The Group's revenue grew 12% year-on-year to HK$5,374 million. This increase was mainly attributable to growth of core products and deeper market penetration with strong branding in PRC. Flour had higher sales mix of core brands with higher margin replacing the traditionally high-volume but meagre-margin commodity flour. Oil sustained its Knife sales growth in South China and Detergent improved on its overall Guangdong performance. The momentum of online sales and the appreciation of Renminbi ("RMB") also helped. Group gross profit margin of 21.0% was slightly lower than last year's 21.3% primarily because of increase in wheat price for flour and cost escalations in raw and packing materials for Detergent.

Operating expenses as a percent of sales improved by 0.8 percentage points versus last year even after considering the increase in expenses by HK$45 million this year to drive our expansion. Net profit attributable to shareholders increased by almost 20% or HK$53 million to HK$326 million, with a net profit margin of 6.1% versus 5.7% for the same period last year. As at 30 June 2018, the Group's cash position increased by 41% to HK$1,162 million.

DIVIDENDS

The Directors are recommending a final dividend for the financial year ended 30 June 2018 of HK$0.27 per share totaling approximately HK$65,706,000 at the forthcoming Annual General Meeting. In addition to the interim dividend of HK$0.13 per share paid earlier this year (2017: interim dividend of HK$0.12 and final dividend of HK$0.23 per share, total dividend for the whole year amounts to approximately HK$85,174,000), total dividend for the year amounts to HK$0.40 per share totaling approximately HK$97,342,000. Subject to shareholders' approval, the final dividend will be payable on Tuesday, 4 December 2018 to the shareholders whose names appear on the register of members on Friday, 23 November 2018.

REVIEW OF OPERATIONS

OVERVIEW

The Group continues to deliver profitable growth amid an uncertain and challenging environment both in our major markets and globally. Our increasing portfolio of premium food products and their expanded distribution have led to the continued sales and volume growth of our core products / brands and their profitability in PRC. For the Detergent Segment, the sales / volume growth in the e-Commerce channel widens and enhances our brand awareness in the PRC nationwide.

The Group continues to invest in its production infrastructure and capability. Our new flour factory in Yixing, Jiangsu Province, is on track to be commissioned by the end of the current financial year in June 2019. Upon completion, it will serve the PRC market with more premium and high-grade products to meet the growing demand of the affluent consumer base, particularly in the East and South China regions. Improvements in our other production facilities will also be made to ensure they are aligned with our consumers' / customers' needs, pace of growth, and the evolving regulatory and environmental requirements.

BUSINESS REVIEW

The Group maintained its momentum from last year and delivered healthy revenue and volume growth in both our Food and Detergent Segments. Our core brands, Flour's Golden Statue and American Roses, Oil's Knife, and Detergent's AXE continued to strengthen their market position in all the markets and channels where we operated.

Awareness of our brands was widened and improved in PRC nationwide through the e-Commerce and traditional distribution channels for our Oil and Detergent businesses, especially in our stronghold of Guangdong Province. Our Flour business-to-consumer business continued to gain traction using various distribution channels to supplement our traditional strong institutional business to pave the way for future sales and profitable growth.

Food Segment

This segment's revenue and operating profit continued their upward momentum, growing 11.3% and 18.8% to HK$4,693 million and HK$393 million respectively against the corresponding period last year.

During the year, the overall favourable oil costs were insufficient to offset the increased wheat, labour, and supply chain costs. Nevertheless, the segment continued to deliver stable revenue, volume, and profit growth. We remain optimistic that growth of our core brands, the key driver to profit growth, will continue as we build a higher quality and healthier product portfolio under them.

BUSINESS REVIEW (continued)

Food Segment (continued)

The Group's Oil business, fuelled by increasing Knife brand investment in market / channel development, new products, and an overall favourable oil costs, delivered a strong performance. Noteworthy growth in its e-Commerce business is encouraging for our continued cultivation in this surging channel. With growth in e-Commerce sales, Oil's expansion beyond its traditional stronghold of South China could be expedited. In Hong Kong, the new bottling line in our Tai Po site was completed in the final quarter of the financial year. Together with the previously commissioned bulk oil line in Tai Po, we will now be able to serve more effectively the Hong Kong and Macau retail and institutional markets.

In Hong Kong, Knife Peanut Oil improved further on its leadership position for the year with a 47.7% market value share, compared to last year's 45.5%. Knife overall market value share for all oil types during the same period advanced from last year's 27.1% to 28.6%.[1]

In Guangdong Province, Knife overall annual market value share improved marginally from last year's 6.7% to 6.8%.[2] Knife brand's stability in Guangdong in a relatively flat market reflects our healthy position in the two main cities of Shenzhen and Guangzhou, which remain to be our two most strategically important markets.

Knife will continue to leverage on consumer insights and research and development efforts to develop new products to meet the consumers' increasing demand for high quality, safe, and healthy products. The brand had introduced a Peanut & Flaxseed Oil in PRC and an Olive & Peanut Oil in Hong Kong during the year. Moving forward, Knife plans to provide consumers with even more choices of healthy oils.

The Group's Flour core brands such as Golden Statue and American Roses continued to deliver solid volume, sales, and profit growth. Their strong brand presence has helped us differentiate our products in this heavily commoditised business to mitigate the rising wheat costs during the year.

While the main pillar of this business remains business-to-business, we will increase investment in building our online consumer business to pave the way for a more diverse and profitable business. In our quest to transforming into a solution provider from an ingredient supplier to our increasingly demanding customers, we will also diversify our product portfolio into other baking ingredients such as specialty fats so as to benefit from inherent synergies in our sales infrastructure and sizeable customer base. Increased efforts will also be made in gaining wider and deeper penetration beyond the first and second-tier cities and into the third and fourth-tier developing cities to capitalise on the customers' and consumers' growing demand for higher quality and premium products in these fast-growing 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 2016 to June 2018 for Total Supermarkets & Convenience Stores in Hong Kong. (Copyright © 2018, 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 2017 (from July 2016 to June 2017) and the rolling year June 2018 (from July 2017 to June 2018), for the China Guangdong market total. (Copyright © 2018, The Nielsen Company.)

BUSINESS REVIEW (continued)

Detergent Segment

This highly competitive segment recorded a healthy 14% revenue and 8% volume year-on-year growth, driven mainly by PRC's e-Commerce business. However, this positive growth was overshadowed by the lingering severe headwinds in material cost increases, which led to a 12% decline in operating profit from last year. Furthermore, while the increasing importance of e-Commerce channel within the industry cannot be overlooked, it diluted our profitability in the short term as increased resources and investments were made by the Group to build this business. E-Commerce has proven to be an effective platform for AXE to penetrate into the national scene in PRC as the brand has reached consumers beyond its traditional stronghold of South China through this platform.

In the new financial year, the Group will focus and increase efforts to expedite geographic expansion mainly via e-Commerce and portfolio expansion through new product development and diversification of our Detergent product range beyond our core dish wash products. In our mainstay Guangdong Province, the Group will continue to build on AXE and Labour's strength in distribution, especially the latter in the smaller cities that are not dominated by large supermarket or hypermarket chains.

In Hong Kong, the Group solidified its dish wash leadership position behind its AXE and Labour brands with a 39.2% annual market value share (36.9% last year) in a sluggish dish wash category. While market value share of the more price sensitive Labour only gained marginally on a year-on-year basis (11.6% versus last year's 11.4%), AXE improved 2.1 percentage points to 27.6% this year in market value share.[3]

In Guangdong Province, the annual retail market value share of AXE and Labour improved from last year's 17.4% to 17.7% and 5.7% to 6.4%, respectively.[4] Intense price competition in the dish wash category continued as competitors jockeyed for market position in a mature market. Although we anticipate this trend to continue, as the premium brand in the dish wash category, we are less susceptible to match competitor's cut-throat pricing.

Despite the challenges this segment faced in the past two years, the Group remains optimistic that through new products, improved efficiency in supply chain and reallocation of resources, we can improve its performance.

OUTLOOK

The Group will expedite growth of our core premium brands through continued channel and product development to widen and deepen their existing coverage. We are committed to stay the course and execute our long-term strategies.

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[3] Includes market shares of AXE and Labour; Lam Soon's calculation based in part on data reported by Nielsen through its Retail Index Service for the Dishwashing Detergent category from July 2016 to June 2018 for Total Supermarkets, Convenience Stores and Drug Stores in Hong Kong. (Copyright © 2018, 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 2017 (from July 2016 to June 2017) and the rolling year June 2018 (from July 2017 to June 2018), for the China Guangdong modern trade channel market. (Copyright © 2018, The Nielsen Company.)

OUTLOOK (continued)

As we face trade conflicts looming between the United States and China and continued fluctuating material costs in our businesses, we remain cautiously optimistic that with our brands strengthened through quality upgrades and offerings, we will become increasingly less sensitive to such volatility. In addition to our ongoing efforts in cost rationalisation, organisation rightsizing, and product improvements / innovations, more emphasis will be placed on enhancing our supply chain efficiency so as to increase our competitiveness amid an uncertain and challenging economic environment.

With the growing prominence of e-Commerce and importance of supply chain and research and development, we will strengthen further our talent pool in these areas and continue to improve our bench strength.

The demand trend towards premium products in the PRC market is inevitable. As the Group has always differentiated ourselves from competition with consistent high-quality product / service standard, we are better prepared to take on the changing trend in the market and deliver sustainable long-term profitable growth.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2018, the Group had a cash balance of HK$1,162 million (2017: HK$823 million). This was mainly attributable to the net cash generated from operating activities. About 60% of these funds were denominated in RMB and 40% in Hong Kong dollars ("HK$").

Banking facilities available to Group companies and not yet drawn as at 30 June 2018 amounted to HK$728 million (2017: HK$722 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 commodities price risk and currency risk for trade purposes.

At 30 June 2018, the inventory turnover days were 57 days (2017: 65 days). The trade receivable turnover days remained at a stable level of 22 days (2017: 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 RMB, HK$, and Macau Pataca.

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 2018, the Group invested a total sum of HK$85 million (2017: HK$36 million) on acquisition of leasehold land, plant equipment and construction of new production lines.

HUMAN RESOURCES

As at 30 June 2018, there were 1,627 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 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*4*	**5,374,273**	4,814,412
Cost of sales		**(4,243,311)**	(3,791,268)
Gross profit		**1,130,962**	1,023,144
Other income		**36,424**	27,176
Selling and distribution expenses		**(602,767)**	(547,277)
Administrative expenses		**(173,557)**	(183,928)
Operating profit		**391,062**	319,115
Finance costs		**-**	(48)
Profit before taxation	*5*	**391,062**	319,067
Taxation	*6*	**(64,683)**	(46,016)
Profit for the year		**326,379**	273,051
Attributable to:			
Equity shareholders of the Company		**326,379**	273,051
Non-controlling interests		**-**	-
Profit for the year		**326,379**	273,051
Earnings per share			
Basic	*8(a)*	**HK$1.38**	HK$1.15
Diluted	*8(b)*	**HK$1.37**	HK$1.12

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 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**326,379**	273,051
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of available-for-sale financial assets	**-**	3
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	**38,878**	(16,604)
Other comprehensive income for the year, net of tax	**38,885**	(16,601)
Total comprehensive income for the year	**365,264**	256,450
Attributable to:		
Equity shareholders of the Company	**365,264**	256,450
Non-controlling interests	**-**	-
Total comprehensive income for the year	**365,264**	256,450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**586,051**	561,302
Leasehold land		**75,004**	74,260
Intangible assets and goodwill		**14,196**	18,795
Interest in a joint venture		**-**	42,710
Deferred tax assets		**6**	21
Available-for-sale financial assets		**177**	185
Other non-current assets		**6,268**	-
		681,702	697,273
Current assets			
Inventories		**640,109**	648,900
Trade and other receivables	*9*	**387,455**	392,066
Cash and cash equivalents		**1,162,146**	822,877
		2,189,710	1,863,843
Current liabilities			
Trade and other payables	*10*	**680,930**	592,704
Amount due to a joint venture		**-**	42,976
Tax payables		**14,886**	19,091
Obligations under finance leases		**312**	250
		696,128	655,021
Net current assets		**1,493,582**	1,208,822
Total assets less current liabilities		**2,175,284**	1,906,095
Non-current liabilities			
Deferred tax liabilities		**4,742**	338
Obligations under finance leases		**357**	255
		5,099	593
NET ASSETS		**2,170,185**	1,905,502

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2018

	2018	2017
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**672,777**	672,777
Reserves	**1,486,695**	1,222,012
Total equity attributable to equity shareholders of the Company	**2,159,472**	1,894,789
Non-controlling interests	**10,713**	10,713
TOTAL EQUITY	**2,170,185**	1,905,502

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 30 June 2018 and the financial information relating to the year ended 30 June 2017 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 2017, 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 2018 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 2017 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 2017. 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 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

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.

Detergent: the manufacture and sale of household and institutional cleaning products.

(a) Segments results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management is set out below:

	2018			2017		
	Food *HK$'000*	**Detergent** *HK$'000*	**Segment Total** *HK$'000*	Food *HK$'000*	Detergent *HK$'000*	Segment Total *HK$'000*
Revenue from external customers	**4,693,347**	**679,784**	**5,373,131**	4,217,895	594,061	4,811,956
Reportable segment profit from operations	**392,901**	**45,843**	**438,744**	330,589	51,885	382,474
Interest income	**18,329**	**1,605**	**19,934**	10,071	1,517	11,588
Finance costs	-	-	-	(48)	-	(48)
Depreciation and amortisation	**(52,124)**	**(1,867)**	**(53,991)**	(54,554)	(1,590)	(56,144)
Other material profit or loss items:						
- Net exchange (losses)/gains	**(611)**	**(817)**	**(1,428)**	(3,686)	100	(3,586)
- Impairment losses reversed/ (recognised) for trade receivables	**293**	-	**293**	(407)	-	(407)
- Impairment losses recognised for property, plant and equipment	**(1,606)**	-	**(1,606)**	-	-	-
Taxation	**(40,446)**	**(10,890)**	**(51,336)**	(24,151)	(12,446)	(36,597)
Reportable segment assets	**2,185,280**	**201,359**	**2,386,639**	1,971,273	197,912	2,169,185
Reportable segment liabilities	**626,585**	**120,344**	**746,929**	550,889	117,248	668,137
Additions to non-current segment assets	**70,045**	**2,811**	**72,856**	26,766	660	27,426

3. Segment reporting (continued)

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

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**5,373,131**	4,811,956
Service and rental income	**1,142**	2,456
Consolidated revenue	**5,374,273**	4,814,412
Profit		
Reportable segment profit from operations	**438,744**	382,474
Finance costs	**-**	(48)
Unallocated exchange gains	**973**	1,234
Unallocated head office and corporate expenses	**(48,655)**	(64,593)
Consolidated profit before taxation	**391,062**	319,067
Assets		
Reportable segment assets	**2,386,639**	2,169,185
Elimination of inter-segment receivables	**(70,260)**	(64,863)
	2,316,379	2,104,322
Interest in a joint venture	**-**	42,710
Deferred tax assets	**6**	21
Unallocated head office and corporate assets	**555,027**	414,063
Consolidated total assets	**2,871,412**	2,561,116
Liabilities		
Reportable segment liabilities	**746,929**	668,137
Elimination of inter-segment payables	**(70,260)**	(64,863)
	676,669	603,274
Amount due to a joint venture	**-**	42,976
Deferred tax liabilities	**4,742**	338
Unallocated head office and corporate liabilities	**19,816**	9,026
Consolidated total liabilities	**701,227**	655,614

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 property, plant and equipment, leasehold land, intangible assets and goodwill, interest in a joint venture 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 property, plant and equipment, leasehold land and other non-current assets is based on the physical location of the assets, in the case of intangible assets and goodwill, the location of the operation to which they are allocated, in the case of interest in a joint venture, the location of operations.

	2018			2017		
	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	**721,729**	**4,651,402**	**5,373,131**	716,110	4,095,846	4,811,956
Specified non-current assets	**84,210**	**597,309**	**681,519**	123,840	573,227	697,067

(d) Information about major customers

During the years ended 30 June 2018 and 2017, there was no single external customer that contributed 10% or more of the Group's total revenue from external customers.

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 service and rental income. The amount of each significant category of revenue is set out below:

	2018 *HK$'000*	2017 *HK$'000*
Sales of goods	**5,373,131**	4,811,956
Service and rental income	**1,142**	2,456
	5,374,273	4,814,412

5. Profit before taxation

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

	2018	2017
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**54,997**	56,223
Amortisation of leasehold land	**2,354**	2,808
Amortisation of intangible assets	**4,599**	4,564
Impairment losses (reversed)/recognised for trade receivables	**(293)**	407
Impairment losses recognised for property, plant and equipment	**1,606**	-
Net losses on disposal of property, plant and equipment	**497**	1,243
Net realised and unrealised losses/(gains) on derivative financial instruments *(note)*	**542**	(137)

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:

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**3,042**	2,324
Over-provision in respect of prior years	**(169)**	(12)
	2,873	2,312
Current tax - Outside Hong Kong		
Provision for the year	**58,174**	43,980
Over-provision in respect of prior years	**(783)**	(572)
	57,391	43,408
Deferred tax		
Origination and reversal of temporary differences	**4,419**	296
	64,683	46,016

6. Taxation (continued)

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2017: 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 2018 and 2017.

Other subsidiaries operating in Mainland China are subject to CIT tax rate of 25% (2017: 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

	2018	2017
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.13 (2017: HK$0.12) per ordinary share	**30,799**	28,382
Final dividend proposed after the end of the reporting period of HK$0.27 (2017: HK$0.23) per ordinary share	**63,875**	54,324
	94,674	82,706

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

	2018	2017
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.23 (2017: HK$0.18) per ordinary share	**54,149**	42,607

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$326,379,000 (2017: HK$273,051,000) and the weighted average number of 236,262,000 (2017: 236,841,000) ordinary shares in issue during the year, calculated as follows:

	2018	2017
	'000	*'000*
Issued ordinary shares at beginning of year	**243,354**	243,354
Effect of shares purchased in prior years	**(7,164)**	(5,750)
Effect of shares purchased in current year	**(911)**	(763)
Effect of share options exercised during the year	**983**	-
Weighted average number of ordinary shares at end of year	**236,262**	236,841

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$326,379,000 (2017: HK$273,051,000) and the weighted average number of ordinary shares of 238,120,000 (2017: 242,798,000) after adjusting the effect of deemed issue of shares under the Company's share option scheme, calculated as follows:

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares at end of year	**236,262**	236,841
Effect of deemed issue of shares under the Company's share option scheme	**1,858**	5,957
Weighted average number of ordinary shares (diluted) at end of year	**238,120**	242,798

9. Trade and other receivables

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**347,006**	337,137
Less: Allowance for doubtful debts	**(483)**	(771)
	346,523	336,366
Other receivables, deposits and prepayments	**37,701**	52,892
Current portion of leasehold land	**2,354**	2,808
Derivative financial instruments:		
- Foreign exchange forward contracts	**877**	-
	387,455	392,066

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 allowance for doubtful debts, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**342,085**	322,595
3 to 6 months	**3,375**	12,028
Over 6 months	**1,063**	1,743
	346,523	336,366

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.

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:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**334,927**	319,964
3 to 6 months	**3,831**	454
Trade payables	**338,758**	320,418
Deposits received	**37,715**	24,474
Other payables and accruals	**280,567**	247,661
Deferred income	**23,836**	-
Derivative financial instruments:		
- Foreign exchange forward contracts	**54**	151
	680,930	592,704

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

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 1,685,000 shares of the Company on The Stock Exchange of Hong Kong Limited at a total consideration of HK$19,908,000.

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 2018, 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 2018.

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 2018 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)	9 November 2018 (Friday) to 13 November 2018 (Tuesday)
Latest time to lodge transfers	4:30 p.m. on 8 November 2018 (Thursday)
Record date	13 November 2018 (Tuesday)
Annual General Meeting	13 November 2018 (Tuesday)

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

Closure dates of Register of Members (both days inclusive)	22 November 2018 (Thursday) to 23 November 2018 (Friday)
Latest time to lodge transfers	4:30 p.m. on 21 November 2018 (Wednesday)
Record date	23 November 2018 (Friday)
Proposed final dividend payment date	4 December 2018 (Tuesday)

*(*subject to shareholders' approval at the annual general meeting)*

During the periods of the closure of Register of Members, no share transfers will be registered. For registration, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars and Transfer Office – Hongkong Managers and Secretaries Limited at Units 1607-8, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong before the relevant latest time to lodge transfers.

By Order of the Board
CHENG Man Ying
Company Secretary

Hong Kong, 28 August 2018

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
Mr. TSANG Cho Tai

Independent Non-Executive Directors:
Mr. LO Kai Yiu, Anthony
Mr. AU Chee Ming
Mr. HUANG Lester Garson, *SBS, J.P.*