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(Incorporated in Hong Kong with limited liability)
(Stock code: 345)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2018

HIGHLIGHTS

- The Group accelerated its performance in FY2017/2018 ahead of its original target whilst staying focused on its “Sustainable Growth” strategy which emphasises scale growth that is sustainable for the business results, the organisation and our contribution to the environment.
- Key business performances
 - ◆ Mainland China – “Go Deep Go Wide” strategy delivers accelerated growth in sales and profit
 - ◆ Hong Kong Operation (Hong Kong, Macau and Exports) – Stable business, investing for future development
 - ◆ Australia and New Zealand – Solid improvement in performance and brand equity
 - ◆ Singapore – Continued market leadership in tofu and increasing beverage market share
- The Group’s revenue in FY2017/2018 was HK\$6,465 million, up 20%. Excluding the one-off gain of the North American divestiture, the Group achieved an increase of 21%.
- Gross profit for the year was HK\$3,420 million, up HK\$546 million or 19%, with gross profit margin sustaining at 53%.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation, amortisation and share of losses of joint venture) for the year was HK\$1,063 million, decreased by HK\$20 million or 2%. Excluding the one-off gain of the North American divestiture, EBITDA increased by 19%.
- EBITDA to revenue margin was 16%.
- Profit attributable to equity shareholders of the Company was HK\$586 million, a decrease of 5%. Excluding the one-off gain of the North American divestiture, profit attributable to equity shareholders of the Company increased by 14%.
- A final dividend of HK31.4 cents per ordinary share (FY2016/2017: a final dividend of HK27.1 cents per ordinary share and a special dividend of HK4.2 cents per ordinary share) has been proposed. Together with the interim dividend of HK3.8 cents per ordinary share (FY2016/2017: an interim dividend of HK3.8 cents per ordinary share), this brings the total dividend for FY2017/2018 to HK35.2 cents per ordinary share (FY2016/2017 total dividend: HK35.1 cents per ordinary share).

RESULTS

In this announcement, “we” and “our” refer to the Company (as defined below) and, where the context otherwise requires, the Group (as defined below).

The Board of Directors (the “Board”) of Vitasoy International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2018, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	3 & 4	6,464,525	5,406,090
Cost of sales		(3,044,767)	(2,532,704)
Gross profit		3,419,758	2,873,386
Other income	5	27,829	34,638
Net gain on disposal of assets and liabilities classified as held for sale		-	189,595
Marketing, selling and distribution expenses		(1,729,371)	(1,491,517)
Administrative expenses		(559,096)	(487,795)
Other operating expenses		(336,872)	(270,273)
Profit from operations		822,248	848,034
Finance costs	6(a)	(1,700)	(3,730)
Share of losses of joint venture		(17,814)	(627)
Profit before taxation	6	802,734	843,677
Income tax	7	(160,679)	(190,383)
Profit for the year		642,055	653,294
Attributable to:			
Equity shareholders of the Company		585,774	618,372
Non-controlling interests		56,281	34,922
Profit for the year		642,055	653,294
Earnings per share	9		
Basic		HK55.5 cents	HK58.9 cents
Diluted		HK55.0 cents	HK58.4 cents

Details of dividends payable to equity shareholders of the Company are set out in note 8.

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

For the year ended 31st March 2018

	2018	2017
	HK\$'000	HK\$'000
Profit for the year	642,055	653,294
Other comprehensive income for the year (after tax)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefit liabilities	6,095	8,579
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	145,272	(87,588)
Cash flow hedge: net movement in the hedging reserve	5,685	(888)
Total comprehensive income for the year	799,107	573,397
Attributable to:		
Equity shareholders of the Company	730,802	543,723
Non-controlling interests	68,305	29,674
Total comprehensive income for the year	799,107	573,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2018

	Note	2018		2017	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment					
- Interests in leasehold land held for own use under operating leases			67,134		62,182
- Investment properties			4,088		4,614
- Other property, plant and equipment			2,277,653		1,986,480
			<u>2,348,875</u>		<u>2,053,276</u>
Deposits for the acquisition of property, plant and equipment			1,586		1,125
Intangible assets			3,922		4,010
Goodwill			18,983		35,293
Interest in joint venture			45,291		148
Deferred tax assets			103,362		56,451
			<u>2,522,019</u>		<u>2,150,303</u>
Current assets					
Inventories		709,312		582,446	
Trade and other receivables	10	954,944		900,003	
Current tax recoverable		10,209		736	
Cash and bank deposits		985,694		853,119	
		<u>2,660,159</u>		<u>2,336,304</u>	
Current liabilities					
Trade and other payables	11	1,863,772		1,466,904	
Bank loans	12	27,085		7,329	
Obligations under finance leases		921		1,221	
Current tax payable		31,265		37,781	
		<u>1,923,043</u>		<u>1,513,235</u>	
Net current assets			<u>737,116</u>		<u>823,069</u>
Total assets less current liabilities			<u>3,259,135</u>		<u>2,973,372</u>
Non-current liabilities					
Bank loans	12	-		200,000	
Obligations under finance leases		-		909	
Employee retirement benefit liabilities		16,066		22,065	
Deferred tax liabilities		73,923		60,692	
			<u>89,989</u>		<u>283,666</u>
NET ASSETS			<u>3,169,146</u>		<u>2,689,706</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31st March 2018*

		2018		2017	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CAPITAL AND RESERVES					
Share capital			857,335		774,246
Reserves			<u>2,052,422</u>		<u>1,697,123</u>
Total equity attributable to equity shareholders					
of the Company			2,909,757		2,471,369
Non-controlling interests			<u>259,389</u>		<u>218,337</u>
TOTAL EQUITY			<u>3,169,146</u>		<u>2,689,706</u>

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 31st March 2018 and the financial information relating to the year ended 31st March 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 2017, is derived from those financial statements.

The Company's statutory annual consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing rules").

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 Company's statutory financial statements for the year ended 31st March 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 statutory financial statements for the year ended 31st March 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 the statutory financial statements of the Group for the year ended 31st March 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis except that derivative financial instruments are stated at fair value.

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. Revenue

The principal activities of the Group are the manufacture and sale of food and beverages. Revenue represents the invoiced value of products sold, net of returns, rebates and discounts.

4. Segment reporting

(a) Segment results, assets and liabilities

The Group manages its businesses by entities, which are organised by geography.

During the year, certain amendments and reclassifications were made to the management reports presented to the senior executive management in order to better reflect the composition and performance of each segment. Prior year comparatives have been reclassified to conform to the current year's presentation.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31st March 2018 and 2017 is set as below:

	Mainland China		Hong Kong Operation		Australia and New Zealand		Singapore		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue from external customers	3,700,034	2,666,244	2,158,936	2,167,552	501,807	471,894	103,748	100,400	6,464,525	5,406,090
Inter-segment revenue	66,128	85,012	47,406	64,307	899	346	2,519	2,004	116,952	151,669
Reportable segment revenue	3,766,162	2,751,256	2,206,342	2,231,859	502,706	472,240	106,267	102,404	6,581,477	5,557,759
Reportable segment profit from operations	542,267	317,197	352,088	381,012	94,639	87,214	7,333	11,522	996,327	796,945
Interest income from bank deposits	2,758	765	6,963	4,392	136	156	2	1	9,859	5,314
Finance costs	-	(961)	(494)	(745)	(1,206)	(2,024)	-	-	(1,700)	(3,730)
Depreciation and amortisation for the year	(140,313)	(129,930)	(93,933)	(95,919)	(12,313)	(11,321)	(4,185)	(3,552)	(250,744)	(240,722)
Reportable segment assets	2,568,086	2,049,409	2,842,352	2,950,858	406,790	362,806	69,119	57,136	5,886,347	5,420,209
Reportable segment liabilities	1,498,014	1,304,623	575,619	721,986	121,176	105,010	16,279	11,695	2,211,088	2,143,314
Additions to non-current segment assets during the year	237,801	120,586	122,148	59,364	61,617	13,405	6,692	4,842	428,258	198,197

4. Segment reporting (continued)

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

	2018 HK\$'000	2017 HK\$'000
<i>Revenue</i>		
Reportable segment revenue	6,581,477	5,557,759
Elimination of inter-segment revenue	(116,952)	(151,669)
Consolidated revenue	<u>6,464,525</u>	<u>5,406,090</u>
	2018 HK\$'000	2017 HK\$'000
<i>Profit or loss</i>		
Reportable segment profit from operations	996,327	796,945
Finance costs	(1,700)	(3,730)
Share of losses of joint venture	(17,814)	(627)
Net gain on disposal of assets and liabilities classified as held for sale	-	189,595
Recognition of impairment losses on goodwill	(18,342)	-
Unallocated head office and corporate expenses	(155,737)	(138,506)
Consolidated profit before taxation	<u>802,734</u>	<u>843,677</u>

4. Segment reporting (Continued)

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

	2018 HK\$'000	2017 HK\$'000
<i>Assets</i>		
Reportable segment assets	5,886,347	5,420,209
Elimination of inter-segment receivables	(909,792)	(1,030,931)
	<u>4,976,555</u>	<u>4,389,278</u>
Interest in joint venture	45,291	148
Deferred tax assets	103,362	56,451
Current tax recoverable	10,209	736
Goodwill	18,983	35,293
Unallocated head office and corporate assets	27,778	4,701
Consolidated total assets	<u>5,182,178</u>	<u>4,486,607</u>
	2018 HK\$'000	2017 HK\$'000
<i>Liabilities</i>		
Reportable segment liabilities	2,211,088	2,143,314
Elimination of inter-segment payables	(344,300)	(492,880)
	<u>1,866,788</u>	<u>1,650,434</u>
Employee retirement benefit liabilities	16,066	22,065
Deferred tax liabilities	73,923	60,692
Current tax payable	31,265	37,781
Unallocated head office and corporate liabilities	24,990	25,929
Consolidated total liabilities	<u>2,013,032</u>	<u>1,796,901</u>

5. Other income

	2018 HK\$'000	2017 HK\$'000
Government grants (note)	3,570	7,917
Interest income	9,859	5,314
Rental income	3,667	3,406
Scrap sales	1,019	1,637
Reversal of long outstanding other payables	2,441	1,970
Sundry income	7,273	14,394
	<u>27,829</u>	<u>34,638</u>

Note: Government grants mainly relate to value-added tax refunded and other financial assistance received from the government of the People's Republic of China. Other government grants received in relation to the acquisition of plant and equipment were netted off against the cost of the related assets.

6. Profit before taxation

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

	2018	2017
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank loans	1,579	5,544
Finance charges on obligations under finance leases	121	201
	1,700	5,745
Less: interest expense capitalised into property, plant and equipment *	-	(2,015)
	1,700	3,730

* The borrowing costs had been capitalised at a rate of 1.43% per annum for the year ended 31st March 2017.

	2018	2017
	HK\$'000	HK\$'000
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	1,585	1,520
Amortisation of intangible assets	379	367
Depreciation		
- Investment properties	526	526
- Assets acquired under finance leases	263	254
- Other assets	247,991	238,055
Recognition of impairment losses on trade and other receivables	256	4,186
Recognition of impairment losses on property, plant and equipment	13,625	1,631
Recognition of impairment losses on goodwill	18,342	-
Cost of inventories	3,048,655	2,536,157

7. Income tax

Taxation in the consolidated statement of profit or loss represents:

	2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	40,282	51,941
Over-provision in respect of prior years	(100)	(13)
	<u>40,182</u>	<u>51,928</u>
Current tax – Outside Hong Kong		
Provision for the year	158,500	103,465
Over-provision in respect of prior years	(7,504)	(1,987)
	<u>150,996</u>	<u>101,478</u>
Deferred tax	<u>(30,499)</u>	36,977
	<u>160,679</u>	<u>190,383</u>

Note: The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

8. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2018 HK\$'000	2017 HK\$'000
Interim dividend declared and paid of HK3.8 cents per ordinary share (2017: HK3.8 cents per ordinary share)	40,161	39,958
Final dividend proposed after the end of the reporting period of HK31.4 cents per ordinary share (2017: HK27.1 cents per ordinary share)	332,520	285,349
Special dividend proposed after the end of the reporting period of nil (2017: HK4.2 cents per ordinary share)	-	44,224
	<u>372,681</u>	<u>369,531</u>

The final dividend proposed after the end of the reporting period are based on 1,058,979,500 ordinary shares (2017: 1,052,947,500 ordinary shares), being the total number of issued shares at the date of approval of the financial statements.

The final dividend proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

8. Dividends (Continued)

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018 HK\$'000	2017 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK27.1 cents per ordinary share (2017: HK26.5 cents per ordinary share)	285,831	278,400
Special dividend in respect of the previous financial year, approved and paid during the year, of HK4.2 cents per ordinary share (2017: Nil)	44,299	-
	<u>330,130</u>	<u>278,400</u>

The final and special dividends approved and paid during the year are based on the total number of issued shares at the date of Annual General Meeting.

9. 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\$585,774,000 (2017: HK\$618,372,000) and the weighted average number of 1,055,541,000 ordinary shares (2017: 1,050,283,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018 Number of shares '000	2017 Number of shares '000
Issued ordinary shares at 1st April	1,051,692	1,047,330
Effect of share options exercised	3,849	2,953
Weighted average number of ordinary shares at 31st March	<u>1,055,541</u>	<u>1,050,283</u>

9. 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\$585,774,000 (2017: HK\$618,372,000) and the weighted average number of 1,064,205,000 ordinary shares (2017: 1,059,023,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018	2017
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of ordinary shares at 31st March	1,055,541	1,050,283
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	8,664	8,740
Weighted average number of ordinary shares (diluted) at 31st March	1,064,205	1,059,023

10. Trade and other receivables

	2018	2017
	HK\$'000	HK\$'000
Trade debtors and bills receivable	727,465	677,129
Less: Allowance for doubtful debts	(1,022)	(3,375)
	726,443	673,754
Other debtors, deposits and prepayments	228,501	226,249
	954,944	900,003

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in the 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 three months	704,686	648,675
Three to six months	8,239	23,270
Over six months	13,518	1,809
	726,443	673,754

Trade receivables are due within one to three months from the date of billing. Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. The credit terms given to the customers vary and are generally based on the financial strength of the individual customer. In order to effectively manage the credit risks associated with customers, credit evaluations of customers are performed periodically. Normally, the Group does not obtain collateral from customers.

11. Trade and other payables

	2018 HK\$'000	2017 HK\$'000
Trade creditors and bills payable	574,402	497,239
Accrued expenses and other payables	1,289,189	969,047
Derivative financial instruments	181	618
	<u>1,863,772</u>	<u>1,466,904</u>

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable, based on the invoice date, is as follows:

	2018 HK\$'000	2017 HK\$'000
Within three months	570,706	496,435
Three to six months	3,196	431
Over six months	500	373
	<u>574,402</u>	<u>497,239</u>

The Group's general payment terms are one to two months from the invoice date.

12. Bank loans

At 31st March 2018, the bank loans were repayable as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year or on demand	27,085	7,329
After one year but within two years	-	150,000
After two years but within five years	-	50,000
	<u>-</u>	<u>200,000</u>
	<u>27,085</u>	<u>207,329</u>

At 31st March 2017, bank loans totalling HK\$7,329,000 were secured by charges over property, plant and equipment with net book value totalling HK\$62,768,000. At 31st March 2018, no bank loans were secured by charges over property, plant and equipment.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31st March 2018 and 2017, none of the covenants relating to the drawn down facilities had been breached.

13. Non-adjusting events after the reporting period

The significant events after the end of the reporting period are as follows:

- (a) Subsequent to the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 8(a).
- (b) On 6th June 2018, a wholly-owned subsidiary of the Group entered into an Assignment of State-owned Land Use Right Agreement to purchase a piece of land in Changping Town, Dongguan City of Guangdong Province in Mainland China to construct a production plant, at a consideration of approximately RMB97.5 million (net of valued added tax). The transaction is expected to be completed in September 2018.

14. Scope of work of auditor

The accuracy of the financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st March 2018 have been checked by the Company's auditor, KPMG, Certified Public Accountants, from the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in an 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

DIVIDEND

In view of the Group's business growth and healthy financial position, the Board of Directors is recommending a final dividend of HK31.4 cents per ordinary share (FY2016/2017: a final dividend of HK27.1 cents per ordinary share and a special dividend of HK4.2 cents per ordinary share) at the Annual General Meeting on 3rd September 2018 (the "AGM"). This, coupled with the interim dividend of HK3.8 cents per ordinary share (FY2016/2017: an interim dividend of HK3.8 cents per ordinary share), means that the Company's total dividend for FY2017/2018 will be HK35.2 cents per ordinary share (FY2016/2017 total dividend: HK35.1 cents per ordinary share). The proposed final dividend will be payable on Friday, 21st September 2018 to shareholders whose names appear in the Company's register of members on Tuesday, 11th September 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed as follows:

<p>(a) For determining eligibility to attend and vote at the AGM:</p> <ul style="list-style-type: none">- Latest time to lodge transfer documents for registration with the Company's Share Registrar- Closure of the Company's Register of Members- Record date	<p>At 4:30 p.m. on 28th August 2018</p> <p>29th August 2018 to 3rd September 2018 (both dates inclusive) 3rd September 2018</p>
<p>(b) For determining entitlement to the proposed final dividend:</p> <ul style="list-style-type: none">- Latest time to lodge transfer documents for registration with the Company's Share Registrar- Closure of the Company's Register of Members- Record date	<p>At 4:30 p.m. on 6th September 2018</p> <p>7th September 2018 to 11th September 2018 (both dates inclusive) 11th September 2018</p>

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than the aforementioned latest time.

MANAGEMENT REPORT

Sales Performance

Mainland China delivered particularly strong performance during the year, with revenue increased 39% to HK\$3,700 million. Given this acceleration, the Group expects more moderate growth in FY2018/2019.

After re-clustering the post-divestiture North American business under Hong Kong Operation, revenue grew 2% to HK\$2,159 million. Investment in the business is laying a firm foundation for continued future growth.

In Australia and New Zealand, the Group continued to grow its business, with revenue up 6%. VITASOY retained its market leadership position in plant milk in Australia.

In Singapore, revenue increased by 3% to HK\$104 million, maintaining its market leadership position in the tofu business.

The Group's joint venture in the Philippines has delivered an encouraging business performance after the first few months of operation.

Financial Highlights

The financial position of the Group remains healthy. Key financial indicators including revenue, gross profit margin and return on capital employed all reflect the solid position of the business.

Revenue

- For the year ended 31st March 2018, the Group's revenue increased by 20% to HK\$6,465 million (FY2016/2017: HK\$5,406 million), and increased by 21% when excluding the one-off gain of the divestiture of North American Mainstream and SAN SUI business in FY2016/2017 (the "North American divestiture"). Mainland China and overseas subsidiaries have been positively improved by appreciation of local currencies after translation into Hong Kong Dollars.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the year FY2017/2018 was HK\$3,420 million, representing an increase of 19% over the previous year (FY2016/2017: HK\$2,873 million), driven by increase in sales volume.
- Gross profit margin sustained at 53% in FY2017/2018 (FY2016/2017: 53%). Although commodity prices particularly sugar, milk powder and paper carton were unfavourable to us, improved manufacturing efficiency resulting from increased sales volume enabled us to maintain our gross margin level.

Operating Expenses

- Total operating expenses increased 17% to HK\$2,625 million (FY2016/2017: HK\$2,250 million), due to enhanced advertising and promotion activities, higher staff related and logistics expenses.
- Marketing, selling and distribution expenses increased 16% to HK\$1,729 million (FY2016/2017: HK\$1,492 million), mainly due to increased investment in enhancing consumer communication and our brand equity. Logistics expenses were higher as a result of increased sales volume. As we gradually expanded our business in Mainland China, we have increased our scale of sales team and therefore increased staff cost and commission expenses.
- Administrative expenses increased 15% to HK\$559 million (FY2016/2017: HK\$488 million), reflecting salary inflationary adjustments; enhanced organisational capacity and capabilities, and higher professional fee for properly planning and executing our digitisation initiatives.
- Other operating expenses were HK\$337 million, versus HK\$270 million for the previous year. The increment included partial impairment of goodwill in Singapore business as we expect the growth rate to be lower than our initial plan under intensified market condition.

EBITDA (Earnings Before Interest Income, Finance Costs, Income Tax, Depreciation, Amortisation and Share of Losses of Joint Venture)

- EBITDA for the year was HK\$1,063 million, decreased by 2% year-on-year. Excluding the one-off gain of the North American divestiture, EBITDA increased by 19%, mainly driven by higher gross profit.
- The EBITDA to revenue margin for the year was 16%.

Profit from Operation

- Profit from operations decreased by 3% to HK\$822 million. Excluding the one-off gain of the North American divestiture, profit from operations increased by 24%, mainly contributed by higher gross profit.

Profit Before Taxation

- Profit before taxation decreased by 5% to HK\$803 million (FY2016/2017: HK\$844 million). Excluding the one-off gain of the North American divestiture, profit before taxation increased by 22%.

Taxation

- Income tax charged for the year was HK\$161 million (FY2016/2017: HK\$190 million) with an effective tax rate of 20%. The effective tax rate net of North American divestiture was 16% last year and the increase is in line with the increase in operating profit in Mainland China.

Non-controlling Interests

- Profit attributable to non-controlling interests increased to HK\$56 million (FY2016/2017: HK\$35 million), reflecting the increase in net profits of certain non-wholly-owned subsidiaries.

Profit Attributable to Equity Shareholders of the Company

- Profit attributable to equity shareholders of the Company was HK\$586 million, representing a decrease of 5% compared to the previous year (FY2016/2017: HK\$618 million). Excluding the one-off gain of the North American divestiture, profit attributable to equity shareholders increased by 14%.

General Review

The Group experienced a growth acceleration in FY2017/2018, building on high momentum of our Mainland China operations, solid growth in our other geographies and favourable currency appreciations.

Excluding the one-off gain of the North American divestiture, the Group achieved 21% growth in revenue to HK\$6,465 million, or 18% on a constant currency basis. Profit attributable to shareholders of the Company increased by 14% to HK\$586 million.

In light of the Group's healthy financial position and strong business growth, the Board will recommend a final dividend of HK31.4 cents per ordinary share (FY2016/2017: a final dividend of HK27.1 cents per ordinary share and a special dividend of HK4.2 cents per ordinary share) at the Annual General Meeting to be held on 3rd September 2018. Together with the interim dividend of HK3.8 cents per ordinary share (FY2016/2017: an interim dividend of HK3.8 cents per ordinary share), this brings the total dividend for FY2017/2018 to HK35.2 cents per ordinary share (FY2016/2017 total dividend: HK35.1 cents per ordinary share).

Mainland China

- Vitasoy China accelerated growth across all regions and the e-commerce channel. During FY2017/2018, Vitasoy China achieved 39% growth in revenue and 71% improvement in profit from operations.
- The main drivers of growth were favourable margins and expansion of sales volume, in addition to continuous improvement in efficiency. Our previous investments in enhancing brand equity on both brands VITASOY and VITA, contributed to the overall result.
- With accelerating top line resetting a stronger base for the future, the Group has announced the development of our new production facility in Changping Town, Dongguan City of Guangdong Province; this program is progressing smoothly, and production is expected to commence by April 2021.

Hong Kong Operation (Hong Kong, Macau and Exports)

- Net of North American divestiture, revenue from Hong Kong Operation were flat on local basis. They increased by 2% when accounting for export beverages. These are now including the remaining non-divested part of our North American business. Profit from operation decreased by 8% mainly due to the investment made as part of the Group's 2-year program to upgrade production and logistics infrastructure.
- VITASOY maintained its dominant market share in the plant-based category, riding on the strong performance of our core and innovative products. We continued to expand our portfolio by introducing new plant milk category VITASOY CALCI-PLUS Almond Milk and VITASOY CALCI-PLUS Coconut Milk. This year we have also introduced an upgraded, more concentrated version of our VITASOY CALCI-PLUS Plant-Sterol Soy Milk to accommodate increasing demand towards our premium and healthy products.
- In August 2017, Macau business was severely impacted by Typhoon Hato. Nevertheless, the business turned around and delivered strong set of results, leveraging increased numbers of tourists visiting Macau.
- The export business also performed well as a result of expansion in outlet coverage and attractive in-store executions.

Australia and New Zealand

- The Australia and New Zealand business delivered 6% revenue growth, while operating profit increased by 9%, mainly driven by increased sales in the supermarket channel.
- During the year, the Australian business launched a new master brand communication campaign with refreshed and unified packaging across the entire product portfolio. The initiative has been well received by the public and is helping maintain the Group's leadership position in the plant milk segment.
- In FY2017/2018, the Australian business launched the new Almond Milky and Coconut Milky product ranges, complementing the hugely successful SOY MILKY range that was introduced to the market in the early 2000s.

Singapore

- Revenue from Vitasoy Singapore business maintained last year's level in local currency. Although competitors promoted with deep discounting across the supermarket and convenience store channels, we were able to sustain our revenue with the assistance of well-established brand equity and effective communication programs without discounting deeply.
- Vitasoy Singapore maintained its market leadership in tofu business despite changing consumer preference and competition from cheaper imported tofu. Our imported beverage business experienced some revenue softness but grew its market share in supermarket sales.
- We continued our innovation of new products for both tofu and tea which is essential for us to maintain leadership position and drive our business growth. For tofu, during the year we launched VITASOY Chawanmushi, UNICURD Beancurd 500g and UNICURD food service egg tofu. For tea, we have introduced VITA Low Sugar Green Tea and VITA Low Sugar Jasmine Tea.
- In order to scale up the business, Vitasoy Singapore increased investment in advertising and promotion, infrastructure and people which impacted profit from operation for the year, resulting in a decrease of 36% versus FY2016/2017.

Outlook

In the new fiscal year 2018/2019, we expect a more moderate growth as we will be cycling an accelerated growth performance of the just finished fiscal year 2017/2018, coupled with increased investments behind brand equities, organisation and infrastructure to continue supporting our scale up behind our “Sustainable Growth” strategy.

Mainland China

- The Group expects Vitasoy China to gradually increase its growth contribution. Our “Go Deep Go Wide” strategy has been effective and therefore we plan to diligently pursue this balanced growth going forward.
- In the face of growing soya milk and plant based beverages’ increased competition and fragmentation, future efforts will concentrate on building brand equity, improving our execution, strengthening our organisation and securing the appropriate investments to support our expansion.

Hong Kong Operation (Hong Kong, Macau and Exports)

- Vitasoy Hong Kong will continue to focus on increasing its very high per capita consumption and market leadership across segments. The Group has also embarked a 2-year investment program to improve production capability and efficiency.

Australia and New Zealand

- We anticipate competition in the plant milk category to intensify with simultaneous price deflation on slowing segments and selective revenue growth opportunities in innovation. We will leverage our brand equity and portfolio innovation to drive scale without deterioration in revenue per case.

Singapore

- We will focus on maintaining our market leadership in tofu by enhancing our premium VITASOY brand and relevant innovation, whilst evolving the model for the beverage business.

Philippines

- The Group’s joint venture with Universal Robina Corporation has just commenced and has operated effectively in its first year of operation. The soy market is ripe for growth in the Philippines. We will continue to build awareness to progressively scale up our operations and provide meaningful contribution to our Group results.

Financial Position

- We finance our operations and capital expenditure primarily through internally generated cash as well as banking facilities provided by our principal bankers.
- As at 31st March 2018, our cash and bank deposits amounted to HK\$986 million (31st March 2017: HK\$853 million). 39%, 35% and 23% of our cash and bank deposits were denominated in Hong Kong dollars (HKD), Renminbi (RMB) and United States dollars (USD), respectively (31st March 2017: 66%, 24% and 7%). As of 31st March 2018, the Group had a net cash balance of HK\$958 million (31st March 2017: HK\$644 million). Available banking facilities amounted to HK\$941 million (31st March 2017: HK\$931 million) to facilitate future cash flow needs.
- The Group's borrowing (including obligations under finance leases) amounted to HK\$28 million with all denominated in Australian dollars (AUD) (31st March 2017: HK\$209 million, with HK\$200 million denominated in HKD and HK\$9 million denominated in AUD). Fixed rate borrowings amounted to HK\$0.9 million, with an effective interest rate of 7.5% for obligations under finance leases.
- The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) decreased to 1% (31st March 2017: 8%) as the Group repaid most of the borrowings by its internally generated cash.
- The Group's return on capital employed (ROCE) (EBITDA/average non-current debt and equity for the year was 35% (FY2016/2017: 39%). The decrease in ROCE was mainly due to the non-recurring gain from the North American divestiture in previous year.
- Capital expenditure incurred during the year increased to HK\$428 million (FY2016/2017: HK\$197 million), which was mainly spent on acquisition of new production lines and upgrading of existing production machineries in both Hong Kong and Mainland China.
- Assets with a carrying value of HK\$3 million (31st March 2017: HK\$65 million) were pledged under certain loans and lease arrangements.

Sustainability Report

As for our corporate positioning of Tasty, Plant-Based Sustainable Nutrition, we have increased attention and intensity on our sustainability strategy and have accelerated progress in FY2017/2018 so that we are already ahead of our original KPIs on portfolio and energy which we had originally set for FY2020/2021. We will reset and broaden these goals during 2018 to ensure we accelerate our positive nutrition, environmental and community contribution. The details of these are included in our fourth Sustainability Report.

Financial Risk Management

- The Group's overall financial management policy focuses on controlling and managing risks, covering transactions being directly related to the underlying businesses of the Group. For synergy, efficiency and control, the Group operates a central cash and treasury management system for all subsidiaries. Borrowings are normally taken out in local currencies by the operating subsidiaries to fund their investments and partially mitigate the foreign currency risks.
- The financial risks faced by the Group were mainly connected with uncertainties in interest rates and exchange rate movements. At the close of FY2017/2018, the Group entered into foreign exchange contracts to manage the foreign currency risks for the receipt of royalty and dividend income in Australian dollars from our Australian operation.

Potential Risk and Uncertainties

- During the year, the Group Internal Audit and Risk Management Department implemented a phased enhancement plan to further improve the Group's internal controls and risk management systems. The plan aims to embed a risk management process into the day-to-day operations of the Group. Through the risk management process facilitated by Group Risk Management, business entities and functional units regularly anticipate potential risks by evaluating their impacts and likelihood according to six clusters: reputation, strategy, market, liquidity, credit and operation. After consolidation and verification, the Enterprise Risk Management Executive Committee comprising of senior management of the Company, will evaluate and prioritise key risks, and ensures that appropriate control measures are in place or in progress. A Quarterly Group Risk Report is provided for discussion with the Executive Committee; and significant and emerging risks, as well as the associated control measures, are communicated with the Audit Committee. Subsequent to the roll-out at the Group and Company level in Hong Kong last year, the framework was roll-out to all subsidiaries during FY2017/2018. Details of the new risk management process are covered in the Risk Management section of the Corporate Governance Report in the FY2017/2018 Annual Report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March 2018, complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-executive Directors, namely, Mr. Paul Jeremy BROUGH (Chairman), Dr. the Hon. Sir David Kwok-po LI, Mr. Jan P. S. ERLUND and Mr. Anthony John Liddell NIGHTINGALE.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters, including the review of the Group's interim and annual financial statements.

The Audit Committee also reviews the Company's corporate governance structure and practices regularly and monitors its performance on an ongoing basis.

The Group's annual results for the year ended 31st March 2018 have been reviewed by the Audit Committee.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Company's annual report for FY2017/2018 will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company's website at www.vitasoy.com in due course.

By Order of the Board
Winston Yau-lai LO
Executive Chairman

Hong Kong, 15th June 2018

As at the date of this announcement, Mr. Winston Yau-lai LO, Mr. Roberto GUIDETTI and Mr. Eugene LYE are executive directors. Ms. Yvonne Mo-ling LO, Mr. Peter Tak-shing LO and Ms. May LO are non-executive directors. Dr. the Hon. Sir David Kwok-po LI, Mr. Jan P. S. ERLUND, Mr. Anthony John Liddell NIGHTINGALE, Mr. Paul Jeremy BROUGH and Dr. Roy Chi-ping CHUNG are independent non-executive directors.