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 2024

HIGHLIGHTS

Financial Summary

	2024 HK$ million	**2023 HK$ million**	**Change**	**Change – Net of currency impact**
Revenue	3,443	3,391	+2%	+2%
Gross Profit	1,777	1,712	+4%	+4%
Gross Profit Margin	51.6%	50.5%	+1.1ppt	+1.2ppt
Profit from operations	257	171	+50%	+52%
Profit after taxation	176	166	+6%	+6%
Profit attributable to equity shareholders of the Company	171	163	+5%	+5%
EBITDA*	496	422	+18%	+18%

* EBITDA refers to earnings before interest income, finance costs, income tax, depreciation and amortisation.

- The Group delivered revenue growth of 2%.
- The Group's gross profit margin rose to 51.6% in Hong Kong Dollar terms, mainly due to lower commodity prices and production optimisation gains.
- Profit from operations grew strongly by 50%. The primary contributors were Mainland China and the Hong Kong Operation.
  Our strong growth in Mainland China profitability led to the utilisation of deferred tax assets, resulting in a deferred tax charge of HK$43.4 million. Together with (i) decrease in deferred tax credit from Australia, and (ii) movement of deferred tax assets and liabilities in other markets, the Group sustained a deferred tax charge of HK$32.9 million compared to a credit of HK$38.7 million in the prior year.
- Cash and bank deposits, net of bank loans, rose from HK$538 million at 31st March 2024 to HK$935 million at 30th September 2024.
- Key business highlights
  - Mainland China – Stable sales following optimisation of online/offline sales mix and production optimisation gains leading to a strong increase of 15% in profit from operations, in Hong Kong Dollar terms, and an operating margin of 11%.
  - Hong Kong Operation (Hong Kong SAR, Macau SAR and Exports) – Profit from operations growing substantially by 44%, due to sustained revenue growth and lower commodity prices.
  - Australia and New Zealand – A rebound in revenue growth, and enhanced market positioning following the re-establishment of sustainable production platform.
  - Singapore – The tofu business recorded an increase in revenue; operating losses reduced.
- The Board of Directors intends to rebalance the full year dividends payment, while maintaining a stable annual payout ratio, subject to the availability of cash resources. Based on the Group's financial performance, and having regard to the Group's cash position, the Board of Directors has declared an interim dividend of HK4.0 cents per ordinary share for the interim period (previous interim period: HK1.4 cents), payable on 24th December 2024.

Note: "Hong Kong SAR" stands for the Hong Kong Special Administrative Region of the People's Republic of China.
"Macau SAR" stands for 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 2024 (the "interim period"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Six months ended 30th September**	
		2024	2023
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Revenue	4, 5	**3,443,462**	3,391,171
Cost of sales		**(1,666,377)**	(1,679,492)
Gross profit		**1,777,085**	1,711,679
Other income		**35,198**	40,680
Marketing, selling and distribution expenses		**(997,625)**	(1,072,845)
Administrative expenses		**(380,535)**	(347,557)
Other operating expenses	6(c)	**(177,175)**	(160,920)
Profit from operations		**256,948**	171,037
Finance costs	6(a)	**(16,871)**	(13,437)
Profit before taxation	6	**240,077**	157,600
Income tax (expense)/credit	7	**(64,342)**	8,748
Profit for the period		**175,735**	166,348
Attributable to:			
Equity shareholders of the Company		**170,515**	162,681
Non-controlling interests		**5,220**	3,667
Profit for the period		**175,735**	166,348
Earnings per share	9		
Basic		**HK 15.9 cents**	HK 15.2 cents
Diluted		**HK 15.9 cents**	HK 15.2 cents

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30th September	
	2024	2023
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**175,735**	166,348
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	**54,583**	(118,515)
- Cash flow hedge: net movement in the hedging reserve	**-**	(1,748)
Other comprehensive income for the period	**54,583**	(120,263)
Total comprehensive income for the period	**230,318**	46,085
Attributable to:		
Equity shareholders of the Company	**221,946**	49,232
Non-controlling interests	**8,372**	(3,147)
Total comprehensive income for the period	**230,318**	46,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30th September 2024**		At 31st March 2024	
		HK$'000	**HK$'000**	HK$'000	HK$'000
		(Unaudited)		(Audited)	
Non-current assets					
Property, plant and equipment					
- Investment properties			**2,935**		2,998
- Right-of-use assets			**413,114**		432,285
- Other property, plant and equipment			**2,550,062**		2,668,137
			2,966,111		3,103,420
Deposits for the acquisition of property, plant and equipment			**137**		1,112
Intangible assets			**37**		119
Interest in joint venture			**-**		-
Deferred tax assets			**244,192**		269,555
Other receivables	10		**17,012**		15,419
Pledged deposit			**904**		-
			3,228,393		3,389,625
Current assets					
Inventories		**489,840**		554,546	
Trade and other receivables	10	**1,019,492**		873,312	
Current tax recoverable		**-**		18,136	
Cash and bank deposits		**1,339,729**		794,452	
Assets held for sale		**6,815**		6,624	
		2,855,876		2,247,070	
Current liabilities					
Trade and other payables	11	**1,958,249**		1,824,727	
Bank loans	12	**311,944**		255,987	
Lease liabilities		**99,339**		104,865	
Current tax payable		**60,275**		39,797	
		2,429,807		2,225,376	
Net current assets			**426,069**		21,694
Total assets less current liabilities			**3,654,462**		3,411,319

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**At 30th September 2024**		At 31st March 2024	
		HK$'000	**HK$'000**	HK$'000	HK$'000
		(Unaudited)		(Audited)	
Non-current liabilities					
Bank loans	12	**93,266**		-	
Lease liabilities		**181,035**		198,000	
Employee retirement benefit liabilities		**19,905**		19,164	
Deferred tax liabilities		**73,614**		72,563	
Other payables	11	**9,215**		8,955	
			377,035		298,682
NET ASSETS			**3,277,427**		3,112,637
CAPITAL AND RESERVES					
Share capital			**1,047,526**		1,044,398
Reserves			**2,115,162**		1,960,162
Total equity attributable to equity shareholders of the Company			**3,162,688**		3,004,560
Non-controlling interests			**114,739**		108,077
TOTAL EQUITY			**3,277,427**		3,112,637

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 financial information relating to the financial year ended 31st March 2024, 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 2024 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. Material Accounting Policies

The interim financial report has been prepared in accordance with the same accounting policies adopted in the FY2023/2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the FY2024/2025 annual financial statements. Details of any changes in accounting policies arising from adoption of 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 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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.

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.

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	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	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	**1,958,184**	1,962,039	**1,156,030**	1,121,299	**273,395**	255,015	**55,853**	52,818	**3,443,462**	3,391,171
Inter-segment revenue	**72,175**	86,764	**17,992**	9,549	**1,462**	1,414	**1,709**	1,804	**93,338**	99,531
Reportable segment revenue	**2,030,359**	2,048,803	**1,174,022**	1,130,848	**274,857**	256,429	**57,562**	54,622	**3,536,800**	3,490,702
Reportable segment profit/(loss) from operations	**218,305**	189,516	**159,451**	110,607	**(45,508)**	(33,020)	**(2,104)**	(9,573)	**330,144**	257,530
Additions to non-current segment assets during the period	**9,889**	13,740	**53,704**	71,927	**9,140**	30,451	**3,501**	383	**76,234**	116,501
	At 30th September 2024	At 31st March 2024	**At 30th September 2024**	At 31st March 2024	**At 30th September 2024**	At 31st March 2024	**At 30th September 2024**	At 31st March 2024	**At 30th September 2024**	At 31st March 2024
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**2,683,843**	2,641,289	**4,351,790**	4,164,017	**496,015**	431,439	**124,523**	117,809	**7,656,171**	7,354,554
Reportable segment liabilities	**1,836,951**	1,922,598	**1,182,788**	1,148,531	**258,363**	338,454	**29,995**	32,812	**3,308,097**	3,442,395

5. Segment reporting (continued)

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

	Six months ended 30th September	
	2024	2023
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**3,536,800**	3,490,702
Elimination of inter-segment revenue	**(93,338)**	(99,531)
Consolidated revenue	**3,443,462**	3,391,171

	Six months ended 30th September	
	2024	2023
	HK$'000	HK$'000
Profit or loss		
Reportable segment profit from operations	**330,144**	257,530
Finance costs	**(16,871)**	(13,437)
Integration expenses in relation to assumption of full ownership of Vitasoy Australia Products Pty. Ltd. ("VAP")	**-**	(6,574)
Unallocated head office and corporate expenses	**(73,196)**	(79,919)
Consolidated profit before taxation	**240,077**	157,600

	At 30th September	At 31st March
	2024	2024
	HK$'000	HK$'000
Assets		
Reportable segment assets	**7,656,171**	7,354,554
Elimination of inter-segment receivables	**(1,826,114)**	(2,006,347)
	5,830,057	5,348,207
Deferred tax assets	**244,192**	269,555
Current tax recoverable	**-**	18,136
Unallocated head office and corporate assets	**10,020**	797
Consolidated total assets	**6,084,269**	5,636,695

	At 30th September	At 31st March
	2024	2024
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	**3,308,097**	3,442,395
Elimination of inter-segment payables	**(655,227)**	(1,050,176)
	2,652,870	2,392,219
Employee retirement benefit liabilities	**19,905**	19,164
Deferred tax liabilities	**73,614**	72,563
Current tax payable	**60,275**	39,797
Unallocated head office and corporate liabilities	**178**	315
Consolidated total liabilities	**2,806,842**	2,524,058

6. Profit before taxation

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

	Six months ended 30th September	
	2024	2023
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**6,735**	10,510
Interest on lease liabilities	**10,136**	2,927
	16,871	13,437

	Six months ended 30th September	
	2024	2023
	HK$'000	HK$'000
(b) Other items:		
Interest income	**(17,424)**	(8,877)
Government grants (Note (i))	**(2,734)**	(18,890)
Depreciation		
- Investment properties	**63**	63
- Right-of-use assets	**56,198**	49,697
- Other assets	**200,231**	209,713
Amortisation of intangible assets	**83**	140
Cost of inventories (Note (ii))	**1,672,946**	1,685,409

Notes:

(i) During the previous interim period, a grant of HK$18,177,000 was received from the government of the People's Republic of China ("PRC") in relation to an investment in Mainland China in 2020. No such grant was received in the current period.

(ii) Cost of inventories included recognition of write down of inventories of HK$16,731,000 (previous interim period: HK$9,873,000).

6. Profit before taxation (continued)

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

	Six months ended 30th September	
	2024	2023
	HK$'000	HK$'000
(c) Other operating expenses:		
Staff costs	**90,047**	89,381
Sundry tax in Mainland China	**23,630**	22,909
Withholding tax on royalty and interest income	**9,555**	10,030
Quality assurance and sampling expenses	**6,188**	6,449
Depreciation and amortisation	**7,108**	7,050
Professional fees	**6,794**	4,570
Repair and maintenance expenses	**3,343**	2,146
Exchange (gain)/loss	**(10,867)**	5,034
Donations	**1,141**	1,003
Net loss on disposal of property, plant and equipment	**452**	788
Recognition/(reversal) of write down of inventories	**1,415**	(1,364)
Recognition/(reversal) of impairment losses on trade and other receivables	**469**	(1,087)
Recognition/(reversal) of impairment losses on property, plant and equipment (Note (i))	**26,076**	(2,060)
Others	**11,824**	16,071
	177,175	160,920

Notes:

(i) During the interim period, the carrying amount of certain items of property, plant and equipment were written down to their recoverable amounts by HK$26,076,000 (previous interim period: reversal of HK$2,060,000) which were estimated using the higher of fair value less costs of disposal and value in use. An impairment loss of HK$26,232,000 (previous interim period: nil) was recognised on various items of property, plant and equipment utilised in the Mainland China operations reflecting the cessation of usage, where the recoverable amounts of these items were considered minimal.

7. Income tax expense/(credit)

(a) Income tax expense/(credit) in the consolidated statement of profit or loss represents:

	Six months ended 30th September	
	2024	2023
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**16,927**	12,464
Current tax – Outside Hong Kong	**14,515**	17,537
Deferred taxation	**32,900**	(38,749)
	64,342	(8,748)

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.

(b) Pillar Two income tax

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group is expected to be within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules. Of the jurisdictions in which the Group operates, Australia and Canada enacted Pillar Two legislation which is effective and is applicable to the Group for fiscal year starting on 1st January 2024. Hong Kong SAR and Singapore anticipate implementation of Pillar Two legislation starting from 1st January 2025. Under the legislation, the Group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion ("GloBE") effective tax rate ("ETR") per jurisdiction and the 15% minimum rate if the GloBE ETR of Canada (and the United States) and Australia are less than 15% for the year ending 31st March 2025. Given the complexities involved in calculating GloBE ETR, the Group has undertaken a preliminary assessment of the Pillar Two tax implications for the jurisdictions in which the Group operates and have enacted Pillar Two legislation. Based on the preliminary assessment, the Group expects that Canada (with its subsidiary in United States) and Australia, where Pillar Two legislation has been enacted will likely satisfy the Transitional Country-by-Country Reporting ("CbCR") Safe Harbour criteria and as such it is unlikely there will be any top-up tax impact for the year ending 31st March 2025. The Group will continue to monitor the Pillar Two developments and reassess the potential impact on its tax position.

8. Dividends

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

	Six months ended 30th September	
	2024	2023
	HK$'000	HK$'000
Interim dividend declared after the interim period of HK4.0 cents per ordinary share (previous interim period: HK1.4 cents)	**42,924**	15,004

The interim dividend declared after 30th September 2024 is based on 1,073,093,978 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 2024 was not recognised as a liability at 30th September 2024.

(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	
	2024	2023
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK6.3 cents per ordinary share (previous interim period: HK1.4 cents per ordinary share)	**67,520**	15,017

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$170,515,000 for the interim period (previous interim period: HK$162,681,000) and the weighted average number of 1,071,485,000 ordinary shares (previous interim period: 1,071,759,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September	
	2024	2023
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1st April	**1,072,815**	1,070,899
Effect of share options exercised	**-**	1,270
Effect of share awards vested	**127**	98
Effect of shares purchased under share award scheme	**(1,457)**	(508)
Weighted average number of ordinary shares at 30th September (note 9(b))	**1,071,485**	1,071,759

(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$170,515,000 for the interim period (previous interim period: HK$162,681,000) and the weighted average number of 1,072,516,000 ordinary shares (previous interim period: 1,072,710,000 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	
	2024	2023
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares at 30th September (note 9(a))	**1,071,485**	1,071,759
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**-**	312
Effect of shares awarded under share award scheme	**1,031**	639
Weighted average number of ordinary shares (diluted) at 30th September	**1,072,516**	1,072,710

As at 30th September 2024, the Group had potential dilutive shares in connection with its share option scheme and share award scheme. Certain share options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per shares because they are antidilutive for the period.

10. Trade and other receivables

	At 30th September 2024 HK$'000	At 31st March 2024 HK$'000
Current assets:		
Trade debtors and bills receivable, net of loss allowance	**858,933**	715,301
Other debtors, deposits and prepayments	**160,559**	158,011
	1,019,492	873,312
Non-current assets:		
Rental deposits	**17,012**	15,419

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 2024 HK$'000	At 31st March 2024 HK$'000
Within three months	**850,582**	703,131
Three to six months	**5,511**	10,289
Over six months	**2,840**	1,881
	858,933	715,301

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 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 2024 HK$'000	At 31st March 2024 HK$'000
Current liabilities:		
Trade creditors and bills payable	**895,096**	881,697
Accrued expenses and other payables	**1,022,955**	895,111
Receipts in advance from customers	**40,198**	47,919
	1,958,249	1,824,727
Non-current liabilities:		
Accrued expenses	**9,215**	8,955

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 2024 HK$'000	At 31st March 2024 HK$'000
Within three months	**891,566**	875,120
Three to six months	**1,409**	3,152
Over six months	**2,121**	3,425
	895,096	881,697

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 2024 HK$'000	At 31st March 2024 HK$'000
Within one year or on demand	**311,944**	255,987
After one year but within two years	**71,688**	-
After two years but within five years	**21,578**	-
	93,266	-
	405,210	255,987

As of the end of the interim period, no bank loans were secured by charges over property, plant and equipment. None of the Group's banking facilities were subject to compliance with financial covenants.

As at 31st March 2024, certain of the Group's banking facilities were subject to compliance with certain financial covenants, as were commonly found in borrowing arrangements with financial institutions. The Group did not comply with certain financial covenants as required in the banking facilities agreement with a bank for the outstanding loan amounts of approximately HK$100,661,000, which are presented as current liabilities in the Group's consolidated statement of financial position as at 31st March 2024. On 21st September 2023, the Group obtained a waiver from the bank in relation to its covenant requirements for the outstanding bank loan of approximately HK$100,661,000, which was subsequently repaid during the current interim period.

13. Comparative figures

Certain reclassifications were made to the amounts of cost of inventories and write down of inventories as disclosed in note 6(b) to conform with the current period's presentation in order to better reflect the nature of underlying expenses. As a result, cost of inventories and write down of inventories increased by HK$6,050,000 and HK$7,693,000 respectively.

INTERIM DIVIDEND

The Board of the Company has declared an interim dividend of HK4.0 cents per ordinary share for the interim period (previous interim period: HK1.4 cents), to shareholders whose names appear on the Register of Members at the close of business on Thursday, 12th December 2024. Dividend warrants will be sent to shareholders on or about Tuesday, 24th December 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Thursday, 12th December 2024. 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 Wednesday, 11th December 2024.

MANAGEMENT REPORT

Business Highlights

The Group delivered revenue growth of 2%. The Group's gross profit margin rose to 51.6% in Hong Kong Dollar terms, mainly due to lower commodity prices and production optimisation gains. Profit from operations grew strongly by 50%. The primary contributors were Mainland China and the Hong Kong Operation.

In Mainland China, overall sales remained stable as compared with the previous interim period. Revenue across regions grew as a result of improved sales execution and product innovation but was offset by erosion in the online business, where we prioritised a balance between our equity and sales building activities against profitability. Despite heightened price competition in this market, we were able to improve profitability by focusing on our sales mix, lower commodity prices and disciplined cost controls. Operating profit increased by 15% to achieve an 11% operating margin for the interim period.

The Hong Kong Operation (Hong Kong SAR, Macau SAR and Exports) increased revenues by 3% leveraging its strong brand equity, pervasive market presence and product innovation. Profit from operations grew significantly by 44%, driven by higher sales volumes and lower commodity prices, achieving a 14% operating margin for the interim period.

Australia and New Zealand restored revenue growth by 7%, reflecting strong demand for our products in both markets. Operating loss was HK$46 million for the interim period, mainly due to manufacturing issues affecting operations. These issues have now been resolved and the factory is now operating normally.

Singapore recorded revenue and profitability improvements due to rising demand for export tofu. Our joint venture in the Philippines with Universal Robina Corporation continued to increase in scale, driven by our single serve on-the-go platform.

Our strong growth in Mainland China profitability led to the utilisation of deferred tax assets, resulting in a deferred tax charge of HK$43.4 million. Together with (i) decrease in deferred tax credit from Australia, and (ii) movement of deferred tax assets and liabilities in other markets, the Group sustained a deferred tax charge of HK$32.9 million compared to a credit of HK$38.7 million in the prior year.

The Board of Directors intends to rebalance the full year dividends payment, while maintaining a stable annual payout ratio, subject to the availability of cash resources. Based on the Group's financial performance, and having regard to the Group's cash position, the Board of Directors has declared an interim dividend of HK4.0 cents per ordinary share for the interim period (previous interim period: HK1.4 cents per ordinary share), payable on 24th December 2024.

Financial Highlights

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

Revenue
- For the interim period, the Group's revenue increased by 2% to HK$3,443 million (previous interim period: HK$3,391 million).

Gross Profit and Gross Profit Margin
- The Group's gross profit for the interim period was HK$1,777 million (previous interim period: HK$1,712 million), representing an increase of 4%, mainly due to better sales performance, lower commodity prices and production optimisation gains.
- Gross profit margin increased to 51.6% in the interim period (previous interim period: 50.5%).

Operating Expenses
- Total operating expenses decreased 2% to HK$1,555 million (previous interim period: HK$1,581 million), mainly due to lower advertising and promotion spending and favourable foreign exchange movements. These were partially offset by severance payments made under the production optimisation plan for Vitasoy (Shanghai) Company Limited ("Vitasoy Shanghai") as well as impairment of related property, plant and equipment.
- Marketing, selling and distribution expenses decreased 7% to HK$998 million (previous interim period: HK$1,073 million), mainly due to the timing of advertising and promotion spending.
- Administrative expenses increased 9% to HK$381 million (previous interim period: HK$348 million), mainly due to the severance payments for Vitasoy Shanghai.
- Other operating expenses mainly included staff costs for employees in support functions, impairment of property, plant and equipment, and sundry tax charges in Mainland China. These expenses increased 10% to HK$177 million (previous interim period: HK$161 million), mainly due to impairment of property, plant and equipment, partially offset by favourable foreign exchange movements.

EBITDA (Earnings Before Interest Income, Finance Costs, Income tax, Depreciation and Amortisation)
- EBITDA for the interim period was HK$496 million, an increase of 18%, mainly due to the higher gross profit contribution and effective cost rationalisations in our operations.
- The EBITDA to revenue margin for the interim period increased from 12% to 14%.

Profit From Operations

- Profit from operations for the interim period was HK$257 million, an increase of 50% from a profit of HK$171 million in the previous interim period. Net of currency impact, profit from operations for the interim period increased by 52%.

Profit Before Taxation

- Profit before taxation for the interim period increased by 52% to HK$240 million (previous interim period: HK$158 million). Net of currency impact, profit before taxation for the interim period increased by 54%.

Taxation

- Our strong growth in Mainland China profitability led to the utilisation of deferred tax assets, resulting in a deferred tax charge of HK$43.4 million. Together with (i) decrease in deferred tax credit from Australia, and (ii) movement of deferred tax assets and liabilities in other markets, the Group sustained a deferred tax charge of HK$32.9 million compared to a credit of HK$38.7 million in the prior year. The effective tax rate was 27%.

Profit Attributable to Equity Shareholders of the Company

- Profit attributable to equity shareholders of the Company for the interim period was HK$171 million (previous interim period: HK$163 million), representing an increase of 5% as compared with the previous interim period.

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 of 30th September 2024, cash and bank deposits amounted to HK$1,341 million (31st March 2024: HK$794 million), of which 62%, 29%, 4% and 3% were denominated in Hong Kong dollars (HKD), Renminbi (RMB), Australian dollars (AUD) and United States dollars (USD), respectively (31st March 2024: 82%, 12%, 0% and 3%). As of 30th September 2024, the Group had a net cash balance (cash and bank deposits less bank borrowings, bills payable and lease liabilities) of HK$557 million (31st March 2024: HK$111 million). Available banking facilities amounted to HK$833 million (31st March 2024: HK$1,193 million) to facilitate future cash flow needs.
- The Group's debt amounted to HK$783 million (31st March 2024: HK$684 million), of which bank borrowings were HK$405 million (31st March 2024: HK$256 million), bills payable were HK$98 million (31st March 2024: HK$125 million), and lease liabilities were HK$280 million (31st March 2024: HK$303 million).
- The gearing ratio (total debt/total equity attributable to equity shareholders of the Company) increased to 25% (31st March 2024: 23%). Excluding lease liabilities from total debt, the gearing ratio was 16% (31st March 2024: 13%).
- The Group's return on capital employed (ROCE, being EBITDA for the interim period/average non-current debt and equity as at 30th September 2024 and 31st March 2024) for the interim period was 14% (previous interim period: 13%).
- Capital expenditure incurred during the interim period increased to HK$45 million (previous interim period: HK$35 million), mainly due to the normalised investment required for maintaining and upgrading our production lines and equipment.
- As at 30th September 2024, the Group has pledged a bank deposit of approximately HK$1 million as security for bank guarantee for a lease arrangement (31st March 2024: nil).

Non-financial Key Performance Indicators

- The Group has already disclosed various non-financial key performance indicators (KPIs) in the Sustainability Report 2023/2024, which was published in July 2024 together with the Annual Report 2023/2024. The KPIs focused on product and packaging portfolio improvements ("making the right products") and reductions in energy used ("making products the right way"). It is expected that the Group will continue to remain on its published glide path throughout the year ending 31st March 2025, and those KPIs will be published in the Sustainability Report 2024/2025 to be released in July 2025.

Tax Strategy

- When considering tax, the Group gives due consideration to the importance of its corporate and social responsibilities. More specifically, the Group commits to paying taxes in the countries where it creates value and complying fully with tax laws across all relevant jurisdictions. The Group also commits to following the Organisation for Economic Co-operation and Development (OECD) transfer pricing guidelines and to ensuring that the arm's length principle is always observed in transactions between Group companies. The Group also actively supports the OECD international tax reform work on Base Erosion and Profit Shifting (BEPS) on Pillar Two. In addition, the Group commits to being open and transparent with tax authorities about the Group's tax affairs and to disclosing 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, 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.

General Review

Mainland China

- Mainland China recorded revenue growth across geographical regions, offset by erosion in the e-commerce channel as we balanced equity and sales presence with profitability.
- The team has gradually improved commercialisation and their sales execution during the interim period, resulting in higher sales per store, distribution gains and stronger performance in its innovative product range. Among our target shoppers, the introduction of VITASOY Banana and VITASOY Strawberry variants generated interest and sales, while our innovative VITA VLT Zero and VLT Sparkling Zero offerings delivered the distinctive essence of our VLT range without added sugar, catering to the evolving preferences of shoppers.
- Our profit from operations grew 16% in local currency terms, representing an 11% operating profit margin, primarily driven by improved manufacturing efficiency and continued disciplined cost control.

Hong Kong Operation

- Despite a challenging retail environment, the Hong Kong Operation continued to grow sales at 3%, behind a strong core business and high shopper acceptance of our innovative VITASOY Banana, VITASOY Strawberry, VITA VLT Zero and VLT Sparkling Zero products.
- Our Vitaland school and export businesses also registered revenue growth as school attendance normalised and demand strengthened in overseas markets, respectively.
- Profit from operations grew substantially by 44%, due to sustained revenue growth and lower commodity prices.

Australia and New Zealand

- Revenue from Australia and New Zealand increased by 6% in local currency, reflecting strong market demand for our brands. We sustained our leadership in the Soy and Oat milk segments in grocery and delivered incremental growth in the chilled plant milk and yoghurt segments.
- An operating loss of HK$46 million for the interim period was the result of manufacturing issues, which have now been fully resolved, as well as higher logistics and overhead costs.

Singapore

- Revenue from Singapore increased by 5% in local currency, with strong performance in the export tofu business. This was partially offset by a beverage sales inventory adjustment as we switched to a new distributor. Stronger revenue growth coupled with stringent operating cost controls helped to reduce the operating loss substantially by 78% to SGD0.4 million.

General Outlook

In the second half of the financial year, our goal will be to sustain revenue growth and maintain profitability after the summer peak season. We will continue to drive improved performance in execution, expansion and innovation, while continuing to manage costs and operational efficiencies in a disciplined manner.

Given the strong fundamentals of our business model, we remain confident in the long-term potential of our portfolio across the markets in which we operate.

Mainland China

- We will continue to improve commercialisation and execution in our core product portfolio for the remainder of the financial year. This commitment along with our focus on innovation will help to secure a correct value equation for our brands in a market characterised by increased fragmentation and competitive promotional activities. We will also gradually increase our acquisition of new customers across new growing channels.

Hong Kong Operation

- We will take advantage of our pervasive market presence and leadership to sustain the strong performance of our core portfolio, while continuing to emphasise product innovation across customers and channels. At the brand level, we will continue our efforts to raise brand awareness and strengthen brand equity and visibility.

Australia and New Zealand

- Now that our production capabilities have been fully restored and stabilised, we will sustain revenue growth with new phases of our marketing campaigns and will improve profitability in the second half of the financial year. Our leadership position and incremental gains in the chilled and plant-based yoghurt business give us confidence in our long-term success in these markets.

Singapore

- We will continue building momentum in our tofu segment and strengthen our collaboration with the new distributor to progress our beverage business towards restored profitability.

The Philippines

- Our joint venture with Universal Robina Corporation in the Philippines will maintain its growth trajectory in the single-serve and multi-serve segments. We will also continue to raise awareness and stimulate trial of our plant-based beverages, particularly our newly launched Almond and Oat variants, to increase growth and market share in this high potential market.

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 Part 2 of Appendix C1 of the Listing Rules.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Paul Jeremy BROUGH (Chairman), Mr. Anthony John Liddell NIGHTINGALE and Dr. Roy Chi-ping CHUNG.

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, except that the trustee of the Company's 2021 Share Award Scheme purchased on The Stock Exchange of Hong Kong Limited a total of 1,300,000 shares of the Company at a total consideration of approximately HK$7.6 million to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the 2021 Share Award Scheme.

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, 26th November 2024

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. Mr. Anthony John Liddell NIGHTINGALE, Mr. Paul Jeremy BROUGH, Dr. Roy Chi-ping CHUNG and Ms. Wendy Wen-yee YUNG are independent non-executive directors.