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 2023

HIGHLIGHTS

Financial Summary

	2023 HK$ million	**2022 HK$ million**	**Change**	**Change – Net of currency impact and COVID-19 related government subsidies**
Revenue	3,391	3,642	-7%	-3%
Gross Profit	1,712	1,738	-1%	+3%
Gross Profit Margin	50.5%	47.7%	+2.8ppt	+2.9ppt
Profit from operations	171	212	-19%	+15%
EBITDA*	422	473	-11%	+5%
Profit attributable to equity shareholders of the Company	163	142	+15%	+99%

* EBITDA refers to earnings before interest income, finance costs, income tax, depreciation, amortisation and share of losses of joint venture.

- During the interim period of the financial year 2023/2024 ("interim period"), we continued to structurally improve our profitability despite continuing high raw material costs. In Hong Kong Dollar terms, the Group's gross profit margin increased from 47.7% to 50.5% despite revenues falling by 7% in the interim period. Profit attributable to equity shareholders of the Company increased by 15%.

- On a constant currency basis, revenue dropped 3% from a relatively high base last year due to Mainland China customers placing advanced orders in September 2022 ahead of an anticipated price increase in October 2022. Profit from operations and profit attributable to equity shareholders of the Company, net of currency impact and excluding COVID-19 related government subsidies of HK$59 million received in the previous interim period, increased by 15% and 99% respectively. The increase was primarily due to rightsizing our Mainland China organisational spending and the solid performance of the Hong Kong Operation, but partially offset by short-term challenges in Australia.

- Key business highlights
  - Mainland China – Relentless focus on improving structural profitability up to target, with profit from operations growing 44% in local currency, representing an operating margin of 10%.
  - Hong Kong Operation (Hong Kong SAR, Macau SAR and Exports) – Solid and stable core business complemented by strong growth from product innovation. Excluding COVID-19 related government subsidies, profit from operations grew 22%.
  - Australia and New Zealand – Revenue and profitability affected by temporary manufacturing and logistics issues and other operating expenses incurred during the transition to full ownership.
  - Singapore – Growth in tofu exports with improved sales helped offset strong local competition in tofu and beverages.

- Based on the Group's financial performance, the Board of Directors has declared an interim dividend of HK1.4 cents per ordinary share for the interim period (previous interim period: HK1.3 cents), payable on 20th December 2023.

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 2023 (the "interim period"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30th September	
		2023	2022
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Revenue	4, 5	**3,391,171**	3,641,893
Cost of sales		**(1,679,492)**	(1,904,297)
Gross profit		**1,711,679**	1,737,596
Other income		**40,680**	61,761
Marketing, selling and distribution expenses		**(1,072,845)**	(1,067,702)
Administrative expenses		**(347,557)**	(332,828)
Other operating expenses	6(c)	**(160,920)**	(186,677)
Profit from operations		**171,037**	212,150
Finance costs	6(a)	**(13,437)**	(14,271)
Share of losses of joint venture		**-**	(22,443)
Profit before taxation	6	**157,600**	175,436
Income tax	7	**8,748**	(39,019)
Profit for the period		**166,348**	136,417
Attributable to:			
Equity shareholders of the Company		**162,681**	141,801
Non-controlling interests		**3,667**	(5,384)
Profit for the period		**166,348**	136,417
Earnings per share	9		
Basic		**HK 15.2 cents**	HK 13.3 cents
Diluted		**HK 15.2 cents**	HK 13.2 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	
	2023	2022
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**166,348**	136,417
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	**(118,515)**	(263,358)
- Cash flow hedge: net movement in the hedging reserve	**(1,748)**	(3,424)
Other comprehensive income for the period	**(120,263)**	(266,782)
Total comprehensive income for the period	**46,085**	(130,365)
Attributable to:		
Equity shareholders of the Company	**49,232**	(89,000)
Non-controlling interests	**(3,147)**	(41,365)
Total comprehensive income for the period	**46,085**	(130,365)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30th September 2023**		At 31st March 2023	
		HK$'000	**HK$'000**	HK$'000	HK$'000
		(Unaudited)		(Audited)	
Non-current assets					
Property, plant and equipment					
- Investment properties			**3,061**		3,124
- Right-of-use assets			**297,691**		277,724
- Other property, plant and equipment			**2,795,618**		3,111,274
			3,096,370		3,392,122
Deposits for the acquisition of property, plant and equipment			**863**		-
Intangible assets			**256**		419
Interest in joint venture			**-**		-
Deferred tax assets			**282,573**		260,693
			3,380,062		3,653,234
Current assets					
Inventories		**526,065**		639,615	
Trade and other receivables	10	**1,112,020**		981,850	
Current tax recoverable		**5,945**		19,528	
Cash and bank deposits		**710,245**		555,292	
		2,354,275		2,196,285	
Current liabilities					
Trade and other payables	11	**2,062,891**		1,963,392	
Bank loans	12	**201,367**		409,633	
Lease liabilities		**88,195**		84,665	
Current tax payable		**21,018**		14,232	
		2,373,471		2,471,922	
Net current liabilities			**(19,196)**		(275,637)
Total assets less current liabilities			**3,360,866**		3,377,597

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**At 30th September 2023**		At 31st March 2023	
		HK$'000	**HK$'000**	HK$'000	HK$'000
		(Unaudited)		(Audited)	
Non-current liabilities					
Bank loans	12	**36,083**		115,053	
Lease liabilities		**75,764**		51,521	
Employee retirement benefit liabilities		**21,985**		24,835	
Deferred tax liabilities		**69,614**		76,115	
Other payables	11	**8,922**		9,483	
			212,368		277,007
NET ASSETS			**3,148,498**		3,100,590
CAPITAL AND RESERVES					
Share capital			**1,044,398**		1,021,453
Reserves			**1,994,207**		1,963,262
Total equity attributable to equity shareholders of the Company			**3,038,605**		2,984,715
Non-controlling interests			**109,893**		115,875
TOTAL EQUITY			**3,148,498**		3,100,590

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$19,196,000 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$710,245,000 at 30th September 2023, (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 2023, 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 2023 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 FY2022/2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the FY2023/2024 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 new and amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform - Pillar Two model rules*

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**	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	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	**1,962,039**	2,215,748	**1,121,299**	1,073,193	**255,015**	302,036	**52,818**	50,916	**3,391,171**	3,641,893
Inter-segment revenue	**86,764**	72,526	**9,549**	10,648	**1,414**	2,192	**1,804**	2,373	**99,531**	87,739
Reportable segment revenue	**2,048,803**	2,288,274	**1,130,848**	1,083,841	**256,429**	304,228	**54,622**	53,289	**3,490,702**	3,729,632
Reportable segment profit/(loss) from operations	**189,516**	139,283	**110,607**	145,364	**(33,020)**	16,370	**(9,573)**	(10,570)	**257,530**	290,447
Additions to non-current segment assets during the period	**13,740**	54,150	**71,927**	37,643	**30,451**	10,246	**383**	1,442	**116,501**	103,481
	At 30th September 2023	At 31st March 2023	**At 30th September 2023**	At 31st March 2023	**At 30th September 2023**	At 31st March 2023	**At 30th September 2023**	At 31st March 2023	**At 30th September 2023**	At 31st March 2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**2,906,100**	3,169,659	**3,913,078**	3,848,483	**453,704**	448,202	**120,269**	119,046	**7,393,151**	7,585,390
Reportable segment liabilities	**2,104,175**	2,366,732	**1,007,513**	1,015,704	**309,031**	232,263	**33,715**	32,562	**3,454,434**	3,647,261

5. Segment reporting (continued)

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

	Six months ended 30th September	
	2023	2022
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**3,490,702**	3,729,632
Elimination of inter-segment revenue	**(99,531)**	(87,739)
Consolidated revenue	**3,391,171**	3,641,893

	Six months ended 30th September	
	2023	2022
	HK$'000	HK$'000
Profit or loss		
Reportable segment profit from operations	**257,530**	290,447
Finance costs	**(13,437)**	(14,271)
Share of losses of joint venture	**-**	(22,443)
Integration expenses in relation to assumption of full ownership of Vitasoy Australia Products Pty. Ltd. ("VAP")	**(6,574)**	-
Unallocated head office and corporate expenses	**(79,919)**	(78,297)
Consolidated profit before taxation	**157,600**	175,436

	At 30th September 2023	At 31st March 2023
	HK$'000	HK$'000
Assets		
Reportable segment assets	**7,393,151**	7,585,390
Elimination of inter-segment receivables	**(1,948,689)**	(2,017,528)
	5,444,462	5,567,862
Deferred tax assets	**282,573**	260,693
Current tax recoverable	**5,945**	19,528
Unallocated head office and corporate assets	**1,357**	1,436
Consolidated total assets	**5,734,337**	5,849,519

	At 30th September 2023	At 31st March 2023
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	**3,454,434**	3,647,261
Elimination of inter-segment payables	**(981,375)**	(1,015,339)
	2,473,059	2,631,922
Employee retirement benefit liabilities	**21,985**	24,835
Deferred tax liabilities	**69,614**	76,115
Current tax payable	**21,018**	14,232
Unallocated head office and corporate liabilities	**163**	1,825
Consolidated total liabilities	**2,585,839**	2,748,929

6. Profit before taxation

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

	Six months ended 30th September	
	2023	2022
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**10,510**	11,579
Interest on lease liabilities	**2,927**	2,692
	13,437	14,271

	Six months ended 30th September	
	2023	2022
	HK$'000	HK$'000
(b) Other items:		
Interest income from bank deposits	**(8,877)**	(3,163)
Government grants (Note (i))	**(18,890)**	(68,653)
COVID-19-related rent concessions	**(667)**	(14,410)
Depreciation		
- Investment properties	**63**	63
- Right-of-use assets	**49,697**	50,668
- Other assets	**209,713**	213,100
Amortisation of intangible assets	**140**	148
Cost of inventories (Note (ii))	**1,679,359**	1,902,624

Notes:

(i) During the interim period, government grants of HK$18,177,000 (previous interim period: HK$7,327,000) were received from the government of the People's Republic of China ("PRC") in relation to an investment in Mainland China in 2020. During the previous interim period, other government grants included COVID-19 financial assistance in Mainland China, Hong Kong SAR and Singapore amounting to HK$59,198,000, of which HK$25,536,000 was included in other income, HK$30,559,000 was netted off against staff costs and HK$3,103,000 was netted off against cost of sales and operating expenses.

(ii) Cost of inventories included recognition of write down of inventories of HK$2,180,000 (previous interim period: HK$464,000).

6. Profit before taxation (continued)

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

	Six months ended 30th September	
	2023	2022
	HK$'000	HK$'000
(c) Other operating expenses:		
Staff costs	**89,381**	88,168
Sundry tax in Mainland China	**22,909**	25,133
Management fee charged by a related party (Note (i))	**-**	15,531
Withholding tax on royalty and interest income	**10,030**	5,685
Quality assurance and sampling expenses	**6,449**	8,740
Depreciation and amortisation	**7,050**	7,179
Professional fees	**4,570**	6,567
Repair and maintenance expenses	**2,146**	3,030
Donations	**1,003**	945
Net loss/(gain) on disposal of property, plant and equipment	**788**	(6,225)
Reversal of write down of inventories	**(1,364)**	(1,674)
(Reversal)/recognition of impairment losses on trade and other receivables	**(1,087)**	478
(Reversal)/recognition of impairment losses on property, plant and equipment	**(2,060)**	2,025
Exchange loss	**5,034**	12,952
Others	**16,071**	18,143
	160,920	186,677

Note:

(i) On 13th February 2023, the entity ceased to be a related party of the Group after the Group acquired the remaining 49% equity interest in VAP.

7. Income tax

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

	Six months ended 30th September	
	2023	2022
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**12,464**	6,152
Current tax – Outside Hong Kong	**17,537**	10,251
Deferred taxation	**(38,749)**	22,616
	(8,748)	39,019

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 mandatory exception from deferred tax accounting for the top-up tax and would account for the tax as current tax when incurred.

8. Dividends

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

	Six months ended 30th September	
	2023	2022
	HK$'000	HK$'000
Interim dividend declared after the interim period of HK1.4 cents per ordinary share (previous interim period: HK1.3 cents)	**15,019**	13,916

The interim dividend declared after 30th September 2023 is based on 1,072,814,812 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 2023 was not recognised as a liability at 30th September 2023.

(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	
	2023	2022
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK1.4 cents per ordinary share (previous interim period: nil)	**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$162,681,000 for the interim period (previous interim period: HK$141,801,000) and the weighted average number of 1,071,759,000 ordinary shares (previous interim period: 1,069,866,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September	
	2023	2022
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1st April	**1,070,899**	1,070,010
Effect of share options exercised	**1,270**	231
Effect of share awards vested	**98**	46
Effect of shares purchased under share award scheme	**(508)**	(421)
Weighted average number of ordinary shares at 30th September	**1,071,759**	1,069,866

(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$162,681,000 for the interim period (previous interim period: HK$141,801,000) and the weighted average number of 1,072,710,000 ordinary shares (previous interim period: 1,071,298,000 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	
	2023	2022
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares at 30th September	**1,071,759**	1,069,866
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**312**	1,064
Effect of shares awarded under share award scheme	**639**	368
Weighted average number of ordinary shares (diluted) at 30th September	**1,072,710**	1,071,298

10. Trade and other receivables

	At 30th September 2023 HK$'000	At 31st March 2023 HK$'000
Trade debtors and bills receivable, net of loss allowance	**888,363**	788,957
Other debtors, deposits and prepayments	**223,657**	192,893
	1,112,020	981,850

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 2023 HK$'000	At 31st March 2023 HK$'000
Within three months	**861,555**	777,056
Three to six months	**24,804**	8,115
Over six months	**2,004**	3,786
	888,363	788,957

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 2023 HK$'000	At 31st March 2023 HK$'000
Current liabilities:		
Trade creditors and bills payable	**953,017**	885,593
Accrued expenses and other payables	**1,071,577**	1,013,969
Receipts in advance from customers	**38,297**	63,830
	2,062,891	1,963,392
Non-current liabilities:		
Accrued expenses	**8,922**	9,483

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 2023 HK$'000	At 31st March 2023 HK$'000
Within three months	**947,233**	878,985
Three to six months	**1,737**	5,577
Over six months	**4,047**	1,031
	953,017	885,593

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 2023 HK$'000	At 31st March 2023 HK$'000
Within one year or on demand	**201,367**	409,633
After one year but within two years	**36,083**	115,053
	237,450	524,686

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 compliance with certain financial covenants, as are commonly found in borrowing arrangements with financial institutions.

As at 30th September 2023, 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$100,335,000, which are presented as current liabilities in the Group's consolidated statement of financial position as at 30th September 2023. On 21st September 2023, the Group obtained waiver from the bank in relation to its covenant requirements for the outstanding bank loan of approximately HK$100,335,000.

As at 31st March 2023, the Group did not comply with certain financial covenants as required in the banking facilities agreements with certain banks for the outstanding loan amounts of approximately HK$201,213,000, which are presented as current liabilities in the Group's consolidated statement of financial position as at 31st March 2023. On 22nd May 2023 and 25th May 2023, the Group obtained waivers from banks in relation to their covenant requirements for the outstanding bank loans of approximately HK$201,213,000.

INTERIM DIVIDEND

The Board of the Company has declared an interim dividend of HK1.4 cents per ordinary share for the interim period (previous interim period: HK1.3 cents), to shareholders whose names appear on the Register of Members at the close of business on Wednesday, 6th December 2023. Dividend warrants will be sent to shareholders on or about Wednesday, 20th December 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Thursday, 7th December 2023. 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, 6th December 2023.

MANAGEMENT REPORT

Business Highlights

During the interim period of the financial year 2023/2024 ("interim period"), we continued to structurally improve our profitability despite continuing high raw material costs. In Hong Kong Dollar terms, the Group's gross profit margin increased from 47.7% to 50.5% despite revenues falling by 7% in the interim period. Profit attributable to equity shareholders of the Company increased by 15%.

On a constant currency basis, revenue dropped 3% from a relatively high base last year due to Mainland China customers placing advanced orders in September 2022 ahead of an anticipated price increase in October 2022. Profit from operations and profit attributable to equity shareholders of the Company, net of currency impact and excluding COVID-19 related government subsidies of HK$59 million received in the previous interim period, increased by 15% and 99% respectively. The increase was primarily due to rightsizing our Mainland China organisational spending and the solid performance of the Hong Kong Operation, but partially offset by short-term challenges in Australia.

Mainland China was the main profit driver, with profit from operations recording a growth of 44% in local currency (Hong Kong Dollar terms: 36%), equal to an operating margin of 10%. This was the result of organisational redesign as well as more efficient spending and the containment of operating costs during the interim period. Revenue from Mainland China was down by 6% in local currency terms (Hong Kong Dollar terms: 11%), which was affected by the high base in the second quarter last year due to, as noted above, Mainland China customers placing advanced orders in September 2022 ahead of October 2022 price increases. RMB depreciation also impacted reporting revenues in Hong Kong Dollar terms.

The Hong Kong Operation (Hong Kong SAR, Macau SAR and Exports) continued to grow steadily, with an increase in revenue of 4%, despite already high per-capita consumption levels. This was due to the strong momentum derived from the solid foundation of our core business complemented by incremental business growth arising from product innovations such as VITAOAT Oat Milk and VITA Sparkling Tea.

Australia and New Zealand had a challenging six months, with a revenue decrease of 10% in local currency (Hong Kong Dollar terms: 16%) and a loss from operations, mainly attributable to performance interruptions, as the business completed its transition to a wholly-owned subsidiary. These interruptions were caused by short-term manufacturing and logistics challenges (including the insolvency of our major transportation provider), which are now being progressively resolved.

The ASEAN business recorded revenue and profitability improvements, due in particular to strong tofu exports in Singapore. Our joint venture in the Philippines with Universal Robina Corporation continued to increase gradually in scale in both the take-home and on-the-go platforms. Market share also continued on an upward trend, with promising growth in new and on-trend plant milk product segments, including Milky Almond and Milky Oat, supported by a new awareness and trial building campaign.

Based on the Group's financial performance, the Board of Directors has declared an interim dividend of HK1.4 cents per ordinary share for the interim period (previous interim period: HK1.3 cents per ordinary share), payable on 20th December 2023.

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 (six months ended 30th September 2023), the Group's revenue decreased by 3% on a constant currency basis. In Hong Kong Dollar terms, the Group's revenue decreased 7% to HK$3,391 million (previous interim period: HK$3,642 million).

    - **Mainland China: -6% in local currency (-11% in Hong Kong Dollar)**
    Revenue decreased from the high base in the previous interim period, when customers placed advanced orders ahead of an anticipated price increase in October 2022, and experienced more competitive price pressure in the market. Revenue in Hong Kong Dollar terms was also affected by the depreciation of RMB.

    - **Hong Kong Operation (Hong Kong SAR, Macau SAR and Exports): +4%**
    The Hong Kong Operation performed solidly, mainly due to the strong performance of our on-the-go platforms, the recovery of our Vitaland school business and growth in both core and innovative products such as VITAOAT Oat Milk and VITA Sparkling Tea.

    - **Australia and New Zealand: -10% in local currency (-16% in Hong Kong Dollar)**
    Revenue declined due to product shortages caused by temporary manufacturing attainment issues which were being gradually resolved towards the end of the interim period, and industrywide logistics challenges.

    - **Singapore: +1% in local currency (+4% in Hong Kong Dollar)**
    The tofu business grew mainly because of strengthened export sales, as well as increased prices and in-store competitiveness in the domestic business.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the interim period was HK$1,712 million (previous interim period: HK$1,738 million), representing a decrease of 1%, mainly due to lower sales performance.
- The Group's gross profit margin increased to 50.5% in the interim period (previous interim period: 47.7%), mainly attributable to higher gross sales prices and lower trade promotional expenses. This was partially offset by an unfavourable currency impact and sales mix as well as higher raw material costs.

Operating Expenses

- Total operating expenses were at a level similar to the previous interim period, at HK$1,581 million (previous interim period: HK$1,588 million).
- Marketing, selling and distribution expenses were managed at a level similar to the previous interim period, at HK$1,073 million (previous interim period: HK$1,068 million). This was due to effective cost rationalisation in our operations and lower transportation costs, in spite of higher advertising and promotion spending and the cessation of COVID-19-related government subsidies.
- Administrative expenses increased 4% to HK$348 million (previous interim period: HK$333 million), mainly due to higher costs incurred by the Australia business after the cessation of administrative support which was previously provided by the related party the costs of which were recorded in other operating expenses.
- Other operating expenses mainly included costs for staff in support functions and sundry tax charges in Mainland China. These expenses decreased 14% to HK$161 million (previous interim period: HK$187 million), due mainly, as noted above, to the termination of a management fee arrangement between our Australia business and the related party in Australia who withdrew from the business.

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$422 million, a decrease of 11%, mainly due to the cessation of COVID-19 related government subsidies during the interim period. Net of currency impact and the COVID-19 related government subsidies, EBITDA for the interim period increased by 5%.
- EBITDA margin decreased from 13% to 12%. Net of currency impact and the COVID-19 related government subsidies, EBITDA margin increased 1% for the interim period.

Profit Before Taxation

- Profit before taxation for the interim period decreased by 10% to HK$158 million (previous interim period: HK$175 million). Net of currency impact and the COVID-19 related government subsidies, profit before taxation grew by 39% for the interim period.

Taxation

- Income tax credited for the interim period was HK$9 million (previous interim period: income tax charged of HK$39 million), and the effective tax rate was -6%, representing a deferred tax impact in respect of tax losses expected to be utilised in the future.

Profit Attributable to Equity Shareholders of the Company

- Profit attributable to equity shareholders of the Company for the interim period was HK$163 million (previous interim period: HK$142 million), representing an increase of 15% 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 2023, cash and bank deposits amounted to HK$710 million (31st March 2023: HK$555 million), of which 60%, 30% and 4% were denominated in Hong Kong dollars (HKD), Renminbi (RMB) and United States dollars (USD), respectively (31st March 2023: 62%, 27% and 6%). As of 30th September 2023, the Group had a net cash balance (cash and bank deposits less bank borrowings, bills payable and lease liabilities) of HK$156 million (31st March 2023: net debt balance of HK$197 million). Available banking facilities amounted to HK$1,209 million (31st March 2023: HK$1,146 million) to facilitate future cash flow needs.
- The Group's debt amounted to HK$554 million (31st March 2023: HK$753 million), of which bank borrowings amounted to HK$237 million (31st March 2023: HK$525 million), bills payable amounted to HK$153 million (31st March 2023: HK$92 million), and lease liabilities amounted to HK$164 million (31st March 2023: HK$136 million).
- The gearing ratio (total debt/total equity attributable to equity shareholders of the Company) decreased to 18% (31st March 2023: 25%).
- The Group's return on capital employed (ROCE, being EBITDA for the interim period/average non-current debt and equity as at 30th September 2023 and 31st March 2023) for the interim period was 13% (previous interim period: 13%).
- Capital expenditure incurred during the interim period decreased to HK$35 million (previous interim period: HK$77 million), mainly due to the 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 2022/2023, which was published in July 2023 together with the Annual Report 2022/2023. 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 2024, and those KPIs will be published in the Sustainability Report 2023/2024 to be released in July 2024.

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 ensuring it is fully compliant 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. 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 its 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

- Revenue on a local currency basis dropped 6% to RMB1,798 million, as a result of the high base in the second quarter of the last financial year before the October 2022 price increase. In Hong Kong Dollar terms, revenue dropped 11% due to Renminbi depreciation.
- More encouragingly, our profit from operations grew 44% in local currency terms, representing a 10% operating profit margin. This was mainly contributed by the organisational redesign, as well as more efficient spending on trade promotions and more effective control of input costs and containment of operating expenses. The organisational redesign has created synergy across functional teams and strengthened selected local capabilities.
- During the interim period, we rolled out a new promotion campaign for VITASOY Soy Milk and renewed our VITA Tea marketing communications to raise both brands' visibility and presence. While VITASOY Soy Milk sustained its leadership position in core cities, our new VITA No Sugar Tea also registered commendable growth within this fast-expanding market segment as shoppers became more health oriented.

Hong Kong Operation

- The Hong Kong Operation continued to deliver steady growth despite macroeconomic and retail headwinds. Revenue grew 4% on the back of solid and steady performance in our core business and innovative high performing products such as VITAOAT Oat Milk and VITA Sparkling Tea. Our VITASOY CALCI-PLUS Hi-Calcium Hi Protein Drink and VITA Fresh Tea also contributed to the growing momentum. According to the most recent Nielsen retail audit, we maintained our leadership position in both the ready-to-drink soymilk and ready-to-drink tea categories under the VITASOY and VITA brands in Hong Kong SAR.
- Our Vitaland school business gradually normalised with the increasing number of school days, providing revenue and a unique platform for enrolling young new consumers. Revenue from Macau SAR achieved strong growth as a result of the fast recovery in local tourism.
- Excluding COVID-19 related government subsidies received in the previous interim period, we managed to grow profit from operations by 22% due to our efforts to drive up sales volume and exercise greater cost controls.

Australia and New Zealand

- Revenue from Australia and New Zealand decreased by 10% in local currency and 16% in Hong Kong Dollar terms, owing to an out-of-stock situation arising from temporary manufacturing and logistics issues despite strong market demand for plant-based products. The business sustained its leadership in the Oat and Soy milk segments and registered net incremental growth for the new plant-based yogurt platform in Grocery. The performance was also affected by fierce price competition in the coffee channel.
- As a result of high raw material, logistics and overhead costs together with other operating expenses incurred during the transition to full ownership, the business incurred an operating loss of HK$33 million for the interim period.

Singapore

- Revenue from Singapore increased by 1% in local currency and 4% in Hong Kong Dollar terms, with a 19% improvement in the exports in local currency was mostly offset by weaker beverage sales and higher price competition in the local tofu category. Despite rising raw material costs and keen price competition, the operating loss was narrowed in the interim period as compared with the previous interim period.

General Outlook

In the second half of the financial year, we will continue to focus on improving our sales execution and restoring revenue growth, while simultaneously containing costs and achieving greater efficiencies throughout our operations.

For the medium- to long-term, we are confident in the growing potential of sustainable plant-based food and beverages as well as our ability to expand our core products and strategically accelerate growth. We will continue striving for structural target profitability across all operations and gradually scaling up the business.

Mainland China

- Mainland China will remain our key growth driver. We are confident in its market potential in both the plant milk and ready-to-drink tea segments. To maximise growth potential and economic profits, we will continue to focus on our core products and geographies through ongoing improvements in product availability as well as disciplined execution of our sales and marketing plans. We will also focus on achieving profitability improvements through more efficient organisational design and cost containment.

Hong Kong Operation

- As the most developed market, Hong Kong SAR will launch new product innovations and strengthen our core products for sustained growth.

Australia and New Zealand

- Seeing continued strong demand in the plant-based category, we remain confident in the prospects for such products in Australia and New Zealand. In the second half of the financial year, we will work on normalising our cost base and restoring revenue growth in order to improve overall performance and profitability.

Singapore

- We will continue to optimise the tofu business in Singapore, while furthering our cost rationalisation programme to improve performance.

The Philippines

- Although our results are not yet fully consolidated, our joint venture with Universal Robina Corporation in the Philippines is expected to continue growing in both the single-serve and multi-serve segments. We will also continue to raise awareness and undertake promotion trials to grow sales and market share. This will be achieved by capitalising on the current strong momentum of our broad plant-based portfolio, which addresses shoppers’ preferences across the soy, oat and almond categories and consumption occasions.

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 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, except that the trustee of the Company's Share Award Scheme purchased on The Stock Exchange of Hong Kong Limited a total of 600,000 shares of the Company at a total consideration of about HK$6 million to satisfy the award of shares to selected participants pursuant to the terms of the rules and trust deed of the Share Award Scheme.

PUBLICATION OF 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 and the Company's website at *www.vitasoy.com* in due course.

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

Hong Kong, 21st November 2023

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.