維他奶國際集團有限公司
VITASOY INTERNATIONAL HOLDINGS LTD.

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

# ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2015

## HIGHLIGHTS

- Strong business performance as a result of firm focus on executing our core brands, expanding selectively and product innovation.
- Key business performances
  - Hong Kong Operation (Hong Kong, Macau and Exports) – Encouraging growth driven by execution of our core brands and innovation, outperforming the industry average.
  - Mainland China – Robust growth through dedicated execution of "Go Deep Go Wide" strategy.
  - Australia and New Zealand – Execution diligence and product innovation, but results were impacted by the weakened Australian dollar.
  - North America – Strong Asian business but soft Mainstream performance affecting overall results.
  - Singapore – Strong domestic sales, offset by sluggish export business and the weakened Singapore dollar.
- The Group's revenue in FY2014/2015 was HK$5,052 million, up 12% from HK$4,494 million in FY2013/2014.
- Gross profit for the year was HK$2,511 million, up HK$336 million or 15%. Gross profit margin was 50%.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation) for the year was HK$725 million, up HK$72 million or 11%. EBITDA to revenue margin stood at 14%.
- Profit attributable to equity shareholders of the Company was HK$372 million, increased by 21%.

## RESULTS

The Board of Directors (the "Board") of Vitasoy International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2015, together with the comparative figures for the previous financial year, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS
*For the year ended 31st March, 2015*

| | Note | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|---|
| **Revenue** | 3 & 4 | **5,051,827** | 4,493,885 |
| Cost of sales | | **(2,541,137)** | (2,319,071) |
| **Gross profit** | | **2,510,690** | 2,174,814 |
| Other revenue | 5 | **44,688** | 50,690 |
| Marketing, selling and distribution expenses | | **(1,344,597)** | (1,127,326) |
| Administrative expenses | | **(411,142)** | (368,705) |
| Other operating expenses | | **(270,375)** | (259,804) |
| **Profit from operations** | | **529,264** | 469,669 |
| Finance costs | 6(a) | **(5,655)** | (13,068) |
| **Profit before taxation** | 6 | **523,609** | 456,601 |
| Income tax | 7 | **(114,888)** | (115,845) |
| **Profit for the year** | | **408,721** | 340,756 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **372,079** | 306,693 |
| Non-controlling interests | | **36,642** | 34,063 |
| **Profit for the year** | | **408,721** | 340,756 |
| **Earnings per share** | 9 | | |
| Basic | | **HK35.9 cents** | HK29.8 cents |
| Diluted | | **HK35.5 cents** | HK29.4 cents |

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31st March, 2015*

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| **Profit for the year** | **408,721** | 340,756 |
| **Other comprehensive income for the year (after tax)** | | |
| **Items that will not be reclassified to profit or loss:** | | |
| Remeasurement of employee retirement benefit liabilities | **3,538** | 3,473 |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong | **(49,581)** | (31,159) |
| Cash flow hedge: net movement in the hedging reserve | **1,600** | (1,600) |
| **Total comprehensive income for the year** | **364,278** | 311,470 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **348,865** | 290,716 |
| Non-controlling interests | **15,413** | 20,754 |
| **Total comprehensive income for the year** | **364,278** | 311,470 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31st March, 2015*

| | Note | **2015** HK$'000 | **2015** HK$'000 | 2014 HK$'000 | 2014 HK$'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | | | |
| - Other property, plant and equipment | | | **1,775,752** | | 1,526,574 |
| - Investment properties | | | **5,666** | | 6,192 |
| - Interests in leasehold land held for own use under operating leases | | | **72,099** | | 33,922 |
| | | | **1,853,517** | | 1,566,688 |
| Deposits for the acquisition of property, plant and equipment | | | **3,716** | | 21,412 |
| Intangible assets | | | **4,809** | | 7,359 |
| Goodwill | | | **35,813** | | 39,076 |
| Deferred tax assets | | | **32,678** | | 26,457 |
| | | | **1,930,533** | | 1,660,992 |
| **Current assets** | | | | | |
| Inventories | | **561,252** | | 533,328 | |
| Trade and other receivables | 10 | **805,182** | | 725,801 | |
| Current tax recoverable | | **5,435** | | 654 | |
| Cash and bank deposits | | **335,056** | | 320,943 | |
| | | **1,706,925** | | 1,580,726 | |
| **Current liabilities** | | | | | |
| Trade and other payables | 11 | **1,247,908** | | 1,062,406 | |
| Bank loans | | **125,948** | | 51,790 | |
| Obligations under finance leases | | **1,043** | | 1,176 | |
| Current tax payable | | **27,324** | | 22,157 | |
| | | **1,402,223** | | 1,137,529 | |
| **Net current assets** | | | **304,702** | | 443,197 |
| **Total assets less current liabilities** | | | **2,235,235** | | 2,104,189 |
| **Non-current liabilities** | | | | | |
| Bank loans | | **27,714** | | 68,068 | |
| Obligations under finance leases | | **3,238** | | 5,203 | |
| Employee retirement benefit liabilities | | **10,234** | | 9,836 | |
| Deferred tax liabilities | | **69,377** | | 63,770 | |
| | | | **110,563** | | 146,877 |
| **NET ASSETS** | | | **2,124,672** | | 1,957,312 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | | | **677,694** | | 655,299 |
| Reserves | | | **1,241,391** | | 1,094,362 |
| **Total equity attributable to equity shareholders of the Company** | | | **1,919,085** | | 1,749,661 |
| **Non-controlling interests** | | | **205,587** | | 207,651 |
| **TOTAL EQUITY** | | | **2,124,672** | | 1,957,312 |

**Notes:**

## 1. Basis of preparation

The consolidated results set out in this announcement do not constitute the Group's annual consolidated financial statements for the year ended 31st March, 2015 but are extracted from those financial statements.

The annual consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

## 2. Changes in accounting policies

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

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

**Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities***

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Group does not meet the definition of an investment entity.

**Amendments to HKAS 32, *Offsetting financial assets and financial liabilities***

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

## 2. Changes in accounting policies (continued)

**Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets***

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on these financial statements as there has been no material impairment made or reversed to the Group's non-financial assets during the year ended 31st March, 2015.

**Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting***

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

**HK(IFRIC) 21, *Levies***

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

**Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9, "Accounts and Audit", of the Hong Kong Companies Ordinance (Cap. 622) came into operation at the start of the Company's current financial year. The adoption of the requirements has primarily impacted the presentation and disclosure of information in the consolidated financial statements. These changes mainly include the presentation of the Company's statement of financial position as a note disclosure instead of a primary statement, updating any references to the Hong Kong Companies Ordinance to refer to the current Hong Kong Companies Ordinance and replacing certain terminology no longer used in the Hong Kong Companies Ordinance with terminology used in HKFRSs.

## 3. Revenue

The principal activities of the Group are the manufacture and sale of food and beverages. Revenue represents the invoiced value of products sold, net of returns, rebates and discounts.

# 4. Segment reporting

## (a) Segment results, assets and liabilities

The Group manages its businesses by entities, which are organised by geography. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31st March, 2015 and 2014 is set as below:

| | Hong Kong Operation | | Mainland China | | Australia and New Zealand | | North America | | Singapore | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Revenue from external customers | **2,048,335** | 1,898,598 | **1,915,922** | 1,504,785 | **479,079** | 492,359 | **522,002** | 512,662 | **86,489** | 85,481 | **5,051,827** | 4,493,885 |
| Inter-segment revenue | **170,773** | 89,527 | **178,574** | 126,215 | **660** | 510 | **-** | - | **850** | - | **350,857** | 216,252 |
| **Reportable segment revenue** | **2,219,108** | 1,988,125 | **2,094,496** | 1,631,000 | **479,739** | 492,869 | **522,002** | 512,662 | **87,339** | 85,481 | **5,402,684** | 4,710,137 |
| **Reportable segment profit/(loss) from operations** | **355,101** | 347,664 | **199,416** | 144,665 | **84,460** | 86,735 | **(1,417)** | 7,315 | **8,160** | 8,323 | **645,720** | 594,702 |
| Interest income from bank deposits | **1,461** | 1,375 | **424** | 408 | **589** | 686 | **-** | 9 | **1** | 1 | **2,475** | 2,479 |
| Finance costs | **(389)** | (36) | **(161)** | (5,363) | **(4,790)** | (7,435) | **(315)** | (234) | **-** | - | **(5,655)** | (13,068) |
| Depreciation and amortisation for the year | **(86,081)** | (83,959) | **(67,040)** | (57,312) | **(23,634)** | (25,286) | **(17,119)** | (14,691) | **(4,691)** | (4,360) | **(198,565)** | (185,608) |
| Other material non-cash items: | | | | | | | | | | | | |
| - Equity settled share-based payment expenses | **(2,106)** | (1,335) | **(456)** | (404) | **-** | - | **-** | - | **-** | - | **(2,562)** | (1,739) |
| **Reportable segment assets** | **2,026,141** | 1,764,284 | **1,575,290** | 1,128,957 | **334,996** | 402,452 | **250,712** | 240,154 | **95,908** | 102,717 | **4,283,047** | 3,638,564 |
| **Reportable segment liabilities** | **574,802** | 458,496 | **1,014,383** | 671,048 | **124,026** | 161,966 | **98,535** | 85,265 | **12,326** | 11,171 | **1,824,072** | 1,387,946 |
| **Additions to non-current segment assets during the year** | **100,172** | 78,111 | **357,728** | 161,538 | **18,561** | 4,617 | **27,584** | 31,309 | **7,905** | 2,763 | **511,950** | 278,338 |

## 4. Segment reporting (continued)

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| *Revenue* | | |
| Reportable segment revenue | **5,402,684** | 4,710,137 |
| Elimination of inter-segment revenue | **(350,857)** | (216,252) |
| Consolidated revenue | **5,051,827** | 4,493,885 |

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| *Profit or loss* | | |
| Reportable segment profit/(loss) from operations | **645,720** | 594,702 |
| Finance costs | **(5,655)** | (13,068) |
| Unallocated head office and corporate expenses | **(116,456)** | (125,033) |
| Consolidated profit before taxation | **523,609** | 456,601 |

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| *Interest income* | | |
| Reportable segment interest income | **2,475** | 2,479 |
| Unallocated head office and corporate interest income | **1** | 29 |
| Consolidated interest income | **2,476** | 2,508 |

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| *Equity settled share-based payment expenses* | | |
| Reportable segment expenses | **2,562** | 1,739 |
| Unallocated head office and corporate expenses | **8,562** | 6,570 |
| Consolidated equity settled share-based payment expenses | **11,124** | 8,309 |

## 4. Segment reporting (continued)

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| *Assets* | | |
| Reportable segment assets | **4,283,047** | 3,638,564 |
| Elimination of inter-segment receivables | **(685,158)** | (429,752) |
| | **3,597,889** | 3,208,812 |
| Deferred tax assets | **32,678** | 26,457 |
| Current tax recoverable | **5,435** | 654 |
| Unallocated head office and corporate assets | **1,456** | 5,795 |
| Consolidated total assets | **3,637,458** | 3,241,718 |

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| *Liabilities* | | |
| Reportable segment liabilities | **1,824,072** | 1,387,946 |
| Elimination of inter-segment payables | **(443,165)** | (225,576) |
| | **1,380,907** | 1,162,370 |
| Employee retirement benefit liabilities | **10,234** | 9,836 |
| Deferred tax liabilities | **69,377** | 63,770 |
| Current tax payable | **27,324** | 22,157 |
| Unallocated head office and corporate liabilities | **24,944** | 26,273 |
| Consolidated total liabilities | **1,512,786** | 1,284,406 |

## 5. Other revenue

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest income | **2,476** | 2,508 |
| Service fee income | **3,420** | 18,687 |
| Rental income | **4,880** | 2,914 |
| Reversal of long outstanding other payables | **1,875** | 6,556 |
| Scrap sales | **8,864** | 2,764 |
| Government grant | **17,174** | 3,239 |
| Sundry income | **5,999** | 14,022 |
| | **44,688** | 50,690 |

## 6. Profit before taxation

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **(a) Finance costs:** | | |
| Interest on bank loans | **5,243** | 12,545 |
| Finance charges on obligations under finance leases | **412** | 523 |
| | **5,655** | 13,068 |

| | | |
|---|---|---|
| **(b) Other items:** | | |
| Amortisation of interests in leasehold land held for own use under operating leases | **1,000** | 882 |
| Amortisation of intangible assets | **2,059** | 2,110 |
| Depreciation | | |
| - Investment properties | **526** | 527 |
| - Assets acquired under finance leases | **1,166** | 1,610 |
| - Other assets | **193,814** | 180,479 |
| Recognition of impairment losses on trade and other receivables | **229** | 20 |
| Reversal of impairment losses on property, plant and equipment | **(224)** | (24) |
| Cost of inventories | **2,607,466** | 2,377,413 |

## 7. Income tax

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Current tax – Hong Kong Profits Tax** | | |
| Provision for the year | **44,306** | 46,134 |
| Over-provision in respect of prior years | **(20)** | (17) |
| | **44,286** | 46,117 |
| **Current tax – Outside Hong Kong** | | |
| Provision for the year | **71,781** | 71,406 |
| Under-provision in respect of prior years | **798** | 1,574 |
| | **72,579** | 72,980 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(1,977)** | (3,252) |
| | **114,888** | 115,845 |

Note: The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

## 8. Dividends

### (a) Dividends payable to equity shareholders of the Company attributable to the year

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interim dividend declared and paid of HK3.2 cents per ordinary share (2014: HK3.2 cents per ordinary share) | **33,245** | 33,009 |
| Final dividend proposed after the end of the reporting period of HK21.2 cents per ordinary share (2014: HK17.0 cents per ordinary share) | **220,433** | 175,787 |
| | **253,678** | 208,796 |

The final dividend proposed after the end of the reporting period is based on 1,039,779,500 ordinary shares (2014: 1,034,043,500 ordinary shares), being the total number of issued shares at the date of approval of the financial statements.

The final dividend proposed after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK17.0 cents per ordinary share (2014: HK16.6 cents per ordinary share) | **176,527** | 171,188 |

The final dividend approved and paid during the year is based on the total number of issued shares at the date of Annual General Meeting.

## 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$372,079,000 (2014: HK$306,693,000) and the weighted average number of 1,037,669,000 ordinary shares (2014: 1,030,210,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

| | **2015 Number of shares ’000** | 2014 Number of shares ’000 |
|---|---|---|
| Issued ordinary shares at 1st April | **1,033,976** | 1,026,984 |
| Effect of share options exercised | **3,693** | 3,226 |
| Weighted average number of ordinary shares at 31st March | **1,037,669** | 1,030,210 |

### (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$372,079,000 (2014: HK$306,693,000) and the weighted average number of 1,046,742,000 ordinary shares (2014: 1,043,414,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

| | **2015 Number of shares ’000** | 2014 Number of shares ’000 |
|---|---|---|
| Weighted average number of ordinary shares at 31st March | **1,037,669** | 1,030,210 |
| Effect of deemed issue of ordinary shares under the Company’s share option scheme for nil consideration | **9,073** | 13,204 |
| Weighted average number of ordinary shares (diluted) at 31st March | **1,046,742** | 1,043,414 |

## 10. Trade and other receivables

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Trade debtors and bills receivable | **668,091** | 584,769 |
| Less: Allowance for doubtful debts | **(1,287)** | (1,107) |
| | **666,804** | 583,662 |
| Other debtors, deposits and prepayments | **138,378** | 142,139 |
| | **805,182** | 725,801 |

At the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in the trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Within three months | **640,936** | 577,537 |
| Three to six months | **25,750** | 6,046 |
| Over six months | **118** | 79 |
| | **666,804** | 583,662 |

Trade receivables are 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. The credit terms given to the customers vary and are generally based on the financial strength of the individual customer. In order to effectively manage the credit risks associated with customers, credit evaluations of customers are performed periodically. Normally, the Group does not obtain collateral from customers.

## 11. Trade and other payables

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade creditors and bills payable | **417,361** | 406,001 |
| Accrued expenses and other payables | **830,547** | 656,405 |
| | **1,247,908** | 1,062,406 |

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within three months | **407,224** | 395,018 |
| Three to six months | **8,944** | 9,594 |
| Over six months | **1,193** | 1,389 |
| | **417,361** | 406,001 |

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

## 12. Scope of work of auditor

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st March, 2015 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in an agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

## DIVIDEND

In view of the Group's business growth and solid financial position, the Board of Directors is recommending a final dividend of HK21.2 cents per ordinary share at the Annual General Meeting on 9th September, 2015 (the "AGM"). This, coupled with the interim dividend of HK3.2 cents per ordinary share, means that the Company's total dividend for FY2014/2015 will be HK24.4 cents per ordinary share (FY2013/2014 total dividend: HK20.2 cents per ordinary share). The proposed final dividend will be payable on Friday, 2nd October, 2015 to shareholders whose names appear in the Company's register of members on Friday, 18th September, 2015.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 4th September, 2015 to Wednesday, 9th September, 2015, both days inclusive. In order to qualify for the right to attend and vote at the AGM, 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 no later than 4:30 p.m. on Thursday, 3rd September, 2015.

(b) For the purpose of determining shareholders who qualify for the proposed final dividend, the register of members of the Company will be closed from Tuesday, 15th September, 2015 to Friday, 18th September, 2015, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 14th September, 2015.

## MANAGEMENT REPORT

### Sales Performance

The Group's performance for the year was very strong. The expansion of our core business has been driving the overall growth of the Group. We recorded a strong top-line growth of 12%, ahead of last year's 11%, as a result of firm focus on executing our core brands, expanding selectively and product innovation.

We registered sales growth in all markets when reported in local currency. Mainland China recorded an impressive sales increase of 27%. Hong Kong has an encouraging growth of 8% for both local and Macau markets. Australia and New Zealand as well as Singapore both registered a steady sales growth of 4% in local currency, yet were negatively affected by the currency impact when reported in Hong Kong dollar terms. North America recorded modest sales growth of 2%.

### Financial Highlights

The financial position of the Group remained solid. Below is an analysis of our key financial indicators including revenue, gross profit margin and return on capital employed, which reflected the healthy position of the business.

**Revenue**

- The Group's revenue grew 12% to HK$5,052 million (FY2013/2014: HK$4,494 million). During the year, we focused on innovation in core categories with new offerings and improved execution in distribution channels, which expanded our market share across all operations.

**Gross Profit and Gross Profit Margin**

- Gross profit for the year increased 15% to HK$2,511 million (FY2013/2014: HK$2,175 million), mainly driven by the solid sales growth. Gross profit margin has further increased to 50% (FY2013/2014: 48%) which was driven by improved manufacturing efficiency with increased volume, better profitable sales mix and lower commodity costs for milk powder, sugar and packaging materials when compared to the previous year.

**Operating Expenses**

- Total operating expenses increased 15% to HK$2,026 million (FY2013/2014: HK$1,756 million), mainly due to higher investment in brand building and utilisation programs, higher staff costs with increased headcount, higher transportation and warehouse costs associated with the sales growth.
- Marketing, selling and distribution expenses were HK$1,345 million, up 19% mainly led by the increased investment in strengthening our core brand equity and promotion support to new product launches. There were increased sales staff expenses and sales commission because of the volume increase and the expansion of the sales team in Mainland China, coupled with higher volume-driven delivery costs.
- Administrative expenses increased 11% to HK$411 million because of higher staff costs with the increase in headcount as well as higher depreciation charges associated with capital investments in recent years.
- Other operating expenses amounted to HK$270 million, up 4%, compared with last year.

**EBITDA (Earnings Before Interest Income, Finance Costs, Income Tax, Depreciation and Amortisation)**

- EBITDA for the year was HK$725 million (FY2013/2014: HK$653 million), up 11%. This was driven by higher gross profit margin, partly offset by increased marketing investment and volume-driven commission, as well as higher operating costs in staff, transportation and warehousing expenses. EBITDA to revenue margin for the year stood at 14% (FY2013/2014:15%).

**Profit Before Taxation**

- With further reduction in finance costs and a relatively mild increase in depreciation and amortisation charges, profit before taxation improved by 15% to HK$524 million (FY2013/2014: HK$457 million).

**Taxation**

- Income tax charged for the year was HK$115 million (FY2013/2014: HK$116 million) with effective tax rate dropped to 22% (as compared to 25% in last year). The drop in effective tax rate was benefited from streamlining the tax structure in Mainland China.

**Profit Attributable to Equity Shareholders of the Company**

- With the improved operating profit and lower taxes, profit attributable to equity shareholders of the Company for the year was HK$372 million (FY2013/2014: HK$307 million), representing a year-on-year increase of 21%.

## General Review

During the year, we focused on our core competency in the plant-based categories. We developed and launched new products with higher nutritional value and great taste. We grew our market share through brand building and strong execution. Geographically, the Hong Kong operation maintained healthy growth while Mainland China business continued to perform robustly. For the other operating markets, we sustained our category leadership position.

While delivering strong financial performance, we continued to enhance our capabilities that underpin our long-term growth. We have already embarked on the construction of our fourth production plant in Mainland China. We have also expedited our efforts in improving manufacturing efficiency, as well as carefully managing our operating costs to deliver bottom-line profitability.

The Group's profit attributable to shareholders increased 21% to HK$372 million. In view of the Group's healthy financial position, the Board of Directors recommends a final dividend of HK21.2 cents per ordinary share at the Annual General Meeting on 9th September, 2015. Together with the interim dividend of HK3.2 cents per ordinary share, this brings total dividend for FY2014/2015 to HK24.4 cents per ordinary share (FY2013/2014 total dividend: HK20.2 cents per ordinary share).

***Hong Kong Operation (Hong Kong, Macau and Exports)***

- The non-alcoholic beverage sector in Hong Kong showed moderate growth in value and volume, while the retail business recorded a slight decline in FY2014/2015.
- Hong Kong operation recorded an encouraging sales growth of 8%, outperforming industry average and sustaining its continued growth momentum.
- In the Soy category, the format extension of VITASOY Soymilk to Aseptic PET (plastic bottle) packaging, the strong performance of CALCI-PLUS Soymilk and the leading position of Organic SAN SUI in the Fresh category have all strengthened our Soy category leadership position in the market.
- Successful new product innovation in the Tea category with the launch of VITA Hong Kong Style Milk Tea also accounted for an important part of the overall performance. VITA Hong Kong Style Milk Tea received a very good response and was an instant success when it was introduced to the market in June 2014.
- Macau sales continued to deliver strong performance with double-digit growth of 17%.
- Vitaland Services Limited and Hong Kong Gourmet Limited recorded a solid growth of 5% with a high retention rate of schools and improved overall efficiency.
- While there was 8% growth in revenue, profit only improved by 2%, since we continued to invest in product innovation and brand to reinforce our market leading position, coupled with higher operating expenses in staff, transportation and warehousing costs.

***Mainland China***

- Mainland China business continued its acceleration amidst slower economic growth and intensified competitive landscape.
- The robust performance was driven by product innovation and the dedicated execution of our "Go Deep Go Wide" strategy. Strong growth was recorded in Guangdong province and expanded presence into Southern, Eastern and Central China.
- In the Soy category, leadership position in the soymilk market was sustained through strong brand building and innovative marketing efforts, together with the launch of VITALITY, a new VITASOY premium line, offering high protein, high calcium, low sugar and no cholesterol benefits.
- In the Tea category, our VITA Lemon Tea achieved encouraging growth during the year. The new addition of VITA Lemon Lime Tea was also well received by customers.
- Gross margin has improved, benefited from lower commodity costs and the increase in sales volume has also allowed greater manufacturing and cost efficiency at the plant level.
- We have embarked on building a new production plant in Wuhan to further support our business growth in Mainland China.

***Australia and New Zealand***

- The Australian retail market was challenging in FY2014/2015 with increasing competition, especially in pricing, as consumers remained cautious with their household spending at a time of economic uncertainty.
- The overall Plant Milk category showed a solid growth, primarily driven by the Almond and Coconut category in the grocery channel.
- VITASOY strengthened its market leading position in the plant milk category with an increased share in the Soy category. We recorded solid growth in both sales revenue and profit of 4% in local currency term. However, the weakened Australian dollar (versus the same period last year) has adversely impacted both sales and profit when reported in Hong Kong dollar terms.
- We continued to strengthen our presence and execution in the grocery channel to drive category growth. In FY2014/2015, we launched a new TV campaign leveraging our Australian Grown Whole Bean proposition for the core VITASOY range.
- In the second quarter of FY2014/2015, we launched VITASOY Coconut Milk (Original and Unsweetened) to compete in the plant-based segment beyond Soy. The launch was supported with strong trade promotions and samplings.

***North America***

- Vitasoy USA recorded modest sales increase of 2%, mainly from the Asian Channel but partly offset by the soft Mainstream performance.
- The growth in Asian channel business was mainly driven by strong performance of SAN SUI Tofu and VITASOY Refrigerated Soymilk. The national launch of VITASOY Refrigerated Soymilk in FY2014/2015 has been encouraging.
- The Mainstream channel business performance was affected by the slower than expected Tofu initiative and Pasta sales. The new ready-to-eat NASOYA TofuBaked was listed in the second half of FY2014/2015, which was behind the original launch schedule.
- For the imported Asian beverage market, Vitasoy USA continued to maintain its solid market position.
- The operation reported a profit in the second half of FY2014/2015, however, yearly profitability was impacted by the operating loss in the first six months resulting from lower than expected Mainstream channel sales, new product launch delay, rising transportation and utility costs.

***Singapore***

- Our Singapore operation maintained a steady top line growth. Domestic sales growth was indeed strong, increasing at 7% year-on-year in local currency terms. However, sales were impacted by a sluggish export business and the weakened Singapore dollar.
- During the year, we focused on channel execution with increased trade promotions and consumer sampling activities. Sales of the core products such as UNICURD Silken Tofu, Egg Tofu and Tau Kwa recorded encouraging growth.
- In terms of market share, we have surpassed our competitors and continued to accelerate at our No.1 position in the Tofu category.
- In the second quarter of FY2014/2015, we launched the new VITASOY Premium Tofu, a fortified tofu with higher calcium content, to provide consumers with an even healthier choice.
- Despite strong domestic sales and reduced maintenance costs, the weaker export performance and the increased marketing investment have impacted overall profitability. The weakened Singapore dollar (versus the same period last year) has also adversely impacted both sales and profit when reported in Hong Kong dollar terms.

## Outlook

Looking ahead, we will continue to drive our vision and strategy. The market "tailwind" of health trends for nutritious products, and our competency in manufacturing and quality commitment will provide us with a solid platform for growth. We will continue our investment and innovation in our core. We are determined to achieve sustainable growth across markets and channels through strong execution and horizontal expansion in the growing consumer space embracing "Nutrition, Taste and Sustainability".

Meanwhile, we will ensure cost effectiveness to maximise profitability through a prudent approach for cost management. The commissioning of the Wuhan production plant in Mainland China will help us meet the rapid growth in demand. As we plan for the second wave of capital investment for expansion, we have already secured adequate financing funds and will continue to maintain a healthy financial position.

***Hong Kong Operation (Hong Kong, Macau and Exports)***
- We will further strengthen our leadership position and drive innovation to reinforce our brand equity and expand market share.
- Labour supply shortages and wage increases remain as our key challenges. We will continue to automate and enhance operational efficiency to encounter these structural constraints.

***Mainland China***
- We will continue our "Go Deep Go Wide" strategy by improving our execution and expanding our market penetration.
- Through the newly built VITALITY platform, we will further grow the VITASOY brand equity and strengthen our presence in the premium soymilk market.

***Australia and New Zealand***
- The Plant Milk market is expected to continue its growth momentum albeit intensified competition.
- Vitasoy Australia will continue to drive newly extended offerings in the Plant Milk category with strong execution.

***North America***
- We will stay focused to improve Vitasoy USA's bottom line in the coming year.
- With the recent successful launch of Refrigerated Soymilk, we will continue to expand the breadth of our growing Asian beverage portfolio.
- We will continue to improve the Mainstream performance.

***Singapore***
- We will keep scaling up our core VITASOY brand equity through the VITASOY Premium Tofu and VITASOY ambient products.
- At the same time, we will continue our effort in improving plant efficiency and monitoring manufacturing costs to drive profitable growth.

## Financial Position

- As at 31st March, 2015, the Group had a net cash balance of HK$177 million (31st March, 2014: HK$195 million) and available banking facilities amounted to HK$877 million (31st March, 2014: HK$700 million).
- The Group's borrowings (including obligations under finance leases) amounted to HK$158 million (31st March, 2014: HK$126 million).
- As such, the gearing ratio (total borrowings/total equity attributable to shareholders) was 8% (31st March, 2014: 7%) as we continued to fund our production capacity expansion and upgrade through internally generated cash. The gearing ratio is expected to increase in the future months as the Company starts to take on bank borrowing progressively.
- The Group's return on capital employed (ROCE) (EBITDA/average non-current debt and equity) for

the year was 35% (FY2013/2014: 33%). The increase in ROCE indicates that the Group is employing its capital efficiently, and hence generating higher shareholder value.

- Capital expenditure incurred during the year was HK$530 million (FY2013/2014: HK$258 million), doubled the level of last year. This was mainly resulted from the expansion of our production capacity, including the acquisition of land for the new Wuhan production plant in Mainland China, installation of high speed lines for both Hong Kong and Mainland China plants, addition of new packaging lines, upgrade of existing production machineries, as well as enhancement of sales facilities and infrastructure.
- Assets with a carrying value of HK$76 million (FY2013/2014: HK$106 million) were pledged under certain loans and lease arrangements.

**Non-financial Key Performance Indicators**

- Various non-financial key performance indicators - employee health and safety, diversity and training hours of employee, energy saving achievement, water management and packaging weight reduction were disclosed in the Sustainability Report which will be despatched to shareholders together with the Annual Report.

**Financial Risk Management**

- Our overall financial risk management policy focuses on controlling and managing risks, with transactions being directly related to the underlying businesses of the Group. For synergy, efficiency and control, we operate a central cash and treasury management system for all our subsidiaries. Borrowings are normally taken out in local currencies by the operating subsidiaries to fund and partially hedge their investments.
- The financial risks faced by the Group were mainly connected with the fluctuation of interest rates and exchange rates. At the close of FY2014/2015, we do not have any foreign exchange contracts or financial derivatives.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March, 2015, complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

## REVIEW OF ANNUAL RESULTS BY AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Audit and Corporate Governance Committee comprises three Independent Non-executive Directors, namely, Mr. Valiant Kin-piu CHEUNG (Chairman), Dr. the Hon. Sir David Kwok-po LI and Mr. Jan P. S. ERLUND.

The Audit and Corporate Governance 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 interim and annual financial statements.

The Audit and Corporate Governance Committee also reviews regularly the corporate governance structure and practices within the Company and monitors compliance fulfilment on an ongoing basis.

The Group’s annual results for the year ended 31st March, 2015 have been reviewed by the Audit and Corporate Governance Committee.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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

The Company's annual report for FY2014/2015 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, 25th June, 2015

*As at the date of this announcement, Mr. Winston Yau-lai LO and Mr. Roberto GUIDETTI are executive directors. Ms. Myrna Mo-ching LO and Ms. Yvonne Mo-ling LO are non-executive directors. Dr. the Hon. Sir David Kwok-po LI, Mr. Jan P. S. ERLUND and Mr. Valiant Kin-piu CHEUNG are independent non-executive directors.*