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 YEAR ENDED 31ST MARCH 2022

HIGHLIGHTS

- The resurgence of the COVID-19 pandemic caused multiple disruptions in both supply chains and consumption patterns. Its impact was aggravated by weak first half sales in Mainland China, our biggest market, but followed by improvement in the second half. As a result, Group revenues declined 14% for the full Financial Year despite solid growth in our other market operating units such as the Hong Kong SAR, Australia and New Zealand, and Singapore.

- The loss from operations was HK$213 million for the year, a decline from last year's profit of HK$843 million. In addition to weaker sales in Mainland China, profits were also affected by the reduction in COVID-19 subsidies that had been received last year in the first phases of the pandemic. These subsidies fell from HK$225 million in FY2020/2021 (the first year of COVID-19) to HK$20 million in FY2021/2022. Excluding the COVID-19-related government subsidies, the Group's adjusted loss from operations would have been HK$233 million, compared to last year's adjusted profit of HK$618 million.

- Key business highlights
  - Mainland China – Overall weak sales in the first half, with strong recovery in the second half
  - Hong Kong Operation (the Hong Kong SAR, the Macau SAR and Exports) – Solid performance attributable to successful product launches and strong execution as COVID-19 restrictions gradually eased and consumer sentiment improved
  - Australia and New Zealand – Continued strong and broad-based growth, accelerated by new Oat Milk platform
  - Singapore – Revenue growth driven by tofu exports, beverage businesses and a new plant milk launch

- The Group's revenue in FY2021/2022 decreased 14% to HK$6,501 million as a result of the impact of the above events.

- Gross profit for the year was HK$3,071 million, a decrease of 22%, gross profit margin falling from 53% to 47%.

- EBITDA (Earnings before interest income, finance costs, income tax, depreciation, amortisation and share of losses of joint venture) for the year was HK$340 million, a decrease of HK$941 million or 73%.

- EBITDA to revenue margin decreased from 17% to 5%.

- Loss attributable to equity shareholders of the Company was HK$159 million, a decline from last year's profit of HK$548 million.

- As a result of this performance, the Board will prioritise business recovery and has therefore not recommended a final dividend for the year (FY2020/2021: a final dividend of HK29.0 cents per ordinary share). No interim dividend was paid during the year (FY2020/2021: an interim dividend of HK3.8 cents per ordinary share).

Note: "the Hong Kong SAR" represented the Hong Kong Special Administrative Region of the People's Republic of China.
"the Macau SAR" represented the Macao Special Administrative Region of the People's Republic of China.

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 2022, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2022

	Note	**2022** **HK$'000**	2021 (Restated) HK$'000
Revenue	3 & 4	**6,501,215**	7,519,817
Cost of sales		**(3,430,534)**	(3,565,412)
Gross profit		**3,070,681**	3,954,405
Other income	5	**126,187**	121,800
Marketing, selling and distribution expenses		**(2,215,199)**	(2,222,396)
Administrative expenses		**(702,358)**	(630,251)
Other operating expenses		**(492,162)**	(380,087)
(Loss)/profit from operations		**(212,851)**	843,471
Finance costs	6(a)	**(23,071)**	(11,770)
Share of losses of joint venture		**-**	(22,242)
Impairment loss on interest in joint venture		**-**	(42,800)
(Loss)/profit before taxation	6	**(235,922)**	766,659
Income tax	7	**74,541**	(177,151)
(Loss)/profit for the year		**(161,381)**	589,508
Attributable to:			
Equity shareholders of the Company		**(158,750)**	548,346
Non-controlling interests		**(2,631)**	41,162
(Loss)/profit for the year		**(161,381)**	589,508
(Loss)/earnings per share	9		
Basic		**(HK14.9 cents)**	HK51.5 cents
Diluted		**(HK14.9 cents)**	HK51.0 cents

Details of dividends 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 2022

	2022 **HK$'000**	2021 HK$'000
(Loss)/profit for the year	**(161,381)**	589,508
Other comprehensive income for the year (after tax)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefit liabilities	**569**	22,177
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	**87,773**	246,978
Cash flow hedge: net movement in the hedging reserve	**(427)**	862
Total comprehensive income for the year	**(73,466)**	859,525
Attributable to:		
Equity shareholders of the Company	**(76,049)**	776,967
Non-controlling interests	**2,583**	82,558
Total comprehensive income for the year	**(73,466)**	859,525

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2022

		2022		2021	
	Note	**HK$'000**	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment					
- Investment properties			**3,250**		3,376
- Right-of-use assets			**341,130**		351,797
- Other property, plant and equipment			**3,623,838**		3,787,545
			3,968,218		4,142,718
Deposits for the acquisition of property, plant and equipment			**264**		2,404
Intangible assets			**768**		3,697
Goodwill	10		**-**		18,352
Interest in joint venture			**-**		-
Deferred tax assets			**281,707**		139,489
			4,250,957		4,306,660
Current assets					
Inventories		**773,384**		725,526	
Trade and other receivables	11	**1,123,027**		1,194,108	
Current tax recoverable		**37,889**		79,594	
Cash and bank deposits		**621,863**		970,522	
		2,556,163		2,969,750	
Current liabilities					
Trade and other payables	12	**2,432,523**		2,819,336	
Bank loans	13	**489,829**		130,306	
Lease liabilities		**96,901**		93,582	
Current tax payable		**12,334**		40,750	
		3,031,587		3,083,974	
Net current liabilities			**(475,424)**		(114,224)
Total assets less current liabilities			**3,775,533**		4,192,436
Non-current liabilities					
Lease liabilities		**90,856**		111,853	
Employee retirement benefit liabilities		**6,222**		7,461	
Deferred tax liabilities		**99,116**		116,248	
Other payables	12	**10,240**		-	
			206,434		235,562
NET ASSETS			**3,569,099**		3,956,874

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st March 2022

	Note	**2022** **HK$'000**	2021 HK$'000
CAPITAL AND RESERVES			
Share capital		**1,013,028**	984,030
Reserves		**2,244,885**	2,632,023
Total equity attributable to equity shareholders of the Company		**3,257,913**	3,616,053
Non-controlling interests		**311,186**	340,821
TOTAL EQUITY		**3,569,099**	3,956,874

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 31st March 2022 and the financial information relating to the year ended 31st March 2021 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 31st March 2021, is derived from those financial statements, except the reclassification set out in note 14.

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").

The consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of HK$475,424,000 at the end of the reporting period. In preparing these consolidated financial statements, the Directors have given careful consideration to the current and anticipated future liquidity of the Group. Taking into account, inter alia, (i) cash and bank deposits of HK$621,863,000 at 31st March 2022, (ii) the unutilised loan facilities at the end of the reporting period, and (iii) the expected net cash inflows generated from the Group's operations for the next twelve months, the Directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due. Accordingly, the Directors consider that the preparation of these consolidated financial statements on a going concern basis is appropriate.

Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company's statutory financial statements for the year ended 31st March 2022 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 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor, KPMG, has reported on the statutory financial statements of the Group for the year ended 31st March 2021. 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 Hong Kong 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. Significant Accounting Policies

These financial statements have been prepared in accordance with the same accounting policies adopted in the 2020/2021 financial statements, except for the accounting policy changes arising from adoption of new and amended standards and adoption of a share award scheme. Details of changes are set out as below.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

The impact of the adoption of the amended HKFRSs is discussed below:

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that, as lessee, it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions were met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30th June 2021 to 30th June 2022.

The Group has adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1st April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

The amendments provide targeted relief from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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

2. Significant Accounting Policies (Continued)

(b) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans under which the Group receives services from employees as consideration for equity instruments of the Company. These plans comprise share option schemes and a share award scheme.

The fair value of share options or share awards granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options or the awarded shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or the awarded shares, the total estimated fair value of the options or the awarded shares is spread over the vesting period, taking into account the probability that the options or the awarded shares will vest.

During the vesting period, the number of share options or the awarded shares that are expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options or awarded shares that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares.

For the share option schemes, the equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

For the share award scheme, the Group may acquire its own shares through the trustee of the share award scheme on the Stock Exchange for the shares to be vested under the share award scheme. The shares acquired by the Group that are not yet vested for this share award scheme were recorded as treasury shares and recorded as "Shares held for share award scheme" as a deduction under equity. Upon vesting of the awarded shares, the related costs of the acquired shares are reduced from the "Shares held for share award scheme", and the related fair value of the awarded shares are debited to share-based compensation reserve with the difference charged/credited to equity.

The Group may also issue new shares for the vested share awards. The amount previously recognised in share-based compensation reserve will be transferred to share capital upon the issuance of new shares.

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.

No disaggregation of revenue from contracts with customers is presented as the entire revenue of the Group is derived from the manufacture and sale of food and beverages, and is recognised at point in time.

4. Segment reporting

(a) Segment results, assets and liabilities

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

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 2022 and 2021 is set out below:

	Mainland China		Hong Kong Operation		Australia and New Zealand		Singapore		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**3,838,297**	5,008,000	**1,933,856**	1,865,452	**606,971**	528,022	**122,091**	118,343	**6,501,215**	7,519,817
Inter-segment revenue	**74,773**	58,815	**23,558**	30,133	**6,630**	11,749	**4,314**	4,255	**109,275**	104,952
Reportable segment revenue	**3,913,070**	5,066,815	**1,957,414**	1,895,585	**613,601**	539,771	**126,405**	122,598	**6,610,490**	7,624,769
Reportable segment (loss)/profit from operations	**(340,309)**	524,401	**198,989**	354,792	**77,731**	67,999	**(12,692)**	3,014	**(76,281)**	950,206
Interest income from bank deposits	**3,706**	3,967	**1,845**	1,190	**-**	3	**2**	-	**5,553**	5,160
Finance costs	**(17,438)**	(3,508)	**(4,459)**	(7,000)	**(741)**	(831)	**(433)**	(431)	**(23,071)**	(11,770)
Depreciation and amortisation for the year	**(348,441)**	(278,911)	**(186,475)**	(185,381)	**(19,202)**	(18,892)	**(5,499)**	(4,664)	**(559,617)**	(487,848)
Recognition of impairment losses on property, plant and equipment	**(49,280)**	(23,176)	**(1,674)**	(12,653)	**-**	-	**(1,917)**	-	**(52,871)**	(35,829)
Reportable segment assets	**4,002,273**	4,430,545	**3,615,172**	3,578,124	**495,760**	461,614	**114,487**	105,208	**8,227,692**	8,575,491
Reportable segment liabilities	**2,875,854**	2,750,636	**958,598**	820,889	**149,026**	126,521	**38,968**	29,611	**4,022,446**	3,727,657
Additions to non-current segment assets during the year	**125,860**	576,070	**135,660**	113,446	**42,732**	7,245	**20,872**	5,285	**325,124**	702,046

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

	2022	2021
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**6,610,490**	7,624,769
Elimination of inter-segment revenue	**(109,275)**	(104,952)
Consolidated revenue	**6,501,215**	7,519,817

4. Segment reporting (Continued)

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

	2022	2021
	HK$'000	HK$'000
Profit or loss		
Reportable segment (loss)/profit from operations	**(76,281)**	950,206
Finance costs (note 6(a))	**(23,071)**	(11,770)
Share of losses of joint venture	**-**	(22,242)
Recognition of impairment loss on interest in joint venture	**-**	(42,800)
Recognition of impairment losses on goodwill	**(18,323)**	-
Recognition of impairment losses on brand name	**(2,303)**	-
Unallocated head office and corporate expenses	**(115,944)**	(106,735)
Consolidated (loss)/profit before taxation	**(235,922)**	766,659

	2022	2021
	HK$'000	HK$'000
Assets		
Reportable segment assets	**8,227,692**	8,575,491
Elimination of inter-segment receivables	**(1,740,925)**	(1,544,815)
	6,486,767	7,030,676
Interest in joint venture	**-**	-
Deferred tax assets	**281,707**	139,489
Current tax recoverable	**37,889**	79,594
Goodwill	**-**	18,352
Unallocated head office and corporate assets	**757**	8,299
Consolidated total assets	**6,807,120**	7,276,410

	2022	2021
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	**4,022,446**	3,727,657
Elimination of inter-segment payables	**(927,210)**	(598,539)
	3,095,236	3,129,118
Employee retirement benefit liabilities	**6,222**	7,461
Deferred tax liabilities	**99,116**	116,248
Current tax payable	**12,334**	40,750
Unallocated head office and corporate liabilities	**25,113**	25,959
Consolidated total liabilities	**3,238,021**	3,319,536

5. Other income

	2022	2021
	HK$'000	HK$'000
Government grants (Note)	**77,060**	73,912
COVID-19-related rent concessions	**17,095**	20,902
Interest income from bank deposits	**5,553**	5,160
Interest income from loan to joint venture	**894**	2,628
Rental income	**4,120**	4,034
Scrap sales	**5,175**	2,893
Reversal of long outstanding other payables	**215**	1,168
Maintenance recharge income	**6,963**	5,237
Sundry income	**9,112**	5,866
	126,187	121,800

Note:
During the current year, government grants of HK$53,319,000 (2021: HK$1,665,000) were received from the government of the People's Republic of China ("PRC") in relation to an investment in Mainland China in 2020. Other government grants included COVID-19 financial assistance in Mainland China, the Hong Kong SAR and Singapore amounting to HK$13,847,000 (2021: HK$63,483,000) and value-added tax refunded and other financial assistance received from the government of the PRC.

Other government grants received in relation to the acquisition of property, plant and equipment were netted off against the cost of the related assets.

6. (Loss)/profit before taxation

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

	2022	2021
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**16,773**	3,633
Interest on lease liabilities	**6,298**	8,137
	23,071	11,770

6. (Loss)/profit before taxation (Continued)

(Loss)/profit before taxation is arrived at after charging/(crediting): (Continued)

	2022	2021
		(Restated)
	HK$'000	HK$'000
(b) Other operating expenses:		
Staff costs	**191,489**	165,959
Sundry tax in Mainland China	**39,299**	45,863
Management fee charged by a related party	**34,279**	33,354
Royalty withholding tax	**13,434**	20,800
Quality assurance and sampling expenses	**21,284**	18,432
Depreciation and amortisation	**15,880**	14,841
Professional fee	**12,595**	4,674
Repair and maintenance expenses	**6,629**	6,958
Donation	**6,280**	2,992
Net loss on disposal of property, plant and equipment	**2,724**	5,957
Recognition of write down of inventories	**20,406**	2,035
Recognition of impairment losses on trade and other receivables	**11,867**	248
Recognition of impairment losses on property, plant and equipment	**52,871**	35,829
Recognition of impairment losses on goodwill	**18,323**	-
Recognition of impairment losses on brand name	**2,303**	-
Others	**42,499**	22,145
	492,162	380,087

	2022	2021
	HK$'000	HK$'000
(c) Other items:		
Government grants (Note (i))	**(83,039)**	(235,382)
COVID-19-related rent concessions	**(22,409)**	(25,438)
Amortisation of intangible assets	**659**	658
Depreciation		
- Investment properties	**126**	126
- Right-of-use assets	**100,763**	103,391
- Other assets	**458,069**	383,673
Recognition of impairment losses		
- Trade and other receivables	**11,867**	248
- Property, plant and equipment	**52,871**	35,829
- Goodwill (note 10)	**18,323**	-
- Brand name (note 10)	**2,303**	-
- Interest in joint venture	**-**	42,800
Cost of inventories (Note (ii))	**3,451,179**	3,566,484

6. (Loss)/profit before taxation (Continued)

(Loss)/profit before taxation is arrived at after charging/(crediting): (Continued)

Notes:

(i) During the current year, government grants of HK$53,319,000 (2021: HK$1,665,000) were received from the government of the PRC in relation to an investment in Mainland China in 2020. Other government grants included COVID-19 financial assistance in Mainland China, the Hong Kong SAR, and Singapore amounted to HK$19,826,000 (2021: HK$224,953,000), of which HK$13,847,000 (2021: HK$63,483,000) was included in other income, HK$2,662,000 (2021: HK$151,988,000) was netted off against staff costs and HK$3,317,000 (2021: HK$9,482,000) was netted off against cost of sales and operating expenses.

(ii) Cost of inventories included recognition of write down of inventories of HK$27,450,000 (2021: HK$6,796,000)

7. Income tax

Taxation in the consolidated statement of profit or loss represents:

	2022	2021
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**24,725**	43,329
Under/(over)-provision in respect of prior years	**39**	(2,818)
	24,764	40,511
Current tax – Outside Hong Kong		
Provision for the year	**54,397**	165,455
Under-provision in respect of prior years	**1,268**	1,000
	55,665	166,455
Deferred tax	**(154,970)**	(29,815)
	(74,541)	177,151

Note:
The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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

	2022	2021
	HK$'000	HK$'000
No interim dividend declared after the interim period (2021: HK3.8 cents per ordinary share)	**-**	40,465
No final dividend proposed after the end of the reporting period (2021: HK29.0 cents per ordinary share)	**-**	309,552
	-	350,017

The final dividend proposed after the end of 31st March 2021 reporting period is based on 1,067,421,500 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 31st March 2021 reporting period was not recognised as liabilities at 31st March 2021.

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

	2022	2021
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK29.0 cents per ordinary share (2021: HK28.4 cents per ordinary share)	**310,158**	302,325

9. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic loss per share (2021: basic earnings per share) is based on the loss attributable to equity shareholders of the Company of HK$158,750,000 (2021: profit of HK$548,346,000) and the weighted average number of 1,068,766,000 ordinary shares (2021: 1,064,602,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2022 Number of shares ’000	2021 Number of shares ’000
Issued ordinary shares at 1st April	**1,067,188**	1,063,778
Effect of share options exercised	**1,888**	824
Effect of shares purchased under share award scheme	**(310)**	-
Weighted average number of ordinary shares at 31st March	**1,068,766**	1,064,602

(b) Diluted (loss)/earnings per share

The calculation of diluted loss per share (2021: diluted earnings per share) is based on the loss attributable to equity shareholders of the Company of HK$158,750,000 (2021: profit of HK$548,346,000) and the weighted average number of 1,068,766,000 ordinary shares (2021: 1,074,231,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2022 Number of shares ’000	2021 Number of shares ’000
Weighted average number of ordinary shares at 31st March (note 9(a))	**1,068,766**	1,064,602
Effect of deemed issue of ordinary shares under the Company’s share option scheme for nil consideration	**-**	9,629
Weighted average number of ordinary shares (diluted) at 31st March	**1,068,766**	1,074,231

As at 31st March 2022, the Group had potential dilutive shares in connection with its share option scheme and share award scheme (2021: share option scheme only). The potential ordinary shares relating to the share option scheme and share award scheme were not included in the calculation of diluted loss per share as they did not give rise to any dilutive effect for the period.

10. Goodwill

	2022	2021
	HK$'000	HK$'000
At 1st April	**18,352**	17,251
Recognition of impairment losses	**(18,323)**	-
Exchange adjustments	**(29)**	1,101
At 31st March	**-**	18,352

Impairment testing for cash-generating unit containing goodwill

Goodwill arose from the acquisition of the entire share capital of Vitasoy International Singapore Pte. Ltd. ("VIS").

The recoverable amount of the VIS operation is determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2021: five-year period). Cash flows beyond the five-year period (2021: five-year period) are extrapolated using an annual growth rate of 3% (2021: 3%). The growth rate does not exceed the long-term average growth rate for the business in which the VIS operation operates.

Key assumptions used for the value-in-use calculation:

	2022	2021
- Gross margin	**31.7%**	34.3%
- Average annual sales growth rate for the five-year period	**14.5%**	10.6%
- Pre-tax discount rate	**10.1%**	8.8%

Management determined the budgeted gross margin and sales growth rate based on past performance and its expectation for market growth and business expansion. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

As at 31st March 2022, a full impairment of the carrying amount of goodwill and an impairment charge of HK$2,303,000 on brand name and HK$1,916,000 on property, plant and equipment were recognised to reduce the carrying amount of the cash generating unit to its recoverable amount.

11. Trade and other receivables

	2022 **HK$'000**	2021 HK$'000
Trade debtors and bills receivable, net of loss allowance	**804,496**	819,987
Other debtors, deposits and prepayments	**318,531**	374,121
	1,123,027	1,194,108

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 loss allowance, is as follows:

	2022 **HK$'000**	2021 HK$'000
Within three months	**780,538**	803,401
Three to six months	**17,835**	11,163
Over six months	**6,123**	5,423
	804,496	819,987

Trade debtors and bills receivables are generally due within one to three months from the date of billing. Management has a credit policy in place and exposure to 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.

12. Trade and other payables

	2022	2021
	HK$'000	HK$'000
Current liabilities:		
Trade creditors and bills payable	**995,042**	976,968
Accrued expenses and other payables	**1,296,969**	1,627,752
Receipts in advance from customers	**140,512**	214,616
	2,432,523	2,819,336
Non-current liabilities:		
Accrued expenses	**10,240**	-

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:

	2022	2021
	HK$'000	HK$'000
Within three months	**989,648**	970,805
Three to six months	**3,329**	5,867
Over six months	**2,065**	296
	995,042	976,968

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

13. Bank loans

At 31st March 2022, the bank loans were repayable as follows:

	2022	2021
	HK$'000	HK$'000
Within one year or on demand	**489,829**	130,306

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 may become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31st March 2022 and 2021, none of the covenants relating to the drawn down facilities had been breached.

14. Comparative figures

Certain reclassifications were made to the consolidated statement of profit or loss to conform with the current period's presentation in order to better reflect the nature of underlying expenses. As a result, marketing, selling and distribution expenses increased by HK$107,866,000, administrative expenses decreased by HK$92,752,000 and other operating expenses decreased by HK$15,114,000.

15. Scope of work of auditor

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st March 2022 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

DIVIDEND

In view of the Group's business performance, the Board of Directors has not recommended the payment of a final dividend for FY2021/2022 (FY2020/2021: a final dividend of HK29.0 cents per ordinary share). No interim dividend was paid during the year (FY2020/2021: an interim dividend of HK3.8 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 30 August 2022 (the "AGM"), the register of members of the Company will be closed from Thursday, 25 August 2022 to Tuesday, 30 August 2022 (both dates inclusive), during which period no share transfers will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer documents 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 4:30 p.m. on Wednesday, 24th August, 2022.

MANAGEMENT REPORT

Sales Performance

In Mainland China, after underperformance in the first half, we experienced the severe impact of the new COVID-19 Omicron variant as it spread through our strongholds of East and South China. Amidst the impact of the pandemic in Guangdong Province and Shanghai, we were able to achieve improved year on year performance during the second half of FY2021/2022 versus year on year performance in the first half.

Our performance in locations outside Mainland China was generally strong.

In the Hong Kong SAR, our business experienced a gradual return to normal levels following the pandemic, with strong consumer acceptance of new product launches such as VITAOAT and VITA Fresh Tea, which offset the impact of ongoing border and school closures.

Australia and New Zealand enjoyed a rewarding year, thanks to the broad-based growth of VITASOY Oat Milk that accelerated our leadership in this category.

In Singapore, the local beverage and tofu export business recovered growth albeit while incurring a small loss. In the Philippines, our 1 litre business for the home occasion continued to grow behind VITASOY Soy Milky, notwithstanding the prolonged COVID-19 restrictions that affected our single-serve platform.

For the year ahead, we must anticipate and mitigate the effects of the ongoing COVID-19 pandemic on the macro-economic environment. As conditions improve, we remain confident in the future prospects for our business. Our fundamentals are strong, our Mainland China business is regaining momentum and, together with our other units, will benefit from the mainstreaming of the plant-based food and beverage movement.

Financial Highlights

Revenue

- For the year ended 31st March 2022, the Group's revenue decreased 14% to HK$6,501 million (FY2020/2021: HK$7,520 million).

Gross Profit and Gross Profit Margin

- The Group's gross profit was HK$3,071 million (FY2020/2021: HK$3,954 million), representing a decrease of 22%, mainly driven by lower sales performance.
- Gross profit margin dropped to 47% (FY2020/2021: 53%), mainly attributable to lower sales volume, sales mix, higher raw material costs, and higher trade promotional expenses.

Operating Expenses

- Total operating expenses increased 5% to HK$3,409 million (FY2020/2021: HK$3,233 million). This was due mainly to the reduction of pandemic-related government subsidies, non-recurring expenses and impairment costs associated with the relocation of the Shenzhen operation to the new modern facility in Dongguan, China, as part of our manufacturing innovation programme, as well as write-downs of inventories and impairment of goodwill in the Singapore business, partly offset by a deferral of advertising and promotion spending.
- Marketing, selling and distribution expenses were maintained at the same level as last year, being HK$2,215 million (FY2020/2021: HK$2,223 million), due to significantly lower government subsidies, offset by reduced advertising spend.
- Administrative expenses increased 11% to HK$702 million (FY2020/2021: HK$630 million), mainly due to non-recurring costs associated with the relocation of the Shenzhen operation and reduction of pandemic-related subsidies.
- Other operating expenses mainly included staff costs for other supporting functions, management fees charged by a related party, sundry tax charges in Mainland China and impairment of property, plant and equipment. These expenses increased 29% to HK$492 million (FY2020/2021: HK$380 million), due to lower government subsidies, impairment of goodwill in the Singapore business, impairment of property, plant and equipment, and write-downs of inventories.

COVID-19-related Government Grants in FY2021/2022

- For the year ended 31st March 2022, the Group received government grants of HK$20 million (FY2020/2021: HK$225 million) related to COVID-19 financial assistance supporting Hong Kong Vitaland school business and staff employment.

	Amount recognised	
	2022	2021
Segment	**(HK$ million)**	(HK$ million)
Hong Kong Operation	**17**	145
Mainland China	**2**	69
Singapore	**1**	5
Others	**-**	6
	20	225

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

- EBITDA for the year was HK$340 million, a decrease of 73% year-on-year, mainly driven by lower sales performance and significantly lower government subsidies. The EBITDA to revenue margin for the year decreased from 17% to 5%.

(Loss)/Profit from Operations

- Loss from operations was HK$213 million for the year, a decline from a profit of HK$843 million last year.

Impairment Loss on Interest in Joint Venture

- An impairment charge of HK$43 million was recognised last year due to the impact of the pandemic on last year sales and future sales projections. No further impairment charge was recognised in the current year.

(Loss)/Profit Before Taxation

- Loss before taxation was HK$236 million for the year, compared to last year's profit before taxation of HK$767 million.

Taxation

- Income tax credited for the year was HK$75 million (FY2020/2021: income tax charged HK$177 million) with an effective tax rate of 32%, versus 23% last year, mainly due to higher net tax credits arising from losses in Mainland China.

(Loss)/Profit Attributable to Equity Shareholders of the Company

- Loss attributable to equity shareholders of the Company was HK$159 million, a decline from last year profit of HK$548 million.

General Review

In FY2021/2022, Vitasoy Group faced a challenging operating environment because of the COVID-19 pandemic and the underperformance of our Mainland China business. The Group's revenues dropped by 14% to HK$6,501 million. The loss attributable to equity shareholders of the Company was HK$159 million, compared to last year's profit of HK$548 million.

Mainland China

- Vitasoy China revenue declined by 28% in local currency, due to weak sales in the first half of FY2021/2022 and the impact of COVID-19 in early 2022. Due to Renminbi (RMB) appreciation, our revenue dropped 23% in Hong Kong dollar (HKD) terms.
- The resulting loss from operation was RMB280 million for the year, a decline from a profit of RMB457 million last year.
- In the above context, we maintained strong execution efforts on the core portfolio whilst building a solid basis for growth in the coming year with breakthrough innovation. Vitasoy confirmed its soy category leadership and entered the oat milk category with the launch of VITAOAT. This represents a whole new product platform that is now rapidly gaining a loyal following, thus opening an incremental yet sizable revenue stream for the coming year. In the tea category, VITA tea remains the leader in the premium lemon tea segment, accelerating its leadership with the launch of VITA Sparkling Lemon Tea, a new carbonated platform designed to turbocharge the VITA product experience. The brand also launched a promising VITA Peach Tea product, whilst gradually continuing to pilot VITA No Sugar Tea in selected markets.

Hong Kong Operation (the Hong Kong SAR, the Macau SAR and Exports)

- Net sales revenue reached HK$1,934 million in FY2021/2022, representing a growth of 4% over the previous year, despite an inability to fully recover the Vitaland tuckshop school business, which was still partially affected by COVID-19 restrictions. Growth would have been even stronger had it not been for the disruption caused by the 5th wave of COVID-19 in February and March 2022. This latest wave created additional complexities as we balanced safety with continuity of operations of factory, warehousing and logistics.
- As COVID-19 government subsidies were significantly reduced from the previous year, profit from operations dropped 44% to HK$199 million. Excluding government subsidies, profit from operations dropped by 13%, mainly because of the upward surge in raw material costs and escalating oil prices in the second half of the year.
- We integrated our marketing programmes in Mainland China and the Hong Kong SAR, where we successfully launched VITAOAT and VITA Sparkling Tea as well as in the Macau SAR.
- In addition, we incrementally launched VITA Fresh Tea, a whole new platform that introduces the VITA brand into the chilled drink segment in convenience stores and supermarket outlets. The shopper response has been very encouraging, and we are determined to drive this platform further in the coming year as a profitable top line accelerator.

Australia and New Zealand

- Vitasoy Australia and New Zealand continued its growth progression, with revenues increasing by 12% in local currency. The majority of platforms and channels performed strongly, more than offsetting weaker sales in the coffee shop channel that continued to be affected by COVID-19 limitations for part of the Financial Year.
- Profit from operations reversed its decline from the previous year, rising by 12% in local currency terms, as a result of growing revenue and gross margins, partially balanced by higher transportation and staff costs.
- The overall growth was accelerated by the launch of our new VITASOY Oat Milk portfolio, providing tailored offerings across multiple channels and segments. This has propelled Vitasoy to a clear leadership position in this most promising Oat Milk segment, which is likely to deliver an incremental source of further revenue in the coming years.

Singapore

- Revenue from our Singapore business grew in both Hong Kong dollar and local currency terms, driven largely by growth in tofu exports, the imported beverage business and launch of a new VITASOY PLANT + plant milk produced in Malaysia. The local tofu business underperformed due to COVID-19 restrictions affecting the workforce and consumption. However, the whole tofu portfolio has been repositioned with enhanced nutrition formulae and new packaging to restore growth in the coming year.
- Loss from operation was SGD2,198,000 for the year, falling from last year’s profit of SGD529,000, primarily as a result of higher soybean and utility costs, higher operation costs due to COVID-19, induced labour shortage and logistic costs, as well as the reduction in pandemic-related government subsidies.

Outlook

Although travel restrictions are being lifted or eased across many international geographies, we expect further COVID-19 waves to continue across all markets, which may or may not severely affect us in the first half of the upcoming financial year. This will continue to cause operational, logistical and supply chain bottlenecks, aggravated in turn by rising energy and commodity prices that will further exacerbate inflation.

In this context, we have been actively strengthening our readiness and agility by improving our organisational capabilities and vigilance in order to flexibly adjust our plans and synchronise them with external conditions.

For FY2022/2023, we will work to restore year-on-year profitable growth through our vectors of Execution, Expansion and Innovation, adequate investments in brand equity building and increased availability across all our markets. We have already implemented price increases in some markets and will continue to price up selectively, whilst exercising tight internal cost control measures to protect profit margins.

Global per capita consumption analysis shows that our core portfolio still has ample potential for further growth. We will nevertheless complement it with strategic innovation, not only by building on the successful platforms launched in FY2021/2022 but also introducing new ones across all our markets.

Mainland China

- We will launch exciting new brand equity building campaigns for both VITASOY and VITA. On top of supporting our core portfolio, we will continue to drive innovations from last year such as VITAOAT, VITA Sparkling and Peach Tea, whilst also adding new product platforms to strategically tap into promising new segments and occasions. The whole portfolio will be renovated with a "picture of success" to further improve in-store execution and thus revenues per store. We will also continue the selective and gradual expansion of our availability to more high potential areas of Mainland China.

Hong Kong Operation (the Hong Kong SAR, the Macau SAR and Exports)

- Beyond the marketing and innovation programmes now integrated with Mainland China, our business in the Hong Kong SAR will launch additional revenue streams for both VITASOY and VITA in segments where we have built a strong route-to-market and presence over the years, such as the successful introduction of VITA Fresh Tea in FY2021/2022. This is particularly important for this market, given the very high per capita consumption of our products.

Australia and New Zealand

- In the year ahead, we expect to sustain our profitable revenue growth in both markets, with continued execution of our winning portfolio, strategic entry into complementary plant-based segments and recovery to pre-COVID-19 levels in the on-premise and coffee shop channels.

Singapore

- We will focus on accelerating domestic tofu performance by leveraging our full relaunch now being executed in the market, whilst also scaling up our newly introduced VITASOY PLANT + line of plant milk products.

Philippines

- Our joint venture with Universal Robina Corporation continues to invest in building both VITASOY brand and soy category awareness and adoption. In the past year, we primarily leveraged the 1 Litre business due to the extended closures of convenience stores and on-the-go occasion outlets. Once COVID-19 restrictions are lifted, however, we will also activate our single-serve platform for additional growth behind a new brand equity building campaign. We will also selectively introduce local innovations tailored to local preferences in both single and multi-serve packs.

Financial Position

- The Group finances its operations and capital expenditure primarily through internally generated cash as well as banking facilities provided by our principal bankers.
- As at 31st March 2022, cash and bank deposits amounted to HK$622 million (31st March 2021: HK$971 million), with 40%, 50% and 3% of our cash and bank deposits denominated in HKD, RMB and United States Dollars (USD), respectively (31st March 2021: 40%, 52% and 2%). As of 31st March 2022, the Group had a net debt balance (cash and bank deposits less bank borrowings, bills payable and lease liabilities) of HK$232 million (31st March 2021: net cash balance of HK$453 million). Available banking facilities amounted to HK$968 million (31st March 2021: HK$905 million) to facilitate future cash flow needs.
- The Group's debt amounted to HK$854 million (31st March 2021: HK$518 million), of which bank borrowings amounted to HK$490 million (31st March 2021: HK$130 million), bills payable amounted to HK$176 million (31st March 2021: HK$183 million) and lease liabilities amounted to HK$188 million (31st March 2021: HK$205 million).
- The gearing ratio (total debt/total equity attributable to equity shareholders of the Company) increased to 26% (31st March 2021: 14%).
- The Group's return on capital employed (ROCE) (EBITDA/average non-current debt and equity) for the year was 9% (FY2020/2021: 34%).
- Capital expenditure incurred during the year decreased to HK$243 million (FY2020/2021: HK$623 million), mainly due to normalised investment to maintain and upgrade our production lines and equipment.
- There were no assets pledged or secured under loan and/or lease arrangements.

Sustainability Report 2021/2022

- The Group publishes various non-financial KPIs in its *Sustainability Report 2021/2022*, which will be released in July 2022 together with FY2021/2022 annual report.

Tax Strategy

- When considering tax, the Group gives due consideration to the importance of corporate and social responsibilities. More specifically, the Group commits to continue paying taxes in the countries where value is created and ensure it is fully complying with tax laws across all relevant jurisdictions. The Group also commits to comply with the Organisation for Economic Co-operation and Development (OECD) transfer pricing guidelines and to ensure that the arm's length principle is always observed in transactions between Group companies. In addition, the Group commits to being open and transparent with tax authorities about the Group's tax affairs and to disclose relevant information to enable tax authorities to carry out their reviews.

Financial Risk Management

- The Group's overall financial management policy focuses on anticipating, controlling and managing risks, and covering transactions 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 foreign currency risks.

Potential Risk and Uncertainties

- Vitasoy has implemented a comprehensive risk management framework across the Group to consistently anticipate, assess and mitigate key business risks, as well as a risk governance structure to ensure proper risk ownership and oversight. In view of the rapidly changing business environment, the Group Internal Audit and Risk Management Department has stepped up its efforts to improve key risk indicators, identify external emerging risks, and facilitate risk reviews for key purchasing decisions. Details of these risk management processes are covered in the Risk Management section of the Corporate Governance Report in FY2021/2022 annual report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March 2022, 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 has 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 regularly reviews the Company's corporate governance structure and practices and monitors its performance on an ongoing basis.

The Group's annual results for the year ended 31st March 2022 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 has purchased, sold or redeemed any of the Company's listed securities during the year, except that the trustee of the Company's Share Award Scheme purchased on The Stock Exchange of Hong Kong Limited a total of 500,000 shares of the Company at a total consideration of about HK$10 million to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the Share Award Scheme.

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

The Company's annual report for FY2021/2022 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, 29th June 2022

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.