Vitasoy International Holdings Ltd.
維他奶國際集團有限公司

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

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

HIGHLIGHTS

- The Group's performance during April - September 2019 saw revenue and profit from operations growing 5% and 1%, respectively. Net of currency impact, revenue increased 9%, and profit from operations increased 5%. This performance followed the exceptional growth recorded during the same period in 2018 (22%/26% in revenue/profit from operations versus April - September 2017), and was affected by unfavourable currency fluctuations in Renminbi (RMB) and Australian Dollars (AUD).

- Key business highlights
  - Mainland China – Broad-based growth across all categories and regions.
  - Hong Kong Operation (Hong Kong, Macau and Exports) – Stable on core business, growth affected by slower than expected execution of our innovation program.
  - Australia and New Zealand – Depreciation of the AUD and extreme drought conditions disrupting supply to customers.
  - Singapore – Growth in tofu business, whilst continuing to scale up our beverage business.

- For the six months ended 30th September 2019, the Group's revenue increased 5% to HK$4,684 million.

- The Group's gross profit for the interim period was HK$2,556 million, up 6%, mainly driven by increases in sales volume.

- EBITDA (Earnings before interest income, finance costs, income tax, depreciation, amortisation and share of losses of joint venture) for the interim period was HK$909 million, representing an increase of 9%. The increase in EBITDA was mainly driven by higher gross profit.

- EBITDA margin to revenue maintained at 19%.

- Profit before taxation increased by 1% to HK$713 million.

- Profit attributable to equity shareholders of the Company was HK$533 million, representing an increase of 3% compared to the previous interim period.

- The Board of Directors has declared an interim dividend of HK3.8 cents per ordinary share to be paid on 19th December 2019.

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 unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th September	
		2019	2018
			(Note)
	Note	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Revenue	4, 5	**4,684,485**	4,447,550
Cost of sales		**(2,128,181)**	(2,039,796)
Gross profit		**2,556,304**	2,407,754
Other income		**20,643**	17,537
Marketing, selling and distribution expenses		**(1,298,270)**	(1,215,473)
Administrative expenses		**(375,816)**	(308,669)
Other operating expenses		**(181,208)**	(187,505)
Profit from operations		**721,653**	713,644
Finance costs	6(a)	**(4,826)**	(906)
Share of losses of joint venture		**(3,866)**	(9,490)
Profit before taxation	6	**712,961**	703,248
Income tax	7	**(153,441)**	(153,498)
Profit for the period		**559,520**	549,750
Attributable to:			
Equity shareholders of the Company		**533,209**	517,727
Non-controlling interests		**26,311**	32,023
Profit for the period		**559,520**	549,750
Earnings per share	9		
Basic		**HK 50.2 cents**	HK 48.9 cents
Diluted		**HK 49.6 cents**	HK 48.4 cents

Note:
The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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

	Six months ended 30th September	
	2019	2018
		(Note)
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**559,520**	549,750
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences on translation of financial statements of subsidiaries and joint venture outside Hong Kong	**(143,036)**	(167,392)
- Cash flow hedge: net movement in the hedging reserve	**(1,565)**	(4,850)
Other comprehensive income for the period	**(144,601)**	(172,242)
Total comprehensive income for the period	**414,919**	377,508
Attributable to:		
Equity shareholders of the Company	**406,644**	365,433
Non-controlling interests	**8,275**	12,075
Total comprehensive income for the period	**414,919**	377,508

Note:
The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30th September 2019**		At 31st March 2019	
		HK$'000	**HK$'000**	HK$'000	HK$'000
				(Note)	
		(Unaudited)		(Audited)	
Non-current assets					
Property, plant and equipment					
- Interests in leasehold land held for own use under operating leases			**-**		176,428
- Investment properties			**3,565**		3,628
- Right-of-use assets	3		**403,222**		-
- Other property, plant and equipment			**2,881,205**		2,759,250
			3,287,992		2,939,306
Deposits for the acquisition of property, plant and equipment			**1,384**		1,601
Intangible assets			**4,238**		3,417
Goodwill			**17,996**		18,375
Interest in joint venture			**56,152**		59,290
Deferred tax assets			**99,104**		81,169
			3,466,866		3,103,158
Current assets					
Inventories		**561,176**		748,284	
Trade and other receivables	10	**1,230,460**		984,008	
Current tax recoverable		**5,746**		37,727	
Cash and bank deposits		**849,330**		1,005,032	
		2,646,712		2,775,051	
Current liabilities					
Trade and other payables	11	**2,104,497**		2,213,401	
Bank loans	12	**48,192**		44,508	
Lease liabilities		**85,738**		-	
Current tax payable		**82,448**		29,135	
		2,320,875		2,287,044	
Net current assets			**325,837**		488,007
Total assets less current liabilities			**3,792,703**		3,591,165

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**At 30th September 2019**		At 31st March 2019	
		HK$'000	**HK$'000**	HK$'000	HK$'000
				(Note)	
		(Unaudited)		(Audited)	
Non-current liabilities					
Lease liabilities		**172,883**		-	
Employee retirement benefit liabilities		**21,218**		22,624	
Deferred tax liabilities		**101,285**		98,981	
			295,386		121,605
NET ASSETS			**3,497,317**		3,469,560
CAPITAL AND RESERVES					
Share capital			**938,454**		898,961
Reserves			**2,263,493**		2,266,451
Total equity attributable to equity shareholders of the Company			**3,201,947**		3,165,412
Non-controlling interests			**295,370**		304,148
TOTAL EQUITY			**3,497,317**		3,469,560

Note:
The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Notes:

1. Independent review

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), whose unmodified review report is included in the interim financial report to be sent to shareholders. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

2. Basis of preparation

The interim financial report 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 (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018/2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019/2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The financial information relating to the financial year ended 31st March 2019 that is included in the announcement results for the six months ended 30th September 2019 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 31st March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

3. Changes in Accounting Policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1st April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1st April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below.

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1st April 2019. For contracts entered into before 1st April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. Changes in Accounting Policies (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

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

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

(iii) Lessor accounting

The Group leases out the properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

3. Changes in Accounting Policies (continued)

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

Determining the lease term

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

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1st April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1st April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.34%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16.

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31st March 2020;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31st March 2019 as an alternative to performing an impairment review;

(iv) the Group used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension or termination options; and

(v) the Group excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

3. Changes in Accounting Policies (continued)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as at 31st March 2019 to the opening balance for lease liabilities recognised as at 1st April 2019:

	1st April 2019
	HK$'000
Operating lease commitments at 31st March 2019	**369,385**
Less: commitments relating to lease exempt from capitalisation:	
- short-term lease and other leases with remaining lease term ending on or before 31st March 2020	**(40,073)**
- leases of low-value assets	**(664)**
- non-lease components	**(39,364)**
	289,284
Less: total future interest expenses	**(30,025)**
Total lease liabilities recognised at 1st April 2019	**259,259**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount as if HKFRS 16 had always been applied since the commencement date of the lease.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

3. Changes in Accounting Policies (continued)

(c) Transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31st March 2019 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amount at 1st April 2019 HK$'000
Interests in leasehold land held for own use under operating leases	176,428	(176,428)	-
Right-of-use assets	-	421,601	421,601
Total non-current assets	**3,103,158**	**245,173**	**3,348,331**
Trade and other payables	2,213,401	(8,260)	2,205,141
Lease liabilities (current)	-	71,627	71,627
Total current liabilities	**2,287,044**	**63,367**	**2,350,411**
Net current assets	**488,007**	**(63,367)**	**424,640**
Total assets less current liabilities	**3,591,165**	**181,806**	**3,772,971**
Lease liabilities (non-current)	-	187,632	187,632
Total non-current liabilities	**121,605**	**187,632**	**309,237**
Net assets	**3,469,560**	**(5,826)**	**3,463,734**
Total equity attributable to equity shareholders of the Company	**3,165,412**	**(5,809)**	**3,159,603**
Non-controlling interests	**304,148**	**(17)**	**304,131**
Total equity	**3,469,560**	**(5,826)**	**3,463,734**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30th September 2019 HK$'000	At 1st April 2019 HK$'000
Interest in leasehold land held for own use	**170,787**	183,380
Buildings held for own use	**232,435**	238,221
	403,222	421,601

3. Changes in Accounting Policies (continued)

(d) Impact on the segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1st April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit before taxation in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's segment results and cash flows for the six months ended 30th September 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to FY2019/2020 instead of HKFRS 16, and by comparing these hypothetical amounts for FY2019/2020 with the actual FY2018/2019 corresponding amounts which were prepared under HKAS 17.

Segment assets and segment liabilities at 30th September 2019 increased as a result of the change in accounting policy. The following segments were increased/(decreased) by the change in policy:

	Segment profit before taxation	Segment assets	Segment liabilities
	HK$'000	HK$'000	HK$'000
Mainland China	**(930)**	**19,136**	**19,777**
Hong Kong Operation	**(1,701)**	**213,299**	**218,875**
Others	**(43)**	**6,735**	**9,543**
Total	**(2,674)**	**239,170**	**248,195**

3. Changes in Accounting Policies (continued)

(d) Impact on the segment results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under HKFRS 16 (A)	**Estimated amount related to operating lease as if under HKAS 17 (note (i) & (ii)) (B)**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)**	Compared to amounts reported under HKAS 17
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Line items in the condensed consolidated cash flow statement for the six months ended 30th September 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	816,392	(38,061)	778,331	858,300
Net cash generated from operating activities	**731,796**	**(38,061)**	**693,735**	**749,446**
Capital element of lease rentals paid	(33,902)	33,902	-	(885)
Interest element of lease rentals paid	(4,159)	4,159	-	(21)
Net cash used in financing activities	**(418,458)**	**38,061**	**(380,397)**	**(294,408)**

Note (i): The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note (ii): In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

4. 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.

5. Segment reporting

(a) Segment results, assets and liabilities

The Group manages its businesses by entities, which are organised by geography. Information regarding the Group's reporting segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Mainland China		Hong Kong Operation		Australia and New Zealand		Singapore		Total	
	2019	2018 (Note)	**2019**	2018 (Note)	**2019**	2018 (Note)	**2019**	2018 (Note)	**2019**	2018 (Note)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
For the six months ended 30th September										
Revenue from external customers	**3,243,726**	2,992,303	**1,137,102**	1,137,857	**247,769**	262,717	**55,888**	54,673	**4,684,485**	4,447,550
Inter-segment revenue	**70,941**	46,230	**41,835**	35,067	**2,287**	1,415	**2,035**	1,313	**117,098**	84,025
Reportable segment revenue	**3,314,667**	3,038,533	**1,178,937**	1,172,924	**250,056**	264,132	**57,923**	55,986	**4,801,583**	4,531,575
Reportable segment profit from operations	**611,814**	564,971	**174,698**	193,758	**34,917**	45,486	**200**	905	**821,629**	805,120
Additions to non-current segment assets during the period	**308,743**	386,144	**130,517**	43,195	**6,538**	26,448	**1,347**	2,298	**447,145**	458,085
	At 30th September 2019	At 31st March 2019 (Note)	**At 30th September 2019**	At 31st March 2019 (Note)	**At 30th September 2019**	At 31st March 2019 (Note)	**At 30th September 2019**	At 31st March 2019 (Note)	**At 30th September 2019**	At 31st March 2019 (Note)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**3,462,268**	3,291,062	**3,546,955**	3,425,052	**398,385**	421,820	**93,821**	76,846	**7,501,429**	7,214,780
Reportable segment liabilities	**1,681,382**	1,769,460	**933,918**	672,600	**137,246**	137,592	**25,828**	17,271	**2,778,374**	2,596,923

Note:
The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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

	Six months ended 30th September	
	2019	2018
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**4,801,583**	4,531,575
Elimination of inter-segment revenue	**(117,098)**	(84,025)
Consolidated revenue	**4,684,485**	4,447,550

	Six months ended 30th September	
	2019	2018 (Note)
	HK$'000	HK$'000
Profit or loss		
Reportable segment profit from operations	**821,629**	805,120
Finance costs	**(4,826)**	(906)
Share of losses of joint venture	**(3,866)**	(9,490)
Unallocated head office and corporate expenses	**(99,976)**	(91,476)
Consolidated profit before taxation	**712,961**	703,248

5. Segment reporting (continued)

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

	At 30th September 2019	At 31st March 2019 (Note)
	HK$'000	HK$'000
Assets		
Reportable segment assets	**7,501,429**	7,214,780
Elimination of inter-segment receivables	**(1,572,005)**	(1,539,207)
	5,929,424	5,675,573
Interest in joint venture	**56,152**	59,290
Deferred tax assets	**99,104**	81,169
Current tax recoverable	**5,746**	37,727
Goodwill	**17,996**	18,375
Unallocated head office and corporate assets	**5,156**	6,075
Consolidated total assets	**6,113,578**	5,878,209

	At 30th September 2019	At 31st March 2019 (Note)
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	**2,778,374**	2,596,923
Elimination of inter-segment payables	**(391,876)**	(363,957)
	2,386,498	2,232,966
Employee retirement benefit liabilities	**21,218**	22,624
Deferred tax liabilities	**101,285**	98,981
Current tax payable	**82,448**	29,135
Unallocated head office and corporate liabilities	**24,812**	24,943
Consolidated total liabilities	**2,616,261**	2,408,649

Note:
The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

6. Profit before taxation

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

	Six months ended 30th September	
	2019	2018
		(Note)
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**667**	885
Finance charges on lease liabilities	**4,159**	21
	4,826	906

Note:
The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

	Six months ended 30th September	
	2019	2018
		(Note)
	HK$'000	HK$'000
(b) Other items:		
Interest income from bank deposits	**(7,225)**	(7,755)
Interest income from loan to joint venture	**(811)**	-
Depreciation of investment properties	**63**	264
Amortisation of interests in leasehold land held for own use under operating leases	**-**	1,579
Depreciation of right-of-use assets	**41,184**	-
Depreciation of other property, plant and equipment	**153,963**	123,216
Amortisation of intangible assets	**245**	190
Recognition of impairment losses on trade and other receivables	**485**	256
(Reversal)/recognition of impairment losses on property, plant and equipment	**(1,300)**	58
Net gain on forward exchange contracts not designated as hedging instruments	**-**	(101)
Cost of inventories	**2,127,737**	2,047,563

Note:
The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

7. Income tax

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30th September	
	2019	2018
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**14,882**	28,867
Current tax – Outside Hong Kong	**156,019**	137,521
Deferred taxation	**(17,460)**	(12,890)
	153,441	153,498

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September 2018: 16.5%) of the estimated assessable profits for the period. 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 interim period

	Six months ended 30th September	
	2019	2018
	HK$'000	HK$'000
Interim dividend declared after the interim period of HK3.8 cents per ordinary share (six months ended 30th September 2018: HK3.8 cents per ordinary share)	**40,424**	40,324

The interim dividend proposed after the end of the reporting period is based on 1,063,777,500 ordinary shares (six months ended 30th September 2018: 1,061,117,500 ordinary shares), being the total number of issued shares at the date of approval of the interim financial report.

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

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

	Six months ended 30th September	
	2019	2018
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK38.0 cents per ordinary share (six months ended 30th September 2018: HK31.4 cents per ordinary share)	**404,181**	333,191

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$533,209,000 (six months ended 30th September 2018: HK$517,727,000) and the weighted average number of 1,062,632,000 ordinary shares (six months ended 30th September 2018: 1,059,802,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September	
	2019	2018
	Number of shares	Number of shares
	’000	’000
Issued ordinary shares at 1st April	**1,061,582**	1,058,872
Effect of share options exercised	**1,050**	930
Weighted average number of ordinary shares at 30th September	**1,062,632**	1,059,802

(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$533,209,000 (six months ended 30th September 2018: HK$517,727,000) and the weighted average number of 1,075,206,000 ordinary shares (six months ended 30th September 2018: 1,069,804,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30th September	
	2019	2018
	Number of shares	Number of shares
	’000	’000
Weighted average number of ordinary shares at 30th September	**1,062,632**	1,059,802
Effect of deemed issue of ordinary shares under the Company’s share option scheme for nil consideration	**12,574**	10,002
Weighted average number of ordinary shares (diluted) at 30th September	**1,075,206**	1,069,804

10. Trade and other receivables

	At 30th September 2019 HK$'000	At 31st March 2019 HK$'000
Trade debtors and bills receivable, net of loss allowance	**984,469**	716,425
Other debtors, deposits and prepayments	**245,991**	267,583
	1,230,460	984,008

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

	At 30th September 2019 HK$'000	At 31st March 2019 HK$'000
Within three months	**977,164**	708,851
Three to six months	**6,545**	7,416
Over six months	**760**	158
	984,469	716,425

Trade debtors and bills receivable are generally 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. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

11. Trade and other payables

	At 30th September 2019	At 31st March 2019 (Note)
	HK$'000	HK$'000
Trade creditors and bills payable	**696,238**	660,898
Accrued expenses and other payables	**1,343,756**	1,063,278
Receipt in advance from customers	**64,503**	489,225
	2,104,497	2,213,401

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:

	At 30th September 2019	At 31st March 2019
	HK$'000	HK$'000
Within three months	**693,803**	659,796
Three to six months	**363**	687
Over six months	**2,072**	415
	696,238	660,898

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

Note:
The Group has initially applied HKFRS 16 at 1st April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

12. Bank loans

As of the end of the reporting period, the bank loans were repayable as follows:

	At 30th September 2019	At 31st March 2019
	HK$'000	HK$'000
Within one year or on demand	**48,192**	44,508

As of the end of the reporting period, 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 financial 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.

INTERIM DIVIDEND

The Board of the Company has declared an interim dividend of HK3.8 cents per ordinary share for the six months ended 30th September 2019 (six months ended 30th September 2018: HK3.8 cents per ordinary share), to shareholders whose names appear on the Register of Members at the close of business on Friday, 6th December 2019. Dividend warrants will be sent to shareholders on or about Thursday, 19th December 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Monday, 9th December 2019. In order to qualify for the interim dividend, all transfers 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 not later than 4:30 p.m. on Friday, 6th December 2019.

MANAGEMENT REPORT

Business Highlights

The Group's performance during April - September 2019 saw revenue and profit from operations growing 5% and 1%, respectively. Net of currency impact, revenue increased 9%, and profit from operations increased 5%. This performance followed the exceptional growth recorded during the same period in 2018 (22%/26% in revenue/profit from operations versus April - September 2017), and was affected by unfavourable currency fluctuations in Renminbi (RMB) and Australian Dollars (AUD).

Mainland China grew more moderately during the first half, following strong growth in the previous interim period and reflecting intensified market competition. Hong Kong and Australia revenues in local currency were comparable to the last interim period. Hong Kong revenue was influenced by slower than expected execution of part of our innovation program, whilst profit was affected by the final phase of our infrastructure investment program. In Australia, this year's extreme drought conditions significantly reduced the local supply of soybeans, hence increasing material costs, constraining production and inhibiting our ability to supply customers. Singapore continued to grow revenue whilst investing in scaling up. Our Philippines joint venture, Vitasoy-URC, Inc., progressed its plans to start local manufacturing in 2020.

Profit attributable to equity shareholders of the Company increased by 3%, coming on top of the exceptional 30% growth during the 2018 interim period. This increase was mainly due to the upscaling of our Mainland China business. Net of currency impact, profit attributable to equity shareholders of the Company increased 7%.

In view of the Group's solid financial performance, the Board of Directors has declared an interim dividend of HK3.8 cents per ordinary share for the six months ended 30th September 2019 (six months ended 30th September 2018: HK3.8 cents per ordinary share), payable on 19th December 2019.

Financial Highlights

The financial position of the Group remains healthy. Below is an analysis of our key financial indicators including revenue, gross profit margin and return on capital employed:

Revenue

- For the six months ended 30th September 2019, the Group's revenue increased 5% to HK$4,684 million (FY2018/2019 interim: HK$4,448 million).

    - **Mainland China: +8% (+14% in local currency)**
    Broad-based growth across all categories and regions.

    - **Hong Kong Operation (Hong Kong, Macau and Exports): Unchanged**
    Stable on core business, growth affected by slower than expected execution of our innovation program.

    - **Australia and New Zealand: -6% (+1% in local currency)**
    Depreciation of the AUD and extreme drought conditions disrupting supply to customers.

    - **Singapore: +2% (+4% in local currency)**
    Growth in tofu business, whilst continuing to scale up our beverage business.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the interim period was HK$2,556 million, up 6% (FY2018/2019 interim: HK$2,408 million), mainly driven by increases in sales volume.
- Gross profit margin increased to 55% in the first half of FY2019/2020 (FY2018/2019 interim: 54%), mainly attributed to improved manufacturing efficiency driven by higher volumes, and favourable trends in commodity prices, particularly sugar and paper packaging.

Operating Expenses

- Total operating expenses increased 8% to HK$1,855 million (FY2018/2019 interim: HK$1,712 million). As previously announced, we deliberately increased investment in marketing and sales, staff-related and logistic expenses to build brand equity awareness, and trial and distribution initiatives in the context of increased competitive activity in Mainland China.
- Marketing, selling and distribution expenses increased 7% to HK$1,298 million (FY2018/2019 interim: HK$1,215 million). Higher distribution costs were in line with growing sales volume. Expansion of the sales team in Mainland China resulted in increased staff costs.
- Administrative expenses increased 22% to HK$376 million (FY2018/2019 interim: HK$309 million), reflecting salary inflationary adjustments and strengthened organisational capacity and competency.
- Other operating expenses were HK$181 million, versus HK$188 million for the same period last year.

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

- EBITDA for the interim period was HK$909 million, representing an increase of 9%. The increase in EBITDA was mainly driven by higher gross profit.

Profit Before Taxation

- Profit before taxation increased by 1% to HK$713 million (FY2018/2019 interim: HK$703 million).

Taxation

- Income tax charged for the interim period was HK$153 million (FY2018/2019 interim: HK$153 million) and effective tax rate was maintained at 22% compared to the previous interim period.

Profit Attributable to Equity Shareholders of the Company

- Profit attributable to equity shareholders of the Company was HK$533 million, representing an increase of 3% compared to the previous interim period (FY2018/2019 interim: HK$518 million).

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 30th September 2019, our cash and bank deposits amounted to HK$849 million (31st March 2019: HK$1,005 million). 22%, 68% and 5% of our cash and bank deposits were denominated in Hong Kong Dollars (HKD), RMB and United States Dollars (USD), respectively (31st March 2019: 45%, 47% and 4%). As of 30th September 2019, the Group had a net cash balance of HK$542 million (31st March 2019: HK$960 million). Available banking facilities amounted to HK$778 million (31st March 2019: HK$940 million) to facilitate future cash flow needs.
- The Group's borrowings (including lease liabilities) amounted to HK$307 million (31st March 2019: HK$45 million), of which bank borrowings amounted to HK$48 million (31st March 2019: HK$45 million) and lease liabilities amounted to HK$259 million (31st March 2019: nil).
- The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) increased to 10% (31st March 2019: 1%). Excluding lease liabilities from total borrowings, the gearing ratio increased to 2% (31st March 2019: 1%).
- The Group's return on capital employed (ROCE) (EBITDA for the interim period/average non-current debt and equity as at 30th September 2019 and 31st March 2019) for the first half of FY2019/2020 was 25% (FY2018/2019 interim: 26%).
- Capital expenditure incurred during the period amounted to HK$413 million (FY2018/2019 interim: HK$458 million), to fund the acquisition of production equipment for the new Changping plant in Dongguan City, Guangdong Province in Mainland China, installation of new production lines in both Hong Kong and Mainland China and the continuation of infrastructure investment program in Hong Kong.
- There were no assets being pledged under loan and/or lease arrangements.

Non-financial Key Performance Indicators

- The Group has already disclosed various non-financial key performance indicators (KPIs) in the "Sustainability Report 2018/2019", which was released in July 2019. The KPIs focused on product and packaging portfolio improvement ("making the right products") and reduction in energy used ("making products the right way"). We continue to remain on track towards our published glide path in this area, with the full FY2019/2020 report to be released in July 2020.

Financial Risk Management

- The Group's overall financial management policy focuses on anticipating, mitigating, 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 and partially mitigate the foreign currency risks.

General Review

Mainland China

- Vitasoy China grew revenue by 14% in local currency. Performance during the current interim period was more moderate, as it came on top of the exceptionally high base of 30% growth in local currency during last year's interim period against the backdrop of increasing competitive activity.
- All geographical regions continued to grow. During the period, we initiated improvements on our route-to-market to sustain expansion and to improve in-store execution. E-commerce also continued to extend our reach into regions beyond our own existing physical distribution infrastructure.
- We continued to grow both our core brands, VITASOY and VITA, confirming sustained consumer interest in premium, tasty and nutritious products. Catering for a more health-conscious lifestyle, we introduced new products including VITASOY No Sugar Soymilk and VITA No Sugar Teas.
- Profit from operations increased moderately by 13% in RMB terms as a result of increased gross profit, partly offset by deliberately higher operating expenses. As previously communicated, the Group is increasing investment during the current year in advertising and promotion, organisational capability and manufacturing infrastructure to secure sustainable growth and address increasing competition.
- Construction of our Changping plant in Dongguan City is progressing well, and the plant is expected to commence production ahead of plan in 2020. Production from the Shenzhen plant will gradually shift to the new Changping plant.

Hong Kong Operation (Hong Kong, Macau and Exports)

- Revenue was unchanged, mainly due to slower than expected execution of our innovation program. We continued to renew our portfolio to cater for healthier consumption trends with the introduction of No Sugar offerings in both VITASOY Soymilk and VITA Tea range. We also continued to promote our higher nutrition line, VITASOY CALCI-PLUS, while enhancing VITA Tea's No Sugar Tea range with Earl Grey and Lemon variants.
- Profit from operations decreased as a result of our continued investment in reconfiguring our manufacturing and logistics infrastructure. These improvements will be completed in this fiscal year, and will enhance future efficiency and sustain longer term growth for our very well-developed Hong Kong business. The investments also include our digitisation initiative to enhance accuracy and efficiency, mirroring the same program in Mainland China.

Australia and New Zealand

- Revenue from operations increased 1% in local currency, contracting by 6% when reporting in HKD terms, due to depreciation of the AUD. Traditionally, we have sourced local Australian soybeans for production. This year's unusually severe drought has greatly reduced the local harvest, thus affecting raw material prices and in turn causing disruptions in our supply and ability to support sales growth with customers. We have developed alternative solutions to restore the robustness of our supply chain in the medium term and have managed to sustain our leadership in the first half; however we expect that this situation will negatively affect our sales and profits in the second half of the fiscal year before restoring stability during 2020.

Singapore

- Vitasoy Singapore grew revenue by 2% in HKD, maintaining its leadership position in the local tofu business whilst continuing to scale up the beverage business.
- Profit from operations decreased by 78%, as we invested in branding, in-store activities and strengthening our local organisation. We remain focused on gradually increasing scale in both our tofu and beverage operations.

General Outlook

Looking to the second half of the fiscal year, the Group expects to sustain growth whilst continuing our investment in advertising and organisational capability. Whilst FY2019/2020 shows unfavourable conditions on currency, economic, and climate volatility as well as increased competition, we are confident in our long-term growth prospects and remain determined to drive our portfolio of tasty, nutritious and sustainable products ever more effectively.

Mainland China

- We will continue to improve execution in our current markets, while expanding distribution of our portfolio. These initiatives will be supported by our strong brand equity and improved distribution model.

Hong Kong Operation (Hong Kong, Macau and Exports)

- We will focus on our core equities and renewing our portfolio, as our two-year investment program continues to lay a solid foundation for long-term growth.

Australia and New Zealand

- Whilst soybean supply shortage will likely continue to negatively impact our business in the second half of the fiscal year, we are working to mitigate its effects so we can restore stability to our supply chain and ability to support the growth of the business next year.

Singapore

- We will scale up the operation by growing our core tofu business in local and export markets, complemented by an improved portfolio of imported beverages.

The Philippines

- Our joint venture with Universal Robina Corporation in the Philippines has been driving VITASOY awareness and market trials for the last two years. Relying on imports from Hong Kong has allowed us to accelerate these market-building efforts. In 2020, we will start manufacturing locally, by leveraging our new production line in the Philippines. We expect that over time this will progressively improve the efficiency and cost structure of our offering in this market, which shows clear potential for the long term.

CORPORATE GOVERNANCE

The Company is firmly committed to a high level of corporate governance and adherence to the governance principles and practices emphasising transparency, independence, accountability, responsibility and fairness.

The Company has, throughout the six months ended 30th September 2019, complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

REVIEW OF INTERIM 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, internal control and financial reporting matters, including the review of the Group's unaudited interim financial report for the six months ended 30th September 2019.

The Audit Committee reviews and assesses the effectiveness of the Company's risk management and internal control systems which cover all material financial, operational and compliance controls. The Audit Committee also reviews regularly the corporate governance structure and practices within the Company and monitors compliance fulfillment on an ongoing basis.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September 2019.

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

The Company's interim report for the six months ended 30th September 2019 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, 21st November 2019

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.