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 SIX MONTHS ENDED 30TH SEPTEMBER, 2015

HIGHLIGHTS

- The Company has already issued a positive profit alert on 27th October, 2015.
- In the first half of FY2015/2016, the Vitasoy Group continued to deliver growth ahead of our target in both sales and profit. Our "Accelerating Our Core" model is driving faster growth in the Group's core categories and geographies, thus leading to the overall acceleration in both sales and profitability.
- Key business performances
  - Hong Kong Operation (Hong Kong, Macau and Exports) – Healthy business growth driven by innovations and strong marketing campaigns.
  - Mainland China – Robust performance with dedicated execution of the "Go Deep Go Wide" strategy.
  - Singapore – Leadership position maintained in tofu segment with a more sophisticated premium tofu range offered.
  - Australia and New Zealand – Modest sales growth in local currency with launch of new products and new packaging, but results have been adversely impacted by weakened Australian dollar when reported in Hong Kong dollar terms.
  - North America – Strong Mainstream Channel business, but manufacturing issues offset the extra sales revenue and caused a net loss.
- The Group's half year revenue reached HK$3,117 million, up 14%.
- Gross profit was HK$1,598 million, up 18%, with gross profit margin slightly improved to 51%.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation) for the period was HK$529 million, up HK$117 million or 28%.
- EBITDA margin to revenue was 17%.
- Profit before taxation was HK$422 million, an increase of 35%.
- Profit attributable to equity shareholders of the Company increased by 40% to HK$310 million.
- The Board of Directors has declared an interim dividend of HK3.8 cents per ordinary share to be payable on 28th December, 2015.

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") for the six months ended 30th September, 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th September,	
		2015	2014
	Note	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Revenue	3, 4	**3,116,656**	2,728,986
Cost of sales		**(1,519,065)**	(1,376,093)
Gross profit		**1,597,591**	1,352,893
Other revenue		**12,451**	29,677
Marketing, selling and distribution expenses		**(811,675)**	(711,909)
Administrative expenses		**(235,859)**	(208,876)
Other operating expenses		**(138,221)**	(145,493)
Profit from operations		**424,287**	316,292
Finance costs	5(a)	**(1,953)**	(3,201)
Profit before taxation	5	**422,334**	313,091
Income tax	6	**(93,161)**	(68,207)
Profit for the period		**329,173**	244,884
Attributable to:			
Equity shareholders of the Company		**309,594**	221,808
Non-controlling interests		**19,579**	23,076
Profit for the period		**329,173**	244,884
Earnings per share	8		
Basic		**HK29.7 cents**	HK21.4 cents
Diluted		**HK29.4 cents**	HK21.2 cents

Details of dividends payable to equity shareholders of the Company are set out in note 7.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30th September,	
	2015	2014
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**329,173**	244,884
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 outside Hong Kong	**(50,517)**	(5,926)
- Cash flow hedge: net movement in the hedging reserve	**47**	1,582
Other comprehensive income for the period	**(50,470)**	(4,344)
Total comprehensive income for the period	**278,703**	240,540
Attributable to:		
Equity shareholders of the Company	**270,407**	223,357
Non-controlling interests	**8,296**	17,183
Total comprehensive income for the period	**278,703**	240,540

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30th September, 2015 HK$'000	HK$'000	At 31st March, 2015 HK$'000	HK$'000
		(Unaudited)		(Audited)	
Non-current assets					
Property, plant and equipment					
- Other property, plant and equipment			**1,995,616**		1,775,752
- Investment properties			**5,403**		5,666
- Interests in leasehold land held for own use under operating leases			**69,485**		72,099
			2,070,504		1,853,517
Deposits for the acquisition of property, plant and equipment			**5,761**		3,716
Intangible assets			**4,462**		4,809
Goodwill			**34,560**		35,813
Deferred tax assets			**38,287**		32,678
			2,153,574		1,930,533
Current assets					
Inventories		**540,519**		561,252	
Trade and other receivables	9	**1,033,871**		805,182	
Current tax recoverable		**4,921**		5,435	
Cash and bank deposits		**531,130**		335,056	
		2,110,441		1,706,925	
Current liabilities					
Trade and other payables	10	**1,597,036**		1,247,908	
Bank loans	11	**116,812**		125,948	
Obligations under finance leases		**1,002**		1,043	
Current tax payable		**67,487**		27,324	
		1,782,337		1,402,223	
Net current assets			**328,104**		304,702
Total assets less current liabilities			**2,481,678**		2,235,235
Non-current liabilities					
Bank loans	11	**215,697**		27,714	
Obligations under finance leases		**2,486**		3,238	
Employee retirement benefit liabilities		**11,684**		10,234	
Deferred tax liabilities		**68,014**		69,377	
			297,881		110,563
NET ASSETS			**2,183,797**		2,124,672
CAPITAL AND RESERVES					
Share capital			**701,227**		677,694
Reserves			**1,293,250**		1,241,391
Total equity attributable to equity shareholders of the Company			**1,994,477**		1,919,085
Non-controlling interests			**189,320**		205,587
TOTAL EQUITY			**2,183,797**		2,124,672

Notes:

1. Independent review

The interim financial report is unaudited, but has been reviewed by KPMG 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 and Corporate Governance 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 the HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014/2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015/2016 annual financial statements.

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

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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

The financial information relating to the financial year ended 31st March, 2015 that is included in this announcement results for the six months ended 30th September, 2015 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, 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor 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. 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 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:

	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
Six months ended 30th September,												
Revenue from external customers	**1,076,709**	1,038,274	**1,513,212**	1,141,537	**211,445**	252,949	**262,649**	253,496	**52,641**	42,730	**3,116,656**	2,728,986
Inter-segment revenue	**139,659**	85,496	**62,098**	84,994	**127**	342	**-**	-	**584**	-	**202,468**	170,832
Reportable segment revenue	**1,216,368**	1,123,770	**1,575,310**	1,226,531	**211,572**	253,291	**262,649**	253,496	**53,225**	42,730	**3,319,124**	2,899,818
Reportable segment profit/(loss) from operations	**194,066**	174,002	**262,704**	155,185	**36,213**	46,596	**(12,126)**	(5,386)	**4,597**	3,947	**485,454**	374,344
Additions to non-current segment assets during the period	**45,053**	43,002	**305,018**	134,191	**12,325**	5,342	**4,100**	20,024	**1,603**	3,132	**368,099**	205,691
	At 30th September, 2015	At 31st March, 2015	**At 30th September, 2015**	At 31st March, 2015	**At 30th September, 2015**	At 31st March, 2015	**At 30th September, 2015**	At 31st March, 2015	**At 30th September, 2015**	At 31st March, 2015	**At 30th September, 2015**	At 31st March, 2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**2,547,861**	2,026,141	**1,914,729**	1,575,290	**324,807**	334,996	**245,617**	250,712	**98,483**	95,908	**5,131,497**	4,283,047
Reportable segment liabilities	**1,077,697**	574,802	**1,176,106**	1,014,383	**134,491**	124,026	**106,246**	98,535	**13,909**	12,326	**2,508,449**	1,824,072

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

	Six months ended 30th September,	
	2015	2014
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**3,319,124**	2,899,818
Elimination of inter-segment revenue	**(202,468)**	(170,832)
Consolidated revenue	**3,116,656**	2,728,986

	Six months ended 30th September,	
	2015	2014
	HK$'000	HK$'000
Profit or loss		
Reportable segment profit/(loss) from operations	**485,454**	374,344
Finance costs	**(1,953)**	(3,201)
Unallocated head office and corporate expenses	**(61,167)**	(58,052)
Consolidated profit before taxation	**422,334**	313,091

4. Segment reporting (continued)

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

	At 30th September, 2015 HK$'000	At 31st March, 2015 HK$'000
Assets		
Reportable segment assets	**5,131,497**	4,283,047
Elimination of inter-segment receivables	**(912,203)**	(685,158)
	4,219,294	3,597,889
Deferred tax assets	**38,287**	32,678
Current tax recoverable	**4,921**	5,435
Unallocated head office and corporate assets	**1,513**	1,456
Consolidated total assets	**4,264,015**	3,637,458

	At 30th September, 2015 HK$'000	At 31st March, 2015 HK$'000
Liabilities		
Reportable segment liabilities	**2,508,449**	1,824,072
Elimination of inter-segment payables	**(600,247)**	(443,165)
	1,908,202	1,380,907
Employee retirement benefit liabilities	**11,684**	10,234
Deferred tax liabilities	**68,014**	69,377
Current tax payable	**67,487**	27,324
Unallocated head office and corporate liabilities	**24,831**	24,944
Consolidated total liabilities	**2,080,218**	1,512,786

5. Profit before taxation

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

	Six months ended 30th September,	
	2015 HK$'000	2014 HK$'000
(a) Finance costs:		
Interest on bank loans	**2,180**	2,971
Finance charges on obligations under finance leases	**149**	230
	2,329	3,201
Less: interest expense capitalised into property, plant and equipment *	**(376)**	-
	1,953	3,201

* The borrowing costs have been capitalised at a rate of 1.44% per annum (six months ended 30th September, 2014: Nil).

5. Profit before taxation (continued)

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

	Six months ended 30th September, 2015 HK$'000	2014 HK$'000
(b) Other items:		
Interest income	**(689)**	(1,436)
Depreciation of property, plant and equipment	**104,321**	95,091
Depreciation of investment properties	**263**	263
Amortisation of interests in leasehold land held for own use under operating leases	**817**	436
Amortisation of intangible assets	**185**	1,060
Net gain on forward exchange contracts not designated as hedging instruments	**(1,330)**	-
Cost of inventories	**1,563,714**	1,410,072

6. Income tax

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

	Six months ended 30th September, 2015 HK$'000	2014 HK$'000
Current tax – Hong Kong Profits Tax	**25,082**	23,735
Current tax – Outside Hong Kong	**76,032**	39,918
Deferred taxation	**(7,953)**	4,554
	93,161	68,207

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September, 2014: 16.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7. Dividends

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

	Six months ended 30th September,	
	2015	2014
	HK$'000	HK$'000
Interim dividend declared after the interim period of HK3.8 cents per ordinary share (six months ended 30th September, 2014: HK3.2 cents per ordinary share)	**39,650**	33,245

The interim dividend proposed after the end of the reporting period is based on 1,043,409,500 ordinary shares (six months ended 30th September, 2014: 1,038,895,500 ordinary shares), being the total number of issued shares at the date of approval of the interim financial report.

The interim dividend declared has not been recognised as a liability at the end of the reporting period.

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

	Six months ended 30th September,	
	2015	2014
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved during the interim period, of HK21.2 cents per ordinary share (six months ended 30th September, 2014: HK17.0 cents per ordinary share)	**221,111**	176,527

The final dividend approved during the interim period is based on the total number of issued shares on 18th September, 2015.

8. 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$309,594,000 (six months ended 30th September, 2014: HK$221,808,000) and the weighted average number of 1,040,829,000 ordinary shares (six months ended 30th September, 2014: 1,036,188,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September,	
	2015	2014
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1st April	**1,039,516**	1,033,976
Effect of share options exercised	**1,313**	2,212
Weighted average number of ordinary shares at 30th September	**1,040,829**	1,036,188

(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$309,594,000 (six months ended 30th September, 2014: HK$221,808,000) and the weighted average number of 1,051,474,000 ordinary shares (six months ended 30th September, 2014: 1,045,199,000 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,	
	2015	2014
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares at 30th September	**1,040,829**	1,036,188
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**10,645**	9,011
Weighted average number of ordinary shares (diluted) at 30th September	**1,051,474**	1,045,199

9. Trade and other receivables

	At 30th September, 2015 HK$'000	At 31st March, 2015 HK$'000
Trade debtors and bills receivable	**883,031**	668,091
Less: allowance for doubtful debts	**(5,791)**	(1,287)
	877,240	666,804
Other debtors, deposits and prepayments	**156,631**	138,378
	1,033,871	805,182

At the end of the reporting 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 allowance for doubtful debts, is as follows:

	At 30th September, 2015 HK$'000	At 31st March, 2015 HK$'000
Within three months	**858,344**	640,936
Three to six months	**18,198**	25,750
Over six months	**698**	118
	877,240	666,804

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.

10. Trade and other payables

	At 30th September, 2015 HK$'000	At 31st March, 2015 HK$'000
Trade creditors and bills payable	**543,017**	417,361
Accrued expenses and other payables	**1,054,019**	830,547
	1,597,036	1,247,908

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

	At 30th September, 2015 HK$'000	At 31st March, 2015 HK$'000
Within three months	**536,116**	407,224
Three to six months	**3,964**	8,944
Over six months	**2,937**	1,193
	543,017	417,361

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

11. Bank loans

At the end of the reporting period, the bank loans were repayable as follows:

	At 30th September, 2015 HK$'000	At 31st March, 2015 HK$'000
Within one year or on demand	**116,812**	125,948
After one year but within two years	**115,697**	20,444
After two years but within five years	**100,000**	7,270
	215,697	27,714
	332,509	153,662

11. Bank loans (continued)

At the end of the reporting period, the bank loans were secured as follows:

	At 30th September, 2015 HK$'000	At 31st March, 2015 HK$'000
Bank loans		
- Secured	**35,321**	48,357
- Unsecured	**297,188**	105,305
	332,509	153,662

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

INTERIM DIVIDEND

The Board of the Company has declared an interim dividend of HK3.8 cents per ordinary share for the six months ended 30th September, 2015 (six months ended 30th September, 2014: HK3.2 cents per ordinary share), to shareholders whose names appear on the Register of Members at the close of business on Monday, 14th December, 2015. Dividend warrants will be sent to shareholders on or about Monday, 28th December, 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Tuesday, 15th December, 2015. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 14th December, 2015.

MANAGEMENT REPORT

Business Highlights

In the first half of FY2015/2016, the Vitasoy Group continued to deliver growth ahead of our target in both sales and profit. Our "Accelerating Our Core" model is driving faster growth in the Group's core categories and geographies, thus leading to the overall acceleration in both sales and profitability.

During the period, the Group faced challenges of slower macro-economic growth, relevant foreign currency depreciation and higher labour cost. Whilst the economic conditions are ever evolving, the market and consumer trends towards plant-based sustainable nutrition are favourable. The consumption seasonality of beverages, better manufacturing efficiency and non-recurring favourable commodity prices have driven a step change in profitability in this period, ahead of our own goals.

The Group registered a net sales growth of 14% for the first six months (+17% net of currency depreciations), thus sustaining last years' acceleration (+17% for 2014/2015 interim vs. +9% for 2013/2014 interim). The strong sales growth was achieved via relentless focus and discipline on our 3 growth vectors of Execution, Expansion and Innovation in all geographies.

The Group marked an increase of 40% in profit attributable to equity shareholders of the Company, far exceeding previous years' (+22% for 2014/2015 interim and +6% for 2013/2014 interim). Beyond the solid sales volume growth we improved gross margin via non-recurring favourable commodity prices and better manufacturing efficiency, as well as careful cost management for both operating and finance costs.

The Group continued to enhance its capabilities for long-term expansion. The construction of the new plant in Wuhan, Mainland China, is on schedule and is expected to commence production in FY2016/2017.

In view of the Group's solid financial performance, the Board of Directors has declared an interim dividend of HK3.8 cents per ordinary share for the six months ended 30th September, 2015 (six months ended 30th September, 2014: HK3.2 cents per ordinary share), to be payable on 28th December, 2015.

Financial Highlights

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

Revenue

- For the six months ended 30th September 2015, the Group's revenue grew 14% to HK$3,117 million (2014/2015 interim: HK$2,729 million) with all operating entities registering positive sales increase in both volume and value, particularly in Mainland China.

    - **Hong Kong Operation (Hong Kong, Macau and Exports) +4%**
      Sales growth outperformed the beverage industry average through consistent execution discipline in our core business and innovation in products and marketing campaigns. New products including VITA Hong Kong Style range have been well received in the retail market. Export and Macau businesses continued to contribute solid revenue growth.

    - **Mainland China +32% (+34% in local currency)**
      The growth in Mainland China continued to be substantial, driven by the dedicated execution of our "Go Deep Go Wide" strategy and supported by strong marketing and in-store campaigns. Since last year, we have launched VITALITY, a new premium nutrition VITASOY line in addition to VITASOY Classic to meet the increasing demand for premium nutritious products.

    - **Singapore +23% (+35% in local currency)**
      The Singapore business continued to grow and enhance its leadership position in the domestic tofu segment. We are continuing to scale up this business with the launch of the new VITASOY Premium Organic Tofu as well as having the local team manage directly the distribution of imported VITASOY beverages. However, the soft Singapore dollar has adversely impacted both sales and profit when reported in Hong Kong dollar term.

- **Australia and New Zealand -17% (+4% in local currency)**
  The Australia and New Zealand business maintained steady sales growth in local currency term, yet the weakened Australian dollar impacted the reported results in Hong Kong dollar term. Our core business continued to grow with increased advertising and the relaunch of the chilled business with a completely new packaging.

- **North America +4% (+4% in local currency)**
  The North American operation continued to grow topline with the new NASOYA Tofu Baked launch. However, the persistence of manufacturing issues have negatively impacted profitability and resulted in another operating loss for this first half year.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the interim period was HK$1,598 million, up 18% (2014/2015 interim: HK$1,353 million, up 21%), driven by the increase in sales and improvement in gross profit margin.
- Gross profit margin has improved to 51% in the first half of FY2015/2016 (2014/2015 interim: 50%). It was attributed to improved manufacturing efficiency resulted from increased volume as well as non-recurring favourable commodity prices particularly for milk powder, soya beans, packaging materials and crude oil.

Operating Expenses

- Total operating expenses increased 11% to HK$1,186 million (2014/2015 interim: HK$1,066 million), mainly due to increased investment in brands and promotion programs, higher staff costs with increased headcount particularly in Mainland China, higher transportation and warehousing costs associated with sales growth.
- Marketing, selling and distribution expenses increased 14% to HK$812 million (2014/2015 interim: HK$712 million) as a result of the various marketing campaigns to strengthen our core brands to support new product launches. There were also increased sales staff expenses and sales commission cost which were in line with volume increase and the expansion of the sales team particularly in Mainland China. Distribution and delivery costs in Mainland China were also higher with the increase in sales volume there.
- Administrative expenses increased 13% to HK$236 million (2014/2015 interim: HK$209 million), reflecting inflationary adjustment on salary and increased headcount, increased depreciation charges associated with capital investment in recent years, and higher travelling and recruitment expenses associated with increased headcount.
- Other operating expenses were HK$138 million, versus HK$145 million for the same period last year.

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

- EBITDA for the interim period was HK$529 million, up 28%, driven by higher gross profit despite being partly offset by increased marketing investment and higher operating costs in staff expenses, sales commission, transportation and warehousing costs.

Profit Before Taxation

- With the reduction in finance costs as a result of prudent cash flow management as well as a moderate growth in depreciation and amortisation charges, profit before taxation improved by 35% to HK$422 million (2014/2015 interim: HK$313 million).

Taxation

- Income tax charged for the interim period was HK$93 million, as compared to HK$68 million in the last interim period. The increase was in line with the increase in operating profit, with effective tax rate sustained at last year's level of 22%.

Profit Attributable to Equity Shareholders of the Company

- With the improvement in operating profit, coupled with the reduction in finance costs and non-controlling interest charges, profit attributable to equity shareholders of the Company was HK$310 million, representing a marked increase of 40% compared to the last interim period (2014/2015 interim: HK$222 million).

Financial Position

- As at 30th September, 2015, the Group had a net cash balance of HK$195 million (31st March, 2015: net cash balance of HK$177 million), including restricted cash of HK$221 million for dividend distribution which was paid out on 2nd October, 2015. Available banking facilities amounted to HK$987 million (31st March, 2015: HK$877 million) to facilitate future cash flow needs.
- The Group's borrowings (including obligations under finance leases) amounted to HK$336 million (31st March, 2015: HK$158 million).
- The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) reached 17% (31st March, 2015: 8%) as the Group starts to take on bank borrowing progressively to fund various capital projects for capacity expansion and upgrade of existing facilities.
- The Group's return on capital employed (ROCE) (EBITDA for the interim period/ average non-current debt and equity as at 30th September, 2015 and 31st March, 2015) for the first half of FY2015/2016 was 23% (2014/2015 interim: 20%). The increase in ROCE indicates that the Group is employing its capital efficiently, and hence generating higher shareholder value.
- Capital expenditure incurred during the period increased to HK$366 million (2014/2015 interim: HK$166 million), which was spent on the construction of our new plant in Wuhan, Mainland China, the expansion of the production capacity, installation of higher speed lines, addition of new packaging lines as well as upgrade of existing production machinery in both Hong Kong and Mainland China.
- Assets with a carrying value of HK$65 million (31st March, 2015: HK76 million) were pledged under certain loans and lease arrangements.

Non-financial Key Performance Indicators

- The Group has already disclosed various non-financial key performance indicators – employee health and safety, diversity and training hours of employees, energy saving achievement, water management and packaging weight reduction in the "Sustainability Report 2014/2015", which was released in July 2015 and dispatched to shareholders together with the Annual Report 2014/2015. There were no material changes to the non-financial key performance indicators during the interim period of FY2015/2016.

Financial Risk Management

- The Group's overall financial 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, the Group operates a central cash and treasury management system for all the 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 uncertainties in interest rates and exchange rate movements. At the close of the first six months ended 30th September, 2015, the Group entered into foreign exchange contracts to hedge against foreign currency fluctuations for the receipt of royalty income in Australian dollar from its Australian operations.

General Review

Hong Kong Operation (Hong Kong, Macau and Exports)

- Although Hong Kong economy recorded a modest growth in the first half of FY2015/2016, Hong Kong market retail sales showed a downward trend versus the prior year.
- While market competition at trade level was extremely high, there was a change in the retail channel dynamics with more specialty chains offering imported assorted food products at appealing prices to draw high consumer traffic.
- Vitasoy Hong Kong continued to grow despite very high per capita consumption of the brands. The beverage business performed ahead of the industry average in volume growth.
- The key driver of this performance is our disciplined approach in execution to drive our core business, complemented by innovation.
- Vitasoy Hong Kong continued to strengthen its leading position in both the Soy and Tea categories. The innovations launched in 2014 have proved to be successful. The new VITASOY Soymilk in PET (plastic bottle) packaging as well as the VITA Hong Kong Style Milk Tea have delivered incremental growth in the first year.
- On the Tea front, Vitasoy Hong Kong has enhanced its Hong Kong Style range by introducing VITA Yuan Yang and VITA Stronger Tea Taste Milk Tea to further expand into the ready-to-drink tea market.
- Macau sales continued to grow at 10% year-on-year.
- The school tuck shop business operated by Vitaland group achieved positive net sales growth of 3% despite the challenges of persistent labour shortages, continual wage hikes and intensifying pricing pressure from competitors during school contract renewal and bidding processes. For the second half, it will continue to face the constraints of fewer school days and a slight drop in the number of schools served with some schools switching to other discounted pricing tuck shop providers.

Mainland China

- Despite the slower economic growth and increasing competition, Vitasoy China continued to deliver very strong performance.
- During the first half of FY2015/2016, Vitasoy China continued to diligently execute our core brands programs in our core markets whilst expanding its sales and distribution infrastructure, thus generating across-the-board strong sales increase in Southern, Eastern and Central China.
- In the Soy category, we have maintained a leadership position in the packaged soymilk market with the addition of the new premium VITALITY line since October 2014. This premium product line carries high protein, high calcium and low sugar contents to satisfy the increasing consumer demand for nutritious and healthy light products.
- In the Tea category, VITA Lemon Tea was well received during the hot summer months. We have also introduced our VITA Hong Kong Style Milk Tea in Mainland China after its success in Hong Kong.
- The higher sales volume has driven higher capacity utilisation and improved line efficiency, resulting in lower fixed manufacturing cost per unit.
- With non-recurring favourable raw material prices in the first half of the fiscal year, Mainland China operation recorded a marked change in gross profit margin, which contributed to the operating profit performance.

Singapore

- Amidst a slowing economic and retail environment, the Singapore operation recorded a year-on-year growth of 3% and 13% in domestic and export Tofu sales in local currency term respectively.
- The overall business grew 23% (35% in local currency) and included the business of imported beverages which started to be handled by the local management team in FY2015/2016.
- We have strengthened our leadership in Tofu by adding to the UNICURD brand a new VITASOY Premium Organic Tofu, thus offering a more sophisticated portfolio to consumers.

- The launch of VITASOY Premium Organic Tofu is important also because it enhances the synergy with the imported VITASOY beverages.

Australia and New Zealand

- With soft economic growth, the retail sector in Australia and New Zealand remained sluggish. Yet, the plant milk market, especially the nut milk segment, continued to grow with the ever increasing consumer demand for functional health propositions and product innovation.
- The Vitasoy business in Australia and New Zealand recorded a steady net sales increase of 4% in local currency terms as we continued to drive our core soy platform via focus on Vitasoy Australian home-grown soy beans as the "tasty way to start your day".
- VITASOY continued to sustain its market leadership position not only in Soy, but also in Rice, Oat and more recently Coconut segments.
- With strong execution behind VITASOY Coconut Milk, this new product was well received and became the number one brand in its category within the first year of launch.
- The re-launch of our chilled business including a whole new packaging added growth to our brand.
- The business had seen improvement in gross margin with better bean yield and higher manufacturing efficiency.
- Because of the increased investment in innovation and marketing, operating profit showed a slight reduction of 4% in local currency term.

North America

- The US economy and consumer spending continued to show moderate growth in 2015. Vitasoy USA grew share.
- With a net sales growth of 4% in the first half of FY2015/2016, mainly driven by the new ready-to-eat NASOYA Baked Tofu – a tasty ready-to-eat tofu, the product comes with seasoning and no water in the pack.
- However, continuous production issues severely impacted production volume and manufacturing efficiency. This resulted in higher labour costs for overtime, higher utility usage for water, electricity and gas as well as higher repair and maintenance expenses. All these negatively affected profitability and caused a net operating loss for the first half of FY2015/2016.
- We have now started a strategic review of this business to structurally improve profitability via a new model going forward.

General Outlook

Looking ahead into the second half of FY2015/2016, we are confident in our prospect for continued growth, albeit smaller than that in the first half due to our business seasonality.

Hong Kong Operation (Hong Kong, Macau and Exports)

- The Hong Kong operation will increase its focus on VITASOY core proposition with its "Warm VITASOY Soymilk" winter program.
- Whilst driving operational efficiency to keep delivering profitable growth.

Mainland China

- Vitasoy China will continue the "Go Deep Go Wide" strategy to execute with excellence, deepen account penetration in the existing channels and gain territorial expansion into new areas.
- The business will further grow the VITASOY brand equity and strengthen its presence in the premium soymilk market through the newly built VITALITY platform.

Singapore

- The Singapore economy is expected to be soft. While labour recruitment is a concern, the depreciation of the Singapore dollar has increased the cost of imported ingredients and posed further pressure to manufacturing costs. We will look for ways to enhance operational efficiency to offset these increasing cost challenges.

- Unicurd will continue to scale up the VITASOY brand equity by accelerating the growth of VITASOY Premium Tofu and integrating VITASOY Tofu with VITASOY beverages.

Australia and New Zealand

- The plant milk category is expected to continue its growth momentum despite increased competition.
- Vitasoy Australia will drive its newly expanded offerings to sustain its leadership positions in the plant milk segment.

North America

- This will be a difficult year for Vitasoy USA. The loss in the first half will cause lower overall profitability versus last year.
- The focus for local management is on resolving the manufacturing challenges in the second half such that the sales growth from NASOYA Baked Tofu can be translated into profitability.
- The Group has already undertaken a full strategic review of the Vitasoy USA business and is assessing various potential strategic options for the future.

Vitasoy will continue to ensure sustainability of its growth, profitability and portfolio offerings. The Company's roots have always been in Nutrition, Taste and Sustainability. These core values are supported by a commitment to superior product quality, good manufacturing practices, innovative product offerings, and execution by teams of competent and passionate staff who are committed to bringing plant based nutritional benefits to all the communities we serve.

CORPORATE GOVERNANCE

The Company is firmly committed to compliance of statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness.

The Company has, throughout the six months ended 30th September, 2015, complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

REVIEW OF INTERIM RESULTS BY AUDIT AND CORPORATE GOVERNANCE COMMITTEE

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

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 unaudited interim financial report for the six months ended 30th September, 2015.

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.

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 six months ended 30th September, 2015.

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

The Company's interim report for the six months ended 30th September, 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 November, 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, Mr. Valiant Kin-piu CHEUNG and Mr. Anthony John Liddell NIGHTINGALE are independent non-executive directors.