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, 2016

HIGHLIGHTS

- In FY2015/2016, the Vitasoy Group continued to deliver profitable growth, driven by the acceleration of its core business and diligence in Execution, Expansion and Innovation.
- Key business performances
  - Mainland China – Sustained strong sales and profit growth whilst enhancing capability and infrastructure for the future.
  - Hong Kong Operation (Hong Kong, Macau and Exports) – Solid profit growth with strong execution and innovation.
  - Australia and New Zealand – Modest growth with strong market position.
  - Singapore – Expanded market share with accelerated trade activation.
  - North America – Completion of strategic review and divestiture of Mainstream Business and San Sui Business.
- The Group's revenue in FY2015/2016 was HK$5,552 million, up 10% from HK$5,052 million in FY2014/2015.
- Gross profit for the year was HK$2,826 million, up HK$315 million or 13%. Gross profit margin was 51%.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation) for the year was HK$812 million, up HK$87 million or 12%. EBITDA to revenue margin stood at 15%.
- Profit attributable to equity shareholders of the Company was HK$531 million, increased by 43%.

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, 2016, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31st March, 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Revenue	3 & 4	**5,551,898**	5,051,827
Cost of sales		**(2,726,117)**	(2,541,137)
Gross profit		**2,825,781**	2,510,690
Other revenue	5	**32,050**	44,688
Marketing, selling and distribution expenses		**(1,496,807)**	(1,344,597)
Administrative expenses		**(468,279)**	(411,142)
Other operating expenses		**(289,393)**	(270,375)
Profit from operations		**603,352**	529,264
Finance costs	6(a)	**(4,044)**	(5,655)
Profit before taxation	6	**599,308**	523,609
Income tax	7	**(34,064)**	(114,888)
Profit for the year		**565,244**	408,721
Attributable to:			
Equity shareholders of the Company		**530,616**	372,079
Non-controlling interests		**34,628**	36,642
Profit for the year		**565,244**	408,721
Earnings per share	9		
Basic		**HK50.9 cents**	HK35.9 cents
Diluted		**HK50.4 cents**	HK35.5 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, 2016

	2016	2015
	HK$'000	HK$'000
Profit for the year	**565,244**	408,721
Other comprehensive income for the year (after tax)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefit liabilities	**(11,457)**	3,538
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(41,943)**	(49,581)
Cash flow hedge: net movement in the hedging reserve	**(217)**	1,600
Total comprehensive income for the year	**511,627**	364,278
Attributable to:		
Equity shareholders of the Company	**480,523**	348,865
Non-controlling interests	**31,104**	15,413
Total comprehensive income for the year	**511,627**	364,278

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March, 2016

	Note	2016		2015	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment					
- Interests in leasehold land held for own use under operating leases			**67,568**		72,099
- Investment properties			**5,140**		5,666
- Other property, plant and equipment			**2,114,264**		1,775,752
			2,186,972		1,853,517
Deposits for the acquisition of property, plant and equipment			**309**		3,716
Intangible assets			**4,530**		4,809
Goodwill			**36,547**		35,813
Bank deposits			**1,406**		-
Deferred tax assets			**101,290**		32,678
			2,331,054		1,930,533
Current assets					
Inventories		**528,264**		561,252	
Trade and other receivables	10	**827,627**		805,182	
Current tax recoverable		**8,072**		5,435	
Cash and bank deposits		**271,731**		335,056	
		1,635,694		1,706,925	
Assets of disposal group classified as held for sale		**218,078**		-	
		1,853,772		1,706,925	
Current liabilities					
Trade and other payables	11	**1,286,879**		1,247,908	
Bank loans		**139,652**		125,948	
Obligations under finance leases		**1,135**		1,043	
Current tax payable		**16,675**		27,324	
		1,444,341		1,402,223	
Liabilities of disposal group classified as held for sale		**26,039**		-	
		1,470,380		1,402,223	
Net current assets			**383,392**		304,702
Total assets less current liabilities			**2,714,446**		2,235,235
Non-current liabilities					
Bank loans		**207,341**		27,714	
Obligations under finance leases		**2,134**		3,238	
Employee retirement benefit liabilities		**28,033**		10,234	
Deferred tax liabilities		**65,075**		69,377	
			302,583		110,563
NET ASSETS			**2,411,863**		2,124,672

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st March, 2016

		2016		2015	
	Note	HK$'000	HK$'000	HK$'000	HK$'000
CAPITAL AND RESERVES					
Share capital			**733,722**		677,694
Reserves			**1,466,013**		1,241,391
Total equity attributable to equity shareholders of the Company			**2,199,735**		1,919,085
Non-controlling interests			**212,128**		205,587
TOTAL EQUITY			**2,411,863**		2,124,672

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 31st March, 2016 and the financial information relating to the year ended 31st March, 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2015, is derived from those financial statements.

The Company's statutory 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 Hong Kong Financial Reporting Standards, 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. These 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").

Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company's statutory financial statements for the year ended 31st March, 2016 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company's auditor has reported on the statutory financial statements of the Group for the year ended 31st March, 2015. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The Company has delivered the statutory financial statements for the year ended 31st March, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis except that derivative financial instruments are stated at fair value.

2. Changes in accounting policies

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

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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 amended HKFRSs are discussed below:

2. Changes in accounting policies (continued)

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

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, 2016 and 2015 is set as below:

4. Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

	Mainland China		**Hong Kong Operation**		**Australia and New Zealand**		**Singapore**		**North America**		**Total**	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Revenue from external customers	**2,404,155**	1,915,922	**2,069,421**	2,048,335	**419,807**	479,079	**106,058**	86,489	**552,457**	522,002	**5,551,898**	5,051,827
Inter-segment revenue	**91,920**	178,574	**235,609**	170,773	**281**	660	**1,279**	850	**-**	-	**329,089**	350,857
Reportable segment revenue	**2,496,075**	2,094,496	**2,305,030**	2,219,108	**420,088**	479,739	**107,337**	87,339	**552,457**	522,002	**5,880,987**	5,402,684
Reportable segment profit/(loss) from operations	**281,494**	199,416	**380,350**	355,101	**84,199**	84,460	**10,993**	8,160	**(32,758)**	(1,417)	**724,278**	645,720
Interest income from bank deposits	**727**	424	**1,118**	1,461	**156**	589	**1**	1	**-**	-	**2,002**	2,475
Finance costs	**(109)**	(161)	**(728)**	(389)	**(3,137)**	(4,790)	**-**	-	**(70)**	(315)	**(4,044)**	(5,655)
Depreciation and amortisation for the year	**(84,877)**	(67,040)	**(93,890)**	(86,081)	**(10,188)**	(23,634)	**(3,215)**	(4,691)	**(18,651)**	(17,119)	**(210,821)**	(198,565)
Other material non-cash item:												
- Equity settled share-based payment expenses	**(405)**	(456)	**(2,511)**	(2,106)	**-**	-	**-**	-	**-**	-	**(2,916)**	(2,562)
Reportable segment assets	**2,125,058**	1,575,290	**2,868,189**	2,026,141	**350,193**	334,996	**102,129**	95,908	**263,671**	250,712	**5,709,240**	4,283,047
Reportable segment liabilities	**1,394,335**	1,014,383	**774,536**	574,802	**116,569**	124,026	**16,988**	12,326	**385,193**	98,535	**2,687,621**	1,824,072
Additions to non-current segment assets during the year	**593,121**	357,728	**81,985**	100,172	**19,299**	18,561	**3,861**	7,905	**12,759**	27,584	**711,025**	511,950

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

	2016 HK$'000	2015 HK$'000
Revenue		
Reportable segment revenue	**5,880,987**	5,402,684
Elimination of inter-segment revenue	**(329,089)**	(350,857)
Consolidated revenue	**5,551,898**	5,051,827

	2016 HK$'000	2015 HK$'000
Profit or loss		
Reportable segment profit/(loss) from operations	**724,278**	645,720
Finance costs	**(4,044)**	(5,655)
Unallocated head office and corporate expenses	**(120,926)**	(116,456)
Consolidated profit before taxation	**599,308**	523,609

4. Segment reporting (continued)

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

	2016 HK$'000	2015 HK$'000
Interest income		
Reportable segment interest income	**2,002**	2,475
Unallocated head office and corporate interest income	**-**	1
Consolidated interest income	**2,002**	2,476

	2016 HK$'000	2015 HK$'000
Equity settled share-based payment expenses		
Reportable segment expenses	**2,916**	2,562
Unallocated head office and corporate expenses	**9,477**	8,562
Consolidated equity settled share-based payment expenses	**12,393**	11,124

	2016 HK$'000	2015 HK$'000
Assets		
Reportable segment assets	**5,709,240**	4,283,047
Elimination of inter-segment receivables	**(1,635,884)**	(685,158)
	4,073,356	3,597,889
Deferred tax assets	**101,290**	32,678
Current tax recoverable	**8,072**	5,435
Unallocated head office and corporate assets	**2,108**	1,456
Consolidated total assets	**4,184,826**	3,637,458

	2016 HK$'000	2015 HK$'000
Liabilities		
Reportable segment liabilities	**2,687,621**	1,824,072
Elimination of inter-segment payables	**(1,049,399)**	(443,165)
	1,638,222	1,380,907
Employee retirement benefit liabilities	**28,033**	10,234
Deferred tax liabilities	**65,075**	69,377
Current tax payable	**16,675**	27,324
Unallocated head office and corporate liabilities	**24,958**	24,944
Consolidated total liabilities	**1,772,963**	1,512,786

5. Other revenue

	2016	2015
	HK$'000	HK$'000
Government grants (note)	**8,283**	17,174
Scrap sales	**8,611**	8,864
Rental income	**4,191**	4,880
Interest income	**2,002**	2,476
Reversal of long outstanding other payables	**1,720**	1,875
Sundry income	**7,243**	9,419
	32,050	44,688

Note: Government grants mainly relate to value-added tax refunded and other financial assistance received from the government of the People's Republic of China. Other government grants received in relation to the acquisition of plant and equipment were netted off against the cost of the related assets.

6. Profit before taxation

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

	2016	2015
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**5,656**	5,243
Finance charges on obligations under finance leases	**276**	412
	5,932	5,655
Less: interest expense capitalised into property, plant and equipment *	**(1,888)**	-
	4,044	5,655

* The borrowing costs have been capitalised at a rate of 1.47% per annum (2015: Nil).

	2016	2015
	HK$'000	HK$'000
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**1,607**	1,000
Amortisation of intangible assets	**367**	2,059
Depreciation		
- Investment properties	**526**	526
- Assets acquired under finance leases	**248**	1,166
- Other assets	**208,073**	193,814
Recognition of impairment losses on trade and other receivables	**141**	229
Recognition/(reversal) of impairment losses on property, plant and equipment	**679**	(224)
Cost of inventories	**2,808,139**	2,607,466

7. Income tax

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

	2016 HK$'000	2015 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**50,095**	44,306
Over-provision in respect of prior years	**(54)**	(20)
	50,041	44,286
Current tax – Outside Hong Kong		
Provision for the year	**55,984**	71,781
Under-provision in respect of prior years	**61**	798
	56,045	72,579
Deferred tax	**(72,022)**	(1,977)
	34,064	114,888

Note: The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 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

	2016 HK$'000	2015 HK$'000
Interim dividend declared and paid of HK3.8 cents per ordinary share (2015: HK3.2 cents per ordinary share)	**39,656**	33,245
Final dividend proposed after the end of the reporting period of HK26.5 cents per ordinary share (2015: HK21.2 cents per ordinary share)	**277,935**	220,433
	317,591	253,678

The final dividend proposed after the end of the reporting period is based on 1,048,811,500 ordinary shares (2015: 1,039,779,500 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.

8. Dividends (continued)

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

	2016	2015
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK21.2 cents per ordinary share (2015: HK17.0 cents per ordinary share)	**221,111**	176,527

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$530,616,000 (2015: HK$372,079,000) and the weighted average number of 1,042,467,000 ordinary shares (2015: 1,037,669,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016 Number of shares '000	2015 Number of shares '000
Issued ordinary shares at 1st April	**1,039,515**	1,033,976
Effect of share options exercised	**2,952**	3,693
Weighted average number of ordinary shares at 31st March	**1,042,467**	1,037,669

(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$530,616,000 (2015: HK$372,079,000) and the weighted average number of 1,053,076,000 ordinary shares (2015: 1,046,742,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2016 Number of shares '000	2015 Number of shares '000
Weighted average number of ordinary shares at 31st March	**1,042,467**	1,037,669
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**10,609**	9,073
Weighted average number of ordinary shares (diluted) at 31st March	**1,053,076**	1,046,742

10. Trade and other receivables

	2016	2015
	HK$'000	HK$'000
Trade debtors and bills receivable	**637,940**	668,091
Less: Allowance for doubtful debts	**(1,227)**	(1,287)
	636,713	666,804
Other debtors, deposits and prepayments	**190,914**	138,378
	827,627	805,182

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:

	2016	2015
	HK$'000	HK$'000
Within three months	**620,989**	640,936
Three to six months	**14,154**	25,750
Over six months	**1,570**	118
	636,713	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.

11. Trade and other payables

	2016	2015
	HK$'000	HK$'000
Trade creditors and bills payable	**416,294**	417,361
Accrued expenses and other payables	**868,395**	830,547
Derivative financial instruments	**2,190**	-
	1,286,879	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:

	2016	2015
	HK$'000	HK$'000
Within three months	**401,024**	407,224
Three to six months	**14,364**	8,944
Over six months	**906**	1,193
	416,294	417,361

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

12. Scope of work of auditor

The accuracy of the financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st March, 2016 have been checked by the Company's auditor, KPMG, Certified Public Accountants, from 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 HK26.5 cents per ordinary share at the Annual General Meeting on 2nd September, 2016 (the "AGM"). This, coupled with the interim dividend of HK3.8 cents per ordinary share, means that the Company's total dividend for FY2015/2016 will be HK30.3 cents per ordinary share (FY2014/2015 total dividend: HK24.4 cents per ordinary share). The proposed final dividend will be payable on Monday, 26th September, 2016 to shareholders whose names appear in the Company's register of members on Tuesday, 13th September, 2016.

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 Tuesday, 30th August, 2016 to Friday, 2nd September, 2016, 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 Monday, 29th August, 2016.

(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 Thursday, 8th September, 2016 to Tuesday, 13th September, 2016, 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 Wednesday, 7th September, 2016.

MANAGEMENT REPORT

Sales Performance

In FY2015/2016, the Vitasoy Group continued to deliver profitable growth driven by the acceleration of its core business in spite of the challenges facing global and local economies. We maintained our gradual top line acceleration to +13% in local currency, with top line growth in all our markets in local currency. In Hong Kong dollars, we reported a very strong revenue growth of +10% to HK$5,552 million. Mainland China led the markets with +25% growth, despite some deterioration of market conditions. Our consistent three-pronged growth strategy of Execution, Expansion and Innovation has driven these encouraging results.

Financial Highlights

The financial position of the Group remained healthy. Our key financial indicators, including revenue, gross profit margin and return on capital employed, reflect the solid position of the business.

Revenue

- The Group's revenue grew +10% to HK$5,552 million (FY2014/2015: HK$5,052 million). Excluding the currency exchange impact, total revenue grew +13% to HK$5,703 million. During the year, all operating entities increased sales in terms of local currency, particularly in Mainland China, which had an impressive sales growth of +29% in Renminbi.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the year FY2015/2016 rose by +13% to HK$2,826 million (FY2014/2015: HK$2,511 million), mainly driven by the sales growth and improvement in gross profit margin.
- Gross profit margin further increased to 51% (FY2014/2015: 50%). This can be attributed to enhanced manufacturing efficiency as a result of increased volume. It also reflected favourable commodity prices, particularly for soya beans, packaging materials and crude oil.

Operating Expenses

- Total operating expenses increased by +11% to HK$2,254 million (FY2014/2015: HK$2,026 million), mainly owing to increased investment in brands and promotional programmes; higher staff costs and increased headcount, particularly in Mainland China to support the operation of the new Wuhan plant; and higher transportation and warehousing costs associated with sales growth.
- Marketing, selling and distribution expenses increased by +11% to HK$1,497 million (FY2014/2015: HK$1,345 million), which was the result of several marketing campaigns which reinforced our core brands and supported new product launches. There were also increased expenses for sales staff and sales commission costs, in line with volume growth and sales team expansion, particularly in Mainland China. Distribution and delivery costs in Mainland China also rose with the increase in sales volume.
- Administrative expenses increased by +14% to HK$468 million (FY2014/2015: HK$411 million), reflecting inflationary adjustments on salary; rising headcount; increased depreciation charges associated with capital investment in recent years; and higher traveling and recruitment expenses, linked to increased headcount.
- Other operating expenses were at HK$289 million, versus HK$270 million for the same period last year. These expenses included the transaction costs of HK$16 million incurred during the year, related to the divestiture of the Mainstream Business and San Sui Business in North America.

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

- EBITDA for the year was HK$812 million (FY2014/2015: HK$725 million), up by +12%. The growth was mainly due to higher gross profit, despite being partly offset by increased marketing investment, higher operating costs for staff expenses, sales commission, transportation and warehousing. EBITDA to revenue margin for the year improved, increasing to 15% (FY2014/2015: 14%).

Profit Before Taxation

- With further reduction in net finance costs, prudent cash flow management and moderate growth in depreciation and amortisation charges, profit before taxation improved by +14% to HK$599 million (FY2014/2015: HK$524 million). Excluding the transaction cost related to the divestiture of the Mainstream Business and San Sui Business in North America, the profit before taxation from normal operation would have been HK$615 million, representing a growth of +17% compared to the previous year.

Taxation

- Income tax charge for the year was HK$34 million (FY2014/2015: HK$115 million) with an effective tax rate of 6% (FY2014/2015: 22%). The decrease was due to the recognition of deferred tax assets of certain subsidiaries in Mainland China and North America, amounting to HK$87 million. The effective tax rate, excluding the recognition of these deferred tax assets as mentioned, would have been 20%.

Profit Attributable to Equity Shareholders of the Company

- With the improvement in operating profit, lower net finance costs, non-controlling interest charges and lower income tax charges, profit attributable to equity shareholders of the Company was HK$531 million, representing an increase of +43% (FY2014/2015: HK$372 million). Profit attributable to equity shareholders of the Company excluding the recognition of deferred tax assets of certain subsidiaries in Mainland China and North America and transaction cost related to the divestiture of the Mainstream Business and San Sui Business in North America was HK$460 million, representing a growth of +24% (FY2014/2015: HK$372 million).

General Review

Driven by strong execution, expansion and innovation, the Group's revenue increased +10% to HK$5,552 million. Margin improvement was driven by favourable commodity prices and improved manufacturing efficiency. The profit attributable to equity shareholders of the Company (excluding recognition of deferred tax assets of certain subsidiaries in Mainland China and North America and transaction cost incurred during the year related to the divestiture of the Mainstream Business and San Sui Business in North America) grew by +24% to HK$460 million.

The Group maintained a healthy financial position at the end of FY2015/2016 due to improved margin and better cost control. The Board recommends a final dividend of HK26.5 cents per ordinary share at the Annual General Meeting on 2nd September, 2016. Together with the interim dividend of HK3.8 cents per ordinary share, this brings total dividend for FY2015/2016 to HK30.3 cents per ordinary share (FY2014/2015 total dividend: HK24.4 cents per ordinary share).

Mainland China

- The overall economic growth in Mainland China continued to slow down in 2015 and the competition in the beverage industry remained keen.
- Vitasoy China continued to strengthen the fundamentals of our VITASOY Classic Soymilk products whilst also innovating new products. In particular, we enriched our soymilk range with the new VITASOY HEALTH PLUS. It is a high-end soymilk drink that is a good source of nutrients with high protein, high calcium, low sugar and zero cholesterol.
- Meanwhile Vitasoy China continued to execute the "Go Deep Go Wide" strategy and drive sales growth in Southern, Central and Eastern China. It also enhanced its capability with a stronger sales and distribution infrastructure.
- In FY2015/2016, Vitasoy China completed the construction of its new Wuhan production facility. The new plant commenced production in the first quarter of FY2016/2017 and will support the Group's development in Central China.
- During the fiscal year, Vitasoy China also upgraded its infrastructure and introduced a state-of-the-art SAP system to enhance operating efficiency, synergies and collaboration. The SAP system will help reinforce Vitasoy China team's capabilities in sales and marketing as well as supply chain management from planning to execution.
- With favourable raw material prices and enhanced manufacturing efficiency due to higher sales volume, Vitasoy China recorded a remarkable improvement in gross profit margin. This contributed to improved operating profit performance.
- The average of 3% depreciation in Renminbi during the year has negatively impacted our results when reported in Hong Kong dollar.

Hong Kong Operation (Hong Kong, Macau and Exports)

- In 2015, the retail sector showed a drastic year-on-year decline due to a significant drop in Mainland Chinese visitors and the inflation eased for the fourth consecutive year.
- Vitasoy Hong Kong results out-performed the industrial average through disciplined execution and its focus on core business and innovation.
- In the Soy category, a new product range was launched under the brand name VITASOY GO. It provides consumers with a convenient way to enjoy nutritious healthy snack in liquid form.
- The VITA Tea range remained the dominant leader in the overall ready-to-drink tea category. VITA Yuan Yang and VITA Milk Tea (stronger tea taste) were launched in FY2015/2016 as new products to complement the VITA Hong Kong Style range.
- Vitaland Services Limited faced challenges in the tuck shop business, mainly due to the drop in school numbers and fewer school days. Meanwhile, Hong Kong Gourmet Limited performed well with high lunch meal retention rate and improved efficiency.
- The Macau business recorded a moderate (+1.8%) sales growth, primarily owing to the weak economy and drop in number of tourists.
- The Export business was negatively impacted by the strengthening of US dollar. However, business growth was recorded in some overseas markets, such as Australia and Papua New Guinea.
- While sales only improved by +1%, profit from operations increased by a significant +7%, mainly due to the improved gross profit generated from increased manufacturing efficiency and favourable commodity costs of raw materials.

Australia and New Zealand

- In 2015, the Australian economy remained in growth at +2.5%; however, deflation affected manufacturers in the food and beverage industry.
- The plant milk category continued to show healthy growth, driven by the segments of Almond Milk and Coconut Milk. Meanwhile, the Soy, Rice and Oat segments declined due to a consumption shift.
- Vitasoy Australia grew ahead of the market average in terms of value and volume, increasing its market leading share in the plant milk segment.
- Throughout the year, Vitasoy Australia continued to support its plant milk portfolio with a new campaign that highlighted its Australian-grown soy products.
- In addition, Vitasoy Australia expanded into the Almond Milk segment with two variants – Original and Unsweetened. The new product launch was supported by a strong national TVC campaign and sampling activities.
- Improved manufacturing efficiency and prudent cost controls enabled Vitasoy Australia to improve margin and accelerate profit growth during FY2015/2016.
- Yearly results reported in terms of Hong Kong dollar were adversely impacted by the weakened Australian dollar, which depreciated an average of 15% compared with last fiscal year.

Singapore

- Singapore's gross domestic product (GDP) grew by +2%, the weakest growth reported in the last five years. As consumers were more cautious about their spending, retailers launched more price discounts and promotions in an effort to generate volume.
- Against a backdrop of price-conscious consumption sentiment, Vitasoy Singapore recorded a modest top line growth (+1%) in tofu sales, in terms of local currency.
- The overall business grew +23% (+31% in local currency), including the business of imported beverages. In FY2015/2016, Vitasoy Singapore began to handle the imported VITASOY beverage business in order to better execute it in the market. As we have launched VITASOY Premium Tofu in last fiscal year, we integrated the beverage business with the tofu one.
- During the year, we continued to invest in marketing activities with dedicated channel promotions and consumer sampling activities. We maintained our #1 market share position in the tofu category.
- The new premium tofu range under the brand name of VITASOY was well-received. The VITASOY Premium Organic Tofu complements the UNICURD brand, and provides consumers with a more sophisticated portfolio to choose from. It has helped fortify the brand equity of the imported VITASOY beverages.
- The export tofu business registered a strong performance (+16% in terms of local currency), with

sales growth in key markets in Europe and Asia. Significant drivers were Silken Tofu, Pressed Tofu and Tau Kwa.

- The healthy sales growth together with stringent management control in expenses lead the stronger growth in profit from the operations.
- The impact of depreciation of the Singapore dollar against the US dollar was offset by some favourable raw material prices in the fiscal year. Yearly results have been negatively impacted by a weakened Singapore dollar, which depreciated an average of 7% over the course of the year.

North America

- During the year, the Group carried out a strategic review of its North American business to identify a structural improvement in profitability. After a thorough study, it was concluded that the divestiture of its Mainstream Business and San Sui Business in North America would enable the Group to focus on accelerating the growth of its core business, and support further expansion into other markets.
- As announced by the Company on 24th March, 2016, the Group entered into an Asset Purchase Agreement with Pulmuone Foods Group, a leading food manufacturer in South Korea, to sell certain assets of the North American business that related to the Mainstream Business and San Sui Business in North America. Vitasoy USA will continue to operate its Asian imported beverage business in North America after the transaction. The consideration of the assets concerned is US$50 million, subject to the net working capital adjustment. The Group is expected to record an estimated gain of approximately US$19.8 million (before relevant taxes) in FY2016/2017. The proceeds will be invested back into the development of the Group's core operating markets.
- In FY2015/2016, the total combined Vitasoy USA net sales in North America recorded a modest year-on-year growth, with a strong performance in its total Tofu sales (+7%).
- Vitasoy USA outperformed the category in terms of dollar sales, which was led by a strong double digit growth in NASOYA Tofu Baked. As a result, it continued to grow its share and maintained the leading share in Mainstream Channel Tofu market.
- The imported beverage business continued its dominant market position in Asian Channel, but recorded a slight sales decline in the year owing to a change of distributors and hiccups in product supply.
- Higher manufacturing cost and the cost associated with the divestiture of assets related to Mainstream Business and San Sui Business in North America have negatively impacted the profitability of the operation, resulting in a net operating loss for the full year of FY2015/2016. Excluding the divestiture transaction cost, the loss from Vitasoy USA would be HK$17 million.

Outlook

It is anticipated that the business environment in FY2016/2017 will be similar to that of FY2015/2016 with potentially even softer economic and retail sentiment in our operating markets. Looking forward, we shall keep a laser-sharp attention to productivity, efficiency and cost control. We stay focused on building our fundamentals, strengthening our competitive position and our core offerings with Taste, Nutrition and Sustainability. We shall pursue growth and expansion through Execution, Expansion and Innovation. Each of the geographical markets will continue to launch and execute brand new innovation on the core business in the coming year. Given the uncertain economic environment, it will also continue to improve manufacturing efficiency and product mix, upgrade infrastructure, and carefully manage operating costs, in order to deliver a profitable growth.

Mainland China

- Vitasoy China will continue its "Go Deep Go Wide" strategy. The new Wuhan plant, which is located in Central China, will further support Vitasoy China's business growth in the market.
- The business will further grow the VITASOY platform with the new VITASOY HEALTH PLUS. It will continue to innovate in its product offerings to meet different consumer needs.
- Vitasoy China will continue to enhance its operating efficiency and capabilities. The new manufacturing plant in Wuhan will support expansion, whilst the advanced SAP software system will help create synergies among operations and enhance operational and financial management standards.

Hong Kong Operation (Hong Kong, Macau and Exports)

- Vitasoy Hong Kong will further strengthen its leading market position through product and marketing innovation in its core categories.
- In FY2016/2017, the Group will innovate in its core Soy range. In recent months, we have launched the new VITASOY Black Soymilk and a new variant of VITASOY GO “Dark Chocolate Waffle” Drink, as well as revamped the packaging of CALCI-PLUS Soymilk.
- Vitasoy Hong Kong will further strengthen its Hong Kong Style range with the newly launched VITA Coffee.
- While the challenges of high wages and shortage of labour supply persist, Vitasoy Hong Kong continues to enhance its automaton and operational efficiency to overcome these difficulties.

Australia and New Zealand

- The plant milk market is expected to grow beyond soy-based drinks as consumers become more health conscious and look for functional attributes of plant milk.
- Nutrition and taste remain the key drivers of VITASOY product portfolio. Vitasoy Australia will continue to invest behind its full portfolio with the recent launches into the segments of Coconut Milk and Almond Milk.

Singapore

- Vitasoy Singapore will drive sales growth through store excellence and by scaling up VITASOY brand equity.
- While labour recruitment is a concern, Vitasoy Singapore will continue to explore different means to improve operational efficiency and profitability.

North America

- After the divestiture of its Mainstream Business and San Sui Business in North America, Vitasoy USA will focus on driving sales growth of its imported beverage business in Asian Channel.

Financial Position

- We finance our operations and capital expenditure primarily through internally generated cash flows as well as banking facilities provided by our principal bankers. As of 31st March, 2016, our cash and bank deposits amounted to HK$273 million (31st March, 2015: HK$335 million). 14% and 69% of our cash and bank deposits were denominated in HKD and RMB respectively (31st March, 2015: 17% and 64%).
- As of 31st March, 2016, the Group had a net borrowing balance of HK$77 million (31st March, 2015: net cash balance of HK$177 million) and available banking facilities amounted to HK$1,036 million (31st March, 2015: HK$877 million) to finance future cash flow needs.
- The Group’s borrowings (including obligations under finance lease) amounted to HK$350 million (31st March, 2015: HK$158 million).
- The borrowings comprised HKD denominated borrowings for HK$295 million, AUD denominated borrowings for HK$40 million, and RMB denominated borrowings for HK$15 million. Fixed rate borrowings amounted to HK$150 million with an effective interest rate of 2.06% and 7.50% for bank loans and obligations under finance lease respectively.
- The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) reached 16% (FY2014/2015: 8%). The Group has begun to take on bank borrowings progressively to fund various capital projects for capacity expansion and the upgrade of existing facilities.
- The Group’s return on capital employed (ROCE) (EBITDA / average non-current debt and equity) for the year was 34% (FY2014/2015: 35%). Excluding the transaction cost related to the divestiture of the Mainstream Business and San Sui Business in North America, the revised ROCE would have been 35%. The steady ROCE reflects the Group’s commitment to employing its capital efficiently, thereby generating greater value for shareholders.

- Capital expenditure incurred during the period increased to HK$714 million (FY2014/2015: HK$530 million). This was spent on the construction and acquisition of machinery for the new Wuhan plant; the expansion of production capacity; installation of high speed lines and addition of packaging lines in the Foshan plant in Mainland China; the upgrade of existing production machinery in Hong Kong, Shenzhen and Shanghai; and the upgrading of production and waste water treatment equipment in the North American operation.
- Assets with a carrying value of HK$71 million (31st March, 2015: HK$76 million) were pledged under certain loans and lease arrangements.

Sustainability Report 2.0

- In Vitasoy's Sustainability Report for FY2014/2015, the Group shared its progress in four key areas: Workplace Quality, Operating Practices, Environmental Protection and Community Involvement. In FY2015/2016, the Group has further evolved its Sustainability vision and framework to better integrate it with its business. The Sustainability Report 2.0 elaborates on how the newly evolved framework with a two-fold approach will take the Group through its future sustainability journey, giving details on key performance indicators and goals. The Sustainability Report 2.0 will be delivered to shareholders together with the FY2015/2016 Annual Report as a separate report.

Financial Risk Management

- The Group's overall financial management policy focuses on controlling and managing risk, with transactions being directly related to the underlying businesses of the Group. For synergy, efficiency and control, the Group operates a central cash treasury management system for all 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 linked to uncertainties in interest rate movements. At the close of FY2015/2016, the Group entered into foreign exchange contracts to act as economic hedge against foreign currency fluctuations for the receipt of royalty income in Australian dollar from its Australian operation. As at 31st March, 2016, there was an unrealised exchange loss of HK$2.2 million exchange differences arising from these forward contracts charged to the income statement.

Potential Risk and Uncertainties

- During the year, the Group Internal Audit Department has implemented a phased improvement plan to further enhance the Group's internal controls and risk management systems. The improvement plan aims to embed a risk management system in its day-to-day operations. During the risk management process, six clusters of potential risks were identified: reputation, strategic, market, liquidity, credit and operational. Following analysis of these potential risks, appropriate controls were established to mitigate risk occurrence, and a new risk management framework was developed.
- The new framework will be rolled-out at the Group and Company-level in Hong Kong during FY2016/2017. Details of the new risk management process would be covered in the Risk Management section of the Corporate Governance Report in the FY2015/2016 Annual Report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March, 2016, complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit and Corporate Governance Committee was renamed as "Audit Committee" on 27th January, 2016 with increased scope of risk management and internal control duties set out in new C.2 of the CG Code which took effect from 1st January, 2016. The Board has delegated the risk management responsibilities to the Audit Committee to oversee and review the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place. The terms of reference of the Audit Committee were also amended to ensure compliance with the new provisions in the CG Code, in particular for the risk management role.

The Audit 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 Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters, including the review of the Group's interim and annual financial statements.

The Audit 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, 2016 have been reviewed by the Audit 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 FY2015/2016 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, 23rd June, 2016

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.