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 2022

HIGHLIGHTS

- During the 1st April 2022 to 30th September 2022 period under review ("interim period"), the Group recorded revenue growth across the majority of markets on a local currency basis.

- Profitability also rose, as our teams have been focusing on fundamentals to secure sustainable and profitable revenue growth. Profit from operations increased by almost 400%, primarily due to strong performance in Mainland China, rephased advertising and promotion spending, further Hong Kong SAR government subsidies, and decreased operating expenses. This increased profit partially mitigated eroded margins caused by inflationary pressures and a slow economic recovery across the regions. Excluding COVID-19 related government subsidies, the profit from operations would have improved by almost 300%.

- Key business highlights
  - Mainland China – Profit growth driven by solid core business performance and innovation (Revenue +4% in local currency).
  - Hong Kong Operation (Hong Kong SAR, Macau SAR and Exports) – Steady growth propelled by the strength of our core business and successful product innovation.
  - Australia and New Zealand – Sustained growth led by leveraging growing interest in oat milk (Revenue +8% in local currency).
  - Singapore – Disappointing performance despite growth of new VITASOY Fresh Plant+ plant milk.

- For the interim period, the Group's revenue increased 1% to HK$3,642 million in Hong Kong dollar terms and 4% on constant currency basis.

- The Group's gross profit for the interim period was HK$1,738 million, up 1%, mainly due to higher sales performance.

- Gross profit margin was maintained at 48% in the interim period, which was mainly attributable to higher sales volume and lower trade promotional expenses, offset by sales mix and higher raw material costs.

- EBITDA for the interim period was HK$473 million, an increase of 48%, mainly driven by reduced operating expenses and an increase in COVID-19 related government subsidies from HK$4 million in the previous interim period to HK$59 million for the interim period.

- EBITDA margin to revenue for the interim period increased from 9% to 13%.

- Profit before taxation for the interim period increased by over 400% to HK$175 million.

- Profit attributable to equity shareholders of the Company for the interim period was HK$142 million, representing an increase of more than 300% compared with the previous interim period.

- As a result of the Group's improved financial performance, the Board of Directors has declared an interim dividend of HK1.3 cents per ordinary share for the interim period (previous interim period: nil), payable on 16th December 2022.

Note: "Hong Kong SAR" represents the Hong Kong Special Administrative Region of the People's Republic of China.
"Macau SAR" represents 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 unaudited consolidated results of the Company and its subsidiaries (the “Group”) and the Group’s interest in a joint venture for the six months ended 30th September 2022 (the “interim period”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th September	
		2022	2021 (Restated)
	Note	**HK$’000**	HK$’000
		(Unaudited)	(Unaudited)
Revenue	4, 5	**3,641,893**	3,604,073
Cost of sales		**(1,904,297)**	(1,877,543)
Gross profit		**1,737,596**	1,726,530
Other income		**61,761**	52,980
Marketing, selling and distribution expenses		**(1,067,702)**	(1,190,490)
Administrative expenses		**(332,828)**	(329,829)
Other operating expenses	6(c)	**(186,677)**	(216,658)
Profit from operations		**212,150**	42,533
Finance costs	6(a)	**(14,271)**	(8,879)
Share of losses of joint venture		**(22,443)**	-
Profit before taxation	6	**175,436**	33,654
Income tax	7	**(39,019)**	7,321
Profit for the period		**136,417**	40,975
Attributable to:			
Equity shareholders of the Company		**141,801**	32,804
Non-controlling interests		**(5,384)**	8,171
Profit for the period		**136,417**	40,975
Earnings per share	9		
Basic		**HK 13.3 cents**	HK 3.1 cents
Diluted		**HK 13.2 cents**	HK 3.1 cents

Details of dividends of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30th September	
	2022	2021
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**136,417**	40,975
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	**(263,358)**	22,965
- Cash flow hedge: net movement in the hedging reserve	**(3,424)**	(919)
Other comprehensive income for the period	**(266,782)**	22,046
Total comprehensive income for the period	**(130,365)**	63,021
Attributable to:		
Equity shareholders of the Company	**(89,000)**	58,584
Non-controlling interests	**(41,365)**	4,437
Total comprehensive income for the period	**(130,365)**	63,021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30th September 2022**		At 31st March 2022	
		HK$'000	**HK$'000**	HK$'000	HK$'000
		(Unaudited)		(Audited)	
Non-current assets					
Property, plant and equipment					
- Investment properties			**3,186**		3,250
- Right-of-use assets			**294,289**		341,130
- Other property, plant and equipment			**3,177,725**		3,623,838
			3,475,200		3,968,218
Deposits for the acquisition of property, plant and equipment			**1,264**		264
Intangible assets			**547**		768
Goodwill			**-**		-
Interest in joint venture			**-**		-
Deferred tax assets			**228,987**		281,707
			3,705,998		4,250,957
Current assets					
Inventories		**552,327**		773,384	
Trade and other receivables	10	**1,219,598**		1,123,027	
Current tax recoverable		**44,205**		37,889	
Cash and bank deposits		**898,271**		621,863	
		2,714,401		2,556,163	
Current liabilities					
Trade and other payables	11	**2,275,058**		2,432,523	
Bank loans	12	**377,826**		489,829	
Lease liabilities		**91,604**		96,901	
Current tax payable		**14,434**		12,334	
		2,758,922		3,031,587	
Net current liabilities			**(44,521)**		(475,424)
Total assets less current liabilities			**3,661,477**		3,775,533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	At 30th September 2022		At 31st March 2022	
		HK$'000	HK$'000	HK$'000	HK$'000
		(Unaudited)		(Audited)	
Non-current liabilities					
Bank loans	12	**60,000**		-	
Lease liabilities		**66,773**		90,856	
Employee retirement benefit liabilities		**5,133**		6,222	
Deferred tax liabilities		**86,677**		99,116	
Other payables	11	**9,184**		10,240	
			227,767		206,434
NET ASSETS			**3,433,710**		3,569,099
CAPITAL AND RESERVES					
Share capital			**1,019,760**		1,013,028
Reserves			**2,165,762**		2,244,885
Total equity attributable to equity shareholders of the Company			**3,185,522**		3,257,913
Non-controlling interests			**248,188**		311,186
TOTAL EQUITY			**3,433,710**		3,569,099

Notes:

1. Independent review

The interim financial report is unaudited, but has been reviewed by KPMG, the Company's auditors, 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 on a going concern basis notwithstanding that the Group had net current liabilities of HK$44,521,000 at the end of the interim period. In preparing the interim financial report, 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$898,271,000 at 30th September 2022, (ii) the unutilised loan facilities at the end of the interim 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 the interim financial report on a going concern basis is appropriate.

The financial information relating to the financial year ended 31st March 2022, which is included in the announcement of the results for the interim period 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 2022 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, KPMG, 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. Significant Accounting Policies

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021/2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022/2023 annual financial statements. Details of any changes in accounting policies arising from adoption of new and amended standards are set out as below.

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 geographically. 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**	
	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
For the six months ended 30th September										
Revenue from external customers	**2,215,748**	2,230,336	**1,073,193**	1,011,076	**302,036**	300,563	**50,916**	62,098	**3,641,893**	3,604,073
Inter-segment revenue	**72,526**	44,054	**10,648**	13,029	**2,192**	3,931	**2,373**	2,131	**87,739**	63,145
Reportable segment revenue	**2,288,274**	2,274,390	**1,083,841**	1,024,105	**304,228**	304,494	**53,289**	64,229	**3,729,632**	3,667,218
Reportable segment profit/(loss) from operations	**139,283**	(32,587)	**145,364**	124,067	**16,370**	34,866	**(10,570)**	(3,343)	**290,447**	123,003
Additions to non-current segment assets during the period	**54,150**	51,731	**37,643**	44,697	**10,246**	20,678	**1,442**	10,561	**103,481**	127,667
	At 30th September 2022	At 31st March 2022	**At 30th September 2022**	At 31st March 2022	**At 30th September 2022**	At 31st March 2022	**At 30th September 2022**	At 31st March 2022	**At 30th September 2022**	At 31st March 2022
	HK$’000	HK$’000	**HK$’000**	HK$’000	**HK$’000**	HK$’000	**HK$’000**	HK$’000	**HK$’000**	HK$’000
Reportable segment assets	**3,370,480**	4,002,273	**3,751,676**	3,615,172	**446,734**	495,760	**108,769**	114,487	**7,677,659**	8,227,692
Reportable segment liabilities	**2,450,484**	2,875,854	**1,020,506**	958,598	**166,919**	149,026	**33,751**	38,968	**3,671,660**	4,022,446

5. Segment reporting (continued)

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

	Six months ended 30th September 2022 HK$'000	Six months ended 30th September 2021 HK$'000
Revenue		
Reportable segment revenue	**3,729,632**	3,667,218
Elimination of inter-segment revenue	**(87,739)**	(63,145)
Consolidated revenue	**3,641,893**	3,604,073

	Six months ended 30th September 2022 HK$'000	Six months ended 30th September 2021 HK$'000
Profit or loss		
Reportable segment profit from operations	**290,447**	123,003
Finance costs	**(14,271)**	(8,879)
Share of losses of joint venture	**(22,443)**	-
Impairment losses on goodwill	**-**	(11,852)
Unallocated head office and corporate expenses	**(78,297)**	(68,618)
Consolidated profit before taxation	**175,436**	33,654

	At 30th September 2022 HK$'000	At 31st March 2022 HK$'000
Assets		
Reportable segment assets	**7,677,659**	8,227,692
Elimination of inter-segment receivables	**(1,531,456)**	(1,740,925)
	6,146,203	6,486,767
Interest in joint venture	**-**	-
Deferred tax assets	**228,987**	281,707
Current tax recoverable	**44,205**	37,889
Goodwill	**-**	-
Unallocated head office and corporate assets	**1,004**	757
Consolidated total assets	**6,420,399**	6,807,120

	At 30th September 2022 HK$'000	At 31st March 2022 HK$'000
Liabilities		
Reportable segment liabilities	**3,671,660**	4,022,446
Elimination of inter-segment payables	**(816,796)**	(927,210)
	2,854,864	3,095,236
Employee retirement benefit liabilities	**5,133**	6,222
Deferred tax liabilities	**86,677**	99,116
Current tax payable	**14,434**	12,334
Unallocated head office and corporate liabilities	**25,581**	25,113
Consolidated total liabilities	**2,986,689**	3,238,021

6. Profit before taxation

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

	Six months ended 30th September	
	2022	2021
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**11,579**	5,656
Interest on lease liabilities	**2,692**	3,223
	14,271	8,879

	Six months ended 30th September	
	2022	2021
	HK$'000	HK$'000
(b) Other items:		
Interest income from bank deposits	**(3,163)**	(3,662)
Interest income from loan to joint venture	**-**	(894)
Government grants (Note (i))	**(68,653)**	(30,509)
COVID-19-related rent concessions	**(14,410)**	(12,341)
Depreciation		
- Investment properties	**63**	63
- Right-of-use assets	**50,668**	49,109
- Other property, plant and equipment	**213,100**	232,644
Amortisation of intangible assets	**148**	346
Impairment losses		
- Trade and other receivables	**478**	4,544
- Property, plant and equipment	**2,025**	1,545
- Goodwill	**-**	11,852
Cost of inventories (Note (ii))	**1,902,624**	1,890,584

Notes:

(i) During the interim period, government grants of HK$7,327,000 (previous interim period: HK$25,333,000) 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, Hong Kong SAR and Singapore amounting to HK$59,198,000 (previous interim period: HK$4,000,000), of which HK$25,536,000 (previous interim period: HK$1,083,000) was included in other income, HK$30,559,000 (previous interim period: HK$1,179,000) was netted off against staff costs and HK$3,103,000 (previous interim period: HK$1,738,000) was netted off against cost of sales and operating expenses.

(ii) Cost of inventories included recognition of write down of inventories of HK$464,000 (previous interim period: HK$15,595,000).

6. Profit before taxation (continued)

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

	Six months ended 30th September	
	2022	2021
		(Restated)
	HK$'000	HK$'000
(c) Other operating expenses:		
Staff costs	**88,168**	97,515
Sundry tax in Mainland China	**25,133**	21,271
Management fee charged by a related party	**15,531**	18,932
Royalty withholding tax	**5,685**	8,011
Quality assurance and sampling expenses	**8,740**	8,351
Depreciation and amortisation	**7,179**	8,000
Professional fee	**6,567**	2,788
Repair and maintenance expenses	**3,030**	3,388
Donation	**945**	3,861
Net gain on disposal of property, plant and equipment	**(6,225)**	(318)
Impairment losses on trade and other receivables	**478**	4,544
Impairment losses on property, plant and equipment	**2,025**	1,545
Impairment losses on goodwill	**-**	11,852
(Reversal)/recognition of write down of inventories	**(1,674)**	13,041
Exchange loss/(gain)	**12,952**	(344)
Others	**18,143**	14,221
	186,677	216,658

7. Income tax

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

	Six months ended 30th September	
	2022	2021
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**6,152**	14,234
Current tax – Outside Hong Kong	**10,251**	18,318
Deferred taxation	**22,616**	(39,873)
	39,019	(7,321)

The provision for Hong Kong Profits Tax is calculated at 16.5% (previous interim period: 16.5%) of the estimated assessable profits for the interim 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	
	2022	2021
	HK$’000	HK$’000
Interim dividend declared after the interim period of HK1.3 cents per ordinary share (previous interim period: nil)	**13,920**	**-**

The interim dividend declared after 30th September 2022 is based on 1,070,801,035 ordinary shares, being the total number of issued shares at the date of approval of the interim financial report.

The interim dividend declared after 30th September 2022 was not recognised as a liability at 30th September 2022.

(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	
	2022	2021
	HK$’000	HK$’000
No dividend in respect of the previous financial year, approved and paid during the interim period (previous interim period: 29.0 cents per ordinary share)	**-**	310,158

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$141,801,000 for the interim period (previous interim period: HK$32,804,000) and the weighted average number of 1,069,866,000 ordinary shares (previous interim period: 1,068,026,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September	
	2022	2021
	Number of shares	Number of shares
	’000	’000
Issued ordinary shares at 1st April	**1,070,010**	1,067,188
Effect of share options exercised	**231**	959
Effect of share awards vested	**46**	-
Effect of shares purchased under share award scheme	**(421)**	(121)
Weighted average number of ordinary shares at 30th September	**1,069,866**	1,068,026

(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$141,801,000 for the interim period (previous interim period: HK$32,804,000) and the weighted average number of 1,071,298,000 ordinary shares (previous interim period: 1,073,913,000 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	
	2022	2021
	Number of shares	Number of shares
	’000	’000
Weighted average number of ordinary shares at 30th September	**1,069,866**	1,068,026
Effect of deemed issue of ordinary shares under the Company’s share option scheme for nil consideration	**1,064**	5,887
Effect of shares awarded under share award scheme	**368**	-
Weighted average number of ordinary shares (diluted) at 30th September	**1,071,298**	1,073,913

The Group had potential dilutive shares in connection with its share option scheme and share award scheme. As at 30th September 2021, the potential ordinary shares relating to the share award scheme were not included in the calculation of diluted earnings per share as they did not give rise to any dilutive effect for the period.

10. Trade and other receivables

	At 30th September 2022 HK$'000	At 31st March 2022 HK$'000
Trade debtors and bills receivable, net of loss allowance	**976,137**	804,496
Other debtors, deposits and prepayments	**243,461**	318,531
	1,219,598	1,123,027

As of the end of the interim 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 2022 HK$'000	At 31st March 2022 HK$'000
Within three months	**954,445**	780,538
Three to six months	**15,723**	17,835
Over six months	**5,969**	6,123
	976,137	804,496

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 2022 HK$'000	At 31st March 2022 HK$'000
Current liabilities:		
Trade creditors and bills payable	**1,022,814**	995,042
Accrued expenses and other payables	**1,190,751**	1,296,969
Receipts in advance from customers	**61,493**	140,512
	2,275,058	2,432,523
Non-current liabilities:		
Accrued expenses	**9,184**	10,240

11. Trade and other payables (continued)

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

	At 30th September 2022 HK$'000	At 31st March 2022 HK$'000
Within three months	**1,016,796**	989,648
Three to six months	**2,997**	3,329
Over six months	**3,021**	2,065
	1,022,814	995,042

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

12. Bank loans

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

	At 30th September 2022 HK$'000	At 31st March 2022 HK$'000
Within one year or on demand	**377,826**	489,829
After one year but within two years	**60,000**	-
	437,826	489,829

As of the end of the interim 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.

13. Non-adjusting events after the interim period

On 2nd November 2022, Vita International Holdings Limited ("Vita International"), the wholly owned subsidiary of the Company, served an exercise notice on National Foods Holdings Ltd. ("National Foods") to exercise a call option pursuant to the terms set out in the shareholders' agreement between Vita International, National Foods and Vitasoy Australia Products Pty. Ltd. ("VAP") ("Shareholders' Agreement") to acquire the remaining 49% of the issued share capital in VAP that is held by National Foods. In the exercise notice, Vita International specified AUD27,500,000 (equivalent to approximately HK$137,500,000) as the fair value of the shares in VAP held by National Foods. Under the Shareholders' Agreement, if the specified fair value amount is not accepted by National Foods and no agreement can be reached by the parties on the fair value, an expert shall be appointed and the fair value determined by the expert will be final and binding on both parties. Vita International received the notice of dispute from National Foods on 7th November 2022. Both parties will proceed to jointly appoint the expert to determine the fair value. Upon the completion of the exercise of the call option and the acquisition by Vita International, VAP will become an indirect wholly owned subsidiary of the Company. The Company currently expects that closing of the acquisition will take place around the end of January 2023.

14. Comparative figures

Certain reclassifications were made to the consolidated statement of profit or loss to conform with the current interim period's presentation in order to better reflect the nature of underlying expenses. As a result, marketing, selling and distribution expenses increased by HK$15,806,000, administrative expenses decreased by HK$22,363,000 and other operating expenses increased by HK$6,557,000.

INTERIM DIVIDEND

The Board of the Company has declared an interim dividend of HK1.3 cents per ordinary share for the interim period (previous interim period: nil), to shareholders whose names appear on the Register of Members at the close of business on Monday, 5th December 2022. Dividend warrants will be sent to shareholders on or about Friday, 16th December 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Tuesday, 6th December 2022. 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 Monday, 5th December 2022.

MANAGEMENT REPORT

Business Highlights

During the interim period, the Group recorded revenue growth across the majority of markets on a local currency basis.

Profitability also rose, as our teams have been focusing on fundamentals to secure sustainable and profitable revenue growth. Profit from operations increased by almost 400%, primarily due to strong performance in Mainland China, rephased advertising and promotion spending, further Hong Kong SAR government subsidies, and decreased operating expenses. This increased profit partially mitigated eroded margins caused by inflationary pressures and a slow economic recovery across the regions. Excluding COVID-19 related government subsidies, the profit from operations would have improved by almost 300%.

In Mainland China, revenue grew 4% in local currency amidst the lingering impact of the pandemic during the first quarter of the current Financial Year.

In the Hong Kong Operation (Hong Kong SAR, Macau SAR and Exports), revenue growth was 6%, despite weak consumer sentiment and travel limitations, thanks to the strength of our core business and successful product innovations such as the new VITA Fresh Tea platform. Our market share increased in both the Soy and Tea categories, while new pricing and value creation projects helped protect margins and contain costs.

In Australia and New Zealand, revenue increased 8% in local currency by successful leveraging consumers' growing interest in oat milk. Steady results were also achieved in our other plant milk platforms, while the launch of our new breakthrough VITASOY Greek Style plant-based yoghurt generated incremental new business. The on-premises channel, which is important to both the Australia and New Zealand markets, started to regain traction but was still limited by COVID-19.

Singapore experienced a disappointing six months, due to revenues contracting by 16% in local currency and an operating loss resulting from the increasing commoditisation of the tofu category. Also contributing to this performance was the decline in the export business, owing to economic pressures associated with COVID-19 that could not be offset by the growth of the new plant milk platform, VITASOY Plant+ plant milk.

Our Philippines' joint venture with Universal Robina Corporation (URC) had a very strong half year. Revenue gains were in double digits, supported by local production that started with the easing of COVID-19 restrictions. VITASOY plant milk has now gained a 14% market share of the plant milk category in the Philippines.

Profit attributable to equity shareholders of the Company increased by over 300% during the interim period. Excluding COVID-19 related government subsidies, adjusted profit would have improved by 187%.

Although we are encouraged by the substantial progress made by the Group towards achieving target growth and profitability, we recognise that we still have much work ahead of us on our long-term growth trajectory. Nevertheless, barring unforeseen macro changes in the environment, we are confident that our disciplined focus on fundamentals will enable us not only to sustain, but gradually improve, our revenue and profit performance in the years ahead.

As a result of the Group's improved financial performance, the Board of Directors has declared an interim dividend of HK1.3 cents per ordinary share for the interim period (previous interim period: nil), payable on 16th December 2022.

Financial Highlights

The financial position of the Group remains solid. The following is an analysis of key financial indicators, including revenue, gross profit margin and return on capital.

Revenue

- The Group's revenue for the interim period increased 1% to HK$3,642 million (previous interim period: HK$3,604 million).

  - **Mainland China: -1% (+4% in local currency)**
    Revenue increased in local currency across both VITASOY and VITA brands and in most provinces and sales channels.

  - **Hong Kong Operation (Hong Kong SAR, Macau SAR and Exports): +6%**
    Revenue grew steadily behind our strong core business and encouraging results from product innovation. The Vitaland tuckshop and catering businesses performed strongly thanks to a higher number of school days and the quarantine hotel business, while Macau revenues were impeded by COVID-19 during June and July.

  - **Australia and New Zealand: On par (+8% in local currency)**
    Increased sales in local currency and market share were recorded in the grocery channel, mostly due to the strong performance of our VITASOY Oat Milk portfolio. These improvements were achieved despite headwinds such as inflationary cost pressures, the gradual recovery from COVID-19, and supply chain challenges caused by labour shortages, rains and flooding.

  - **Singapore: -18% (-16% in local currency)**
    Our performance in Singapore suffered a setback as a result of increased price competitiveness and the commoditisation of the tofu category, which could not be offset by the growth of our new VITASOY Fresh Plant+ plant milk platform.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the interim period was HK$1,738 million, up 1% (previous interim period: HK$1,727 million), mainly due to higher sales performance.
- Gross profit margin was maintained at 48% in the interim period (previous interim period: 48%), which was mainly attributable to higher sales volume and lower trade promotional expenses, offset by sales mix and higher raw material costs.

Operating Expenses

- Total operating expenses decreased 9% to HK$1,588 million (previous interim period: HK$1,737 million), mainly due to a deferral in advertising spend, higher COVID-19-related government grants, lower write-downs of inventories and no further impairment of goodwill in the Singapore business.
- Marketing, selling and distribution expenses decreased 10% to HK$1,068 million (previous interim period: HK$1,190 million), reflecting rephased advertising and promotion spending, higher government subsidies and stringent cost control.
- Administrative expenses were at a level similar to the previous interim period, at HK$333 million (previous interim period: HK$330 million).
- Other operating expenses mainly included staff costs for other supporting functions, management fees charged by a related party and sundry tax charges in Mainland China. These expenses decreased 14% to HK$187 million (previous interim period: HK$217 million), due to reduced write-downs of inventories and no further impairment of goodwill in the Singapore business.

COVID-19-related Government Grants

- For the interim period, the Group received COVID-19 related government grants of HK$59 million (previous interim period: HK$4 million), which were mainly related to COVID-19 financial assistance in support of the Vitaland school business in Hong Kong and staff employment.

	Subsidy recognised	
Segment	**2022 (HK$ million)**	2021 (HK$ million)
Hong Kong Operation	**55**	3
Mainland China	**3**	1
Others	**1**	-
	59	4

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$473 million, an increase of 48%, mainly driven by reduced operating expenses and higher government subsidies.
- EBITDA margin to revenue increased from 9% to 13% as a result.

Profit Before Taxation

- Profit before taxation for the interim period increased by over 400% to HK$175 million (previous interim period: HK$34 million).

Taxation

- Income tax charged for the interim period was HK$39 million (previous interim period: income tax credited HK$7 million), and the effective tax rate was 22%.

Profit Attributable to Equity Shareholders of the Company

- Profit attributable to equity shareholders of the Company for the interim period was HK$142 million, representing an increase of more than 300% compared with the previous interim period (previous interim period: HK$33 million).

Financial Position

- The Group finances its operations and capital expenditure primarily through internally generated cash as well as banking facilities provided by its principal bankers. As at 30th September 2022, cash and bank deposits amounted to HK$898 million (31st March 2022: HK$622 million), of which 51%, 41% and 3% were denominated in Hong Kong dollars (HKD), Renminbi (RMB) and United States dollars (USD), respectively (31st March 2022: 40%, 50% and 3%). As of 30th September 2022, the Group had a net cash balance (cash and bank deposits less bank borrowings, bills payable and lease liabilities) of HK$80 million (31st March 2022: net debt balance of HK$232 million). Available banking facilities amounted to HK$899 million (31st March 2022: HK$968 million) to facilitate future cash flow needs.
- As of 30th September 2022, the Group's debt amounted to HK$818 million (31st March 2022: HK$854 million) of which bank borrowings amounted to HK$438 million (31st March 2022: HK$490 million), bills payable amounted to HK$222 million (31st March 2022: HK$176 million), and lease liabilities amounted to HK$158 million (31st March 2022: HK$188 million).
- The gearing ratio (total debt/total equity attributable to equity shareholders of the Company) was maintained at 26% (31st March 2022: 26%).
- The Group's return on capital employed (ROCE) (EBITDA for the interim review period/average non-current debt and equity as at 30th September 2022 and 31st March 2022) for the interim period was 13% (previous interim period: 8%).
- Capital expenditure incurred during the interim period decreased to HK$77 million (previous interim period: HK$95 million), being mainly normalised investment to maintain and upgrade our production lines and equipment.
- There were no assets 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 2021/2022, which was published in July 2022 together with the Annual Report 2021/2022. The KPIs focused on product and packaging portfolio improvement ("making the right products") and reduction in energy used ("making products the right way"). It is expected that the Group will remain on its published glide path throughout the year ending 31st March 2023, and those KPIs will be published in the Sustainability Report 2022/2023 to be released in July 2023.

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 risk management policy focuses on anticipating, mitigating, controlling and managing risks, 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 and partially mitigate the foreign currency risks.

General Review

Mainland China

- Revenue on a local currency basis grew 4% to RMB1,916 million, with strong growth in operating profit due to scale acceleration and tight control over operating costs.
- Revenue decreased by 1% versus last year in HKD terms due to RMB depreciation. A profit from operations of HK$139 million was registered for the interim period versus an interim loss of HK$33 million for the previous interim period.
- The organisational structure and leadership capabilities of senior management in the Mainland China operation were further strengthened during the interim period, providing impetus for implementing our strategy of gradual acceleration across the Company's three growth vectors: execution (same-store sales growth), expansion and innovation. Revenues from both VITASOY and VITA products grew, as did revenues in most provinces and sales channels.
- VITASOY remained the undisputed soymilk leader and among the top three brands in the market for plant milk. VITAOAT Oat Milk, which was launched last year, continued to gain scale, adding incremental revenue and advancing brand awareness among plant-based movement conscious shoppers. The core premium Lemon Tea portfolio continued to be the main driver for VITA, and the new Fruit and Sparkling Teas were well received by consumers.
- Multimedia campaigns gained exposure for VITASOY Baseline Soy, VITAOAT Oat Milk, VITA Lemon Tea and VITA Sparkling Tea.

Hong Kong Operation

- Despite some macroeconomic and retail headwinds, our Hong Kong Operation delivered steady growth. During the interim period, revenue for the Operation grew 6%, with general trade and e-commerce channels being the best performers.
- The Group's Vitaland catering business improved thanks to the higher number of school days and the quarantine hotel business. These improvements were partially offset by weaker home consumption in the supermarket channel and meaningful increases in commodity and input costs.
- In the Non-alcoholic Beverages Key Account segment, strong brand equity and effective sales execution confirmed our leading position (Nielsen Market Track Report) in the local market. We also grew market share in both the Ready to Drink Tea and Soya/Plant Milk Drink categories.
- Additional growth was achieved through new product launches, which included innovative products such as VITASOY CALCI-PLUS Protein Drink, Fresh Plant+ Oat/Almond Milk, and VITA Fresh Peach Tea and Sparkling Peach Orange Tea, all of which received encouraging shopper feedback.
- Taking into account government subsidies, profit from operations increased 17%; excluding COVID-19 related government subsidies, profit from operations dropped 25%, mainly attributable to a surge in raw material and fuel costs.

Australia and New Zealand

- The Australia and New Zealand business performed strongly on a local currency basis, despite significant economic headwinds and inflationary cost pressures.
- In HKD terms, revenue remained flat while profit from operations dropped 53% due to cost pressures. In local currency terms, revenue grew 8%, and profit from operations dropped 50%. Profit from operations declined due to higher raw material costs caused by global supply chain dislocations that led to higher logistics and overhead costs.
- Revenue from the VITASOY brand grew across all the key Plant Milk platforms of Soy, Almond and Oat. The oat category has been particularly well received in Australia, where VITASOY has grown to become the number one brand in the oat and soy categories.
- Slower performance in the coffee channel was more than offset by innovative products such as VITASOY Café Latte Oat Milk and the new VITASOY Greek Style Yoghurt range of Soy Yoghurt Plain/Vanilla/Strawberry/Mango and Passionfruit. All these products have received encouraging initial responses in the market. The successful "Let's Grow A Better World" brand campaign continued to elevate the VITASOY brand as a leader in sustainable, tasty plant-based nutrition.

Singapore

- Singapore revenue decreased during the interim period, mainly as a result of the commoditisation of the local tofu category, as shoppers switched to more affordable offerings. Exports of tofu were also down due to similar buying patterns and high inflation caused by COVID-19 in Europe, Singapore's main export market for tofu.
- Operating profit dropped due to underperforming sales, higher soybean prices, utility costs and operating expenses, as well as higher advertising and promotion spending in support of VITASOY Plant+ plant milk and tofu.

General Outlook

Our Mainland China business not only remains our largest market but is also our main engine for scaling up the Group. We are encouraged that our Mainland business is growing in revenue and profitability. Our priority now is to sustain profitable growth and per capita consumption in Mainland China through better execution in same stores, national expansion and innovation for equity building.

We are also optimistic about sustaining performance in our other markets as the plant-based sector continues to go mainstream.

Mainland China

- For the remainder of the 2022/2023 year, we will continue launching advertising and promotion campaigns as well as implementing our strategy across all our vectors of growth. We will also explore ways to save operational expenses and contain rising material and energy costs while adjusting pricing in order to maintain profitability.

Hong Kong Operation

- In the Hong Kong Operation, we will continue to drive the core business and launch new products. We will also optimise costs and explore potential business opportunities in different channels.

Australia and New Zealand

- With strong demand for VITASOY products in Australia and New Zealand, we believe we can continue to drive scale in the key plant milk categories. We will also work diligently to successfully establish our new VITASOY plant-based yoghurt in these markets.

Singapore

- In Singapore, we have been facing challenges due to the commoditisation of the tofu category and weaker exports. However, we are working to improve our execution and contain costs so that we can secure price and product competitiveness. We will also continue to expand our new Malaysian-sourced VITASOY Plant+ plant milk line.

The Philippines

- We are encouraged by fresh momentum in the Philippines, where shopper mobility has been improving. We will continue to improve our visibility and availability in core sales channels, while strengthening brand equity for future growth. We will also build on the success of the new single-serve and multi-serve products that have been launched in this market and enter all the key plant milk segments of Soy, Almond and Oat for future growth.

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 interim period, 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 interim period.

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 fulfilment 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 interim period.

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

The Company's interim report for the interim period 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, 18th November 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.