

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Vitasoy International Holdings Ltd.

維他奶國際集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 345)

**ANNOUNCEMENT OF RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2020**

HIGHLIGHTS

- The impact of COVID-19 in the first six months of Fiscal Year 2020/2021 affected all the Group's operations with revenue dropping by 6%. This was due to the combination of low April revenues from Mainland China with lockdowns and disruptions across all other markets.
- Profit from operations increased 29% from the FY2019/2020 interim period. Timely and prudent cost reductions, re-phasing of investments to reflect pandemic conditions and additional government subsidies in certain markets provided further support during this uniquely challenging time. Excluding the subsidies, profits from operations grew 10%.
- Key business highlights
 - ◆ Mainland China – Recovery and profitable growth as pandemic conditions eased after April.
 - ◆ Hong Kong Operation (Hong Kong, Macau and Exports) – The continued impact of social unrest and successive COVID-19 waves affected market presence and our portfolio.
 - ◆ Australia and New Zealand – Extended pandemic lockdowns in Victoria State closed the important on-premise and coffee shop outlets, which impacted our sales.
 - ◆ Singapore – Sustained leadership in domestic tofu market, continuing to scale up beverage business.
- For the six months ended 30th September 2020, the Group's revenue decreased 6% to HK\$4,410 million.
- The Group's gross profit for the interim period was HK\$2,410 million, down 6%, mainly due to lower sales volume.
- Gross profit margin maintained at 55% for the interim period, mainly attributable to government subsidies, partly offset by unfavourable commodity prices, particularly sugar and milk powder.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation, amortisation and share of losses of joint venture) for the interim period was HK\$1,152 million, representing an increase of 27%. The increase in EBITDA was mainly driven by a reduction of operating expenses as well as by government subsidies.
- EBITDA margin to revenue increased from 19% to 26% due to control of marketing, selling and distribution expenses rendered redundant by COVID-19 related market conditions.
- Profit before taxation increased by 28% to HK\$916 million.
- Profit attributable to equity shareholders of the Company was HK\$672 million, representing an increase of 26% compared to the previous interim period.
- The Board of Directors has declared an interim dividend of HK3.8 cents (FY2019/2020 interim: HK3.8 cents) per ordinary share to be paid on 17th December 2020.

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 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th September	
	Note	2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4, 5	4,410,245	4,684,485
Cost of sales		(2,000,574)	(2,128,181)
Gross profit		2,409,671	2,556,304
Other income		54,376	20,643
Marketing, selling and distribution expenses		(1,006,434)	(1,298,270)
Administrative expenses		(351,152)	(375,816)
Other operating expenses	6(c)	(177,361)	(181,208)
Profit from operations		929,100	721,653
Finance costs	6(a)	(5,842)	(4,826)
Share of losses of joint venture		(7,285)	(3,866)
Profit before taxation	6	915,973	712,961
Income tax	7	(216,413)	(153,441)
Profit for the period		699,560	559,520
Attributable to:			
Equity shareholders of the Company		671,905	533,209
Non-controlling interests		27,655	26,311
Profit for the period		699,560	559,520
Earnings per share	9		
Basic		HK 63.1 cents	HK 50.2 cents
Diluted		HK 62.6 cents	HK 49.6 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**

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	699,560	559,520
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences on translation of financial statements of subsidiaries and joint venture outside Hong Kong	145,208	(143,036)
- Cash flow hedge: net movement in the hedging reserve	556	(1,565)
Other comprehensive income for the period	145,764	(144,601)
Total comprehensive income for the period	845,324	414,919
Attributable to:		
Equity shareholders of the Company	792,935	406,644
Non-controlling interests	52,389	8,275
Total comprehensive income for the period	845,324	414,919

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30th September 2020		At 31st March 2020	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)		(Audited)	
Non-current assets					
Property, plant and equipment					
- Investment properties			3,439		3,502
- Right-of-use assets			390,127		385,580
- Other property, plant and equipment			3,641,179		3,322,923
			<u>4,034,745</u>		<u>3,712,005</u>
Deposits for the acquisition of property, plant and equipment			2,375		548
Intangible assets			3,926		3,810
Goodwill			17,942		17,251
Interest in joint venture			57,840		62,026
Deferred tax assets			155,410		97,653
			<u>4,272,238</u>		<u>3,893,293</u>
Current assets					
Inventories			558,084		593,559
Trade and other receivables	10		1,368,884		1,008,871
Current tax recoverable			18,626		66,497
Cash and bank deposits			647,977		848,275
			<u>2,593,571</u>		<u>2,517,202</u>
Current liabilities					
Trade and other payables	11		2,346,554		2,357,839
Bank loans	12		36,912		241,424
Lease liabilities			100,248		89,957
Current tax payable			143,761		13,776
			<u>2,627,475</u>		<u>2,702,996</u>
Net current liabilities			(33,904)		(185,794)
Total assets less current liabilities			<u>4,238,334</u>		<u>3,707,499</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Note	At 30th September 2020		At 31st March 2020	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)		(Audited)	
Non-current liabilities				
Lease liabilities	145,445		153,617	
Employee retirement benefit liabilities	32,725		34,313	
Deferred tax liabilities	104,924		101,465	
		283,094		289,395
NET ASSETS		3,955,240		3,418,104
 CAPITAL AND RESERVES				
Share capital		960,559		939,328
Reserves		2,684,029		2,189,062
Total equity attributable to equity shareholders of the Company		3,644,588		3,128,390
Non-controlling interests		310,652		289,714
TOTAL EQUITY		3,955,240		3,418,104

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 Committee.

2. Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019/2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020/2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The financial information relating to the financial year ended 31st March 2020 that is included in the announcement results for the six months ended 30th September 2020 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor 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. Changes in Accounting Policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group.

None of these amendments have had a material effect on how the Group’s results and financial position for the current or prior periods or on how they have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected for early adoption of the amendments and to apply the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1st April 2020.

4. Revenue

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

5. Segment reporting

(a) Segment results, assets and liabilities

The Group manages its businesses by entities, which are organised 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:

	Mainland China		Hong Kong Operation		Australia and New Zealand		Singapore		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000
For the six months ended										
30th September										
Revenue from external customers	3,135,648	3,243,726	977,254	1,137,102	237,310	247,769	60,033	55,888	4,410,245	4,684,485
Inter-segment revenue	32,607	70,941	20,072	41,835	5,129	2,287	1,981	2,035	59,789	117,098
Reportable segment revenue	3,168,255	3,314,667	997,326	1,178,937	242,439	250,056	62,014	57,923	4,470,034	4,801,583
Reportable segment profit from operations	774,358	620,434	218,297	174,698	30,415	34,917	516	200	1,023,586	830,249
Additions to non-current segment assets during the period	356,554	308,743	67,024	130,517	2,063	6,538	1,859	1,347	427,500	447,145
	At 30th September	At 31st March	At 30th September	At 31st March	At 30th September	At 31st March	At 30th September	At 31st March	At 30th September	At 31st March
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000
Reportable segment assets	4,234,876	3,954,641	3,490,312	3,606,351	429,326	385,747	125,657	92,077	8,280,171	8,038,816
Reportable segment liabilities	2,261,942	2,377,121	890,728	1,003,173	138,767	134,077	29,006	27,437	3,320,443	3,541,808

5. Segment reporting (continued)

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

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	4,470,034	4,801,583
Elimination of inter-segment revenue	(59,789)	(117,098)
Consolidated revenue	<u>4,410,245</u>	<u>4,684,485</u>
	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Profit or loss		
Reportable segment profit from operations	1,023,586	830,249
Finance costs	(5,842)	(4,826)
Share of losses of joint venture	(7,285)	(3,866)
Unallocated head office and corporate expenses	(94,486)	(108,596)
Consolidated profit before taxation	<u>915,973</u>	<u>712,961</u>
	At 30th September	At 31st March
	2020	2020
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	8,280,171	8,038,816
Elimination of inter-segment receivables	(1,671,252)	(1,877,449)
	<u>6,608,919</u>	<u>6,161,367</u>
Interest in joint venture	57,840	62,026
Deferred tax assets	155,410	97,653
Current tax recoverable	18,626	66,497
Goodwill	17,942	17,251
Unallocated head office and corporate assets	7,072	5,701
Consolidated total assets	<u>6,865,809</u>	<u>6,410,495</u>
	At 30th September	At 31st March
	2020	2020
	HK\$'000	HK\$'000
Liabilities		
Reportable segment liabilities	3,320,443	3,541,808
Elimination of inter-segment payables	(716,758)	(723,869)
	<u>2,603,685</u>	<u>2,817,939</u>
Employee retirement benefit liabilities	32,725	34,313
Deferred tax liabilities	104,924	101,465
Current tax payable	143,761	13,776
Unallocated head office and corporate liabilities	25,474	24,898
Consolidated total liabilities	<u>2,910,569</u>	<u>2,992,391</u>

6. Profit before taxation

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

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank loans	1,397	667
Finance charges on lease liabilities	4,445	4,159
	<u>5,842</u>	<u>4,826</u>

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
(b) Other items:		
Interest income from bank deposits	(2,675)	(7,225)
Interest income from loan to joint venture	(1,296)	(811)
Government grants (Note)	(136,394)	(3,255)
COVID-19-related rent concessions	(13,706)	-
Depreciation of investment properties	63	63
Depreciation of right-of-use assets	53,034	41,184
Depreciation of other property, plant and equipment	173,023	153,963
Amortisation of intangible assets	315	245
Recognition of impairment losses on trade and other receivables	54	485
Recognition/(reversal) of impairment losses on property, plant and equipment	4,897	(1,300)
Cost of inventories	<u>1,998,891</u>	<u>2,127,737</u>

Note: During the current interim period, government subsidies mainly related to financial assistance from Mainland China, Hong Kong and Singapore related to COVID-19 amounted to HK\$134,011,000, of which HK\$100,179,000 was netted off against staff costs and HK\$6,041,000 was netted off against cost of sales and operating expenses.

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
(c) Other operating expenses:		
Staff costs	69,824	71,414
Warehouse expenses	31,345	31,877
Sundry tax in Mainland China	26,564	26,665
Management fee charged by a related party	15,000	15,610
Royalty withholding tax	12,084	11,534
Quality assurance and sampling expenses	7,315	7,603
Repair and maintenance expenses	1,954	2,348
Net (gain)/loss on disposal of property, plant and equipment	(395)	1,867
Others	13,670	12,290
	<u>177,361</u>	<u>181,208</u>

7. Income tax

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

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	27,935	14,882
Current tax – Outside Hong Kong	241,475	156,019
Deferred taxation	(52,997)	(17,460)
	216,413	153,441

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September 2019: 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.

8. Dividends

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

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK3.8 cents per ordinary share (six months ended 30th September 2019: HK3.8 cents per ordinary share)	40,465	40,424

The interim dividend declared after the end of the reporting period is based on 1,064,867,500 ordinary shares (six months ended 30th September 2019: 1,063,777,500 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 and paid during the interim period

	Six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK28.4 cents per ordinary share (six months ended 30th September 2019: HK38.0 cents per ordinary share)	302,325	404,181

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\$671,905,000 (six months ended 30th September 2019: HK\$533,209,000) and the weighted average number of 1,064,138,000 ordinary shares (six months ended 30th September 2019: 1,062,632,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September	
	2020	2019
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1st April	1,063,778	1,061,582
Effect of share options exercised	360	1,050
Weighted average number of ordinary shares at 30th September	<u>1,064,138</u>	<u>1,062,632</u>

(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\$671,905,000 (six months ended 30th September 2019: HK\$533,209,000) and the weighted average number of 1,073,626,000 ordinary shares (six months ended 30th September 2019: 1,075,206,000 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	
	2020	2019
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares at 30th September	1,064,138	1,062,632
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	9,488	12,574
Weighted average number of ordinary shares (diluted) at 30th September	<u>1,073,626</u>	<u>1,075,206</u>

10. Trade and other receivables

	At 30th September 2020 HK\$'000	At 31st March 2020 HK\$'000
Trade debtors and bills receivable, net of loss allowance	1,024,330	707,687
Other debtors, deposits and prepayments	343,240	300,683
Derivative financial instruments	1,314	501
	<u>1,368,884</u>	<u>1,008,871</u>

As of 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 loss allowances, is as follows:

	At 30th September 2020 HK\$'000	At 31st March 2020 HK\$'000
Within three months	1,010,977	698,888
Three to six months	6,082	7,897
Over six months	7,271	902
	<u>1,024,330</u>	<u>707,687</u>

Trade debtors and bills receivable are generally due within one to three months from the date of billing. Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

11. Trade and other payables

	At 30th September	At 31st March
	2020	2020
	HK\$'000	HK\$'000
Trade creditors and bills payable	741,202	555,000
Accrued expenses and other payables	1,562,026	1,299,499
Receipts in advance from customers	43,326	503,340
	<u>2,346,554</u>	<u>2,357,839</u>

As of 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	At 31st March
	2020	2020
	HK\$'000	HK\$'000
Within three months	735,876	553,029
Three to six months	4,243	1,628
Over six months	1,083	343
	<u>741,202</u>	<u>550,000</u>

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

12. Bank loans

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

	At 30th September	At 31st March
	2020	2020
	HK\$'000	HK\$'000
Within one year or on demand	<u>36,912</u>	<u>241,424</u>

As of the end of the reporting period, no bank loans were secured by charges over property, plant and equipment.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain financial 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.

13. Comparative figures

Certain expenses of Mainland China segment as disclosed in note 5 have been reallocated to conform with the current year's presentation to reflect more appropriately the performance of the reportable segments. As a result, head office and corporate administrative costs increased by HK\$8,620,000 and reportable segment profit from operations of Mainland China were adjusted accordingly.

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 2020 (six months ended 30th September 2019: HK3.8 cents per ordinary share), to shareholders whose names appear on the Register of Members at the close of business on Friday, 4th December 2020. Dividend warrants will be sent to shareholders on or about Thursday, 17th December 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Monday, 7th December 2020. 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 Friday, 4th December 2020.

MANAGEMENT REPORT

Business Highlights

The impact of COVID-19 in the first six months of FY2020/2021 affected all the Group's operations with revenue dropping by 6%. This was due to the combination of low April revenues from Mainland China with lockdowns and disruptions across all other markets.

Profit from operations increased 29% from the FY2019/2020 interim period. Timely and prudent cost reductions, re-phasing of investments to reflect pandemic conditions and additional government subsidies in certain markets provided further support during this uniquely challenging time. Excluding the subsidies, profits from operations grew 10%.

Mainland China gradually recovered from COVID-19 with growth in the May to September period. Hong Kong was hit by successive waves of COVID-19 and social unrest, which heavily affected our Vitaland tuckshop business, serving schools, and on-the-go channel. Australian revenue dropped slightly as a result of extended lockdowns in Victoria State, which severely impacted the important on-premise business. Singapore and the Philippines grew moderately versus last year despite pandemic-related disruptions.

Profit attributable to equity shareholders of the Company increased by 26%, mainly due to tightened cost control in the Mainland China and Hong Kong markets, and government support in the form of pandemic subsidies, mainly related to employment costs. Net of currency impact, profit attributable to equity shareholders of the Company increased 28%.

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 2020 (six months ended 30th September 2019: HK3.8 cents per ordinary share), payable on 17 December 2020.

Financial Highlights

The financial position of the Group remains healthy. Below is an analysis of key financial indicators including revenue, gross profit margin and return on capital employed:

Revenue

- For the six months ended 30th September 2020, the Group's revenue decreased 6% to HK\$4,410 million (FY2019/2020 interim: HK\$4,684 million).
 - **Mainland China: -2% in local currency (-3% in HKD)**
April revenue significantly affected by COVID-19, gradual recovery since May.
 - **Hong Kong Operation (Hong Kong, Macau and Exports): -14% in HKD**
The consequences of social unrest in 2019 and successive waves of COVID-19 particularly hurt the Group's Vitaland schools business where class schedules have been continually disrupted in full or in part throughout the period.
 - **Australia and New Zealand: -4% in local currency (-4% in HKD)**
Extended lockdown in Victoria State closed much of our on-premise and coffee shop outlets, which impacted our sales.
 - **Singapore: +10% in local currency (+7% in HKD)**
Growth in domestic tofu business, continuing scale up imported beverages.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the interim period was HK\$2,410 million, down 6% (FY2019/2020 interim: HK\$2,556 million), mainly due to lower sales volume.
- Gross profit margin maintained at 55% in the first half of FY2020/2021 (FY2019/2020 interim: 55%), mainly attributable to government subsidies, partly offset by unfavourable commodity prices, particularly sugar and milk powder.

Operating Expenses

- Total operating expenses decreased 17% to HK\$1,534 million (FY2019/2020 interim: HK\$1,855 million) as advertising spend was reduced during the period.
- Marketing, selling and distribution expenses decreased 22% to HK\$1,006 million (FY2019/2020 interim: HK\$1,298 million) through stringent cost management of advertising and promotion expenses.
- Administrative expenses decreased 7% to HK\$351 million (FY2019/2020 interim: HK\$376 million), mainly due to the receipt of government subsidies, mainly related to employment costs, during the pandemic and tightened cost control.
- Other operating expenses were HK\$177 million, mainly including staff costs for other supporting functions, warehouse expenses, management fee charged by a related party and sundry tax in Mainland China, versus HK\$181 million for the same period last year.

EBITDA (Earnings Before Interest Income, Finance Costs, Income tax, Depreciation, Amortisation and Share of Losses of Joint Venture)

- EBITDA for the interim period was HK\$1,152 million, representing an increase of 27%. The increase in EBITDA was mainly driven by a reduction of operating expenses as well as by government subsidies.
- EBITDA margin to revenue increased from 19% to 26% due to control of marketing, selling and distribution expenses rendered redundant by COVID-19 related market conditions.

Profit Before Taxation

- Profit before taxation increased by 28% to HK\$916 million (FY2019/2020 interim: HK\$713 million).

Taxation

- Income tax charged for the interim period was HK\$216 million (FY2019/2020 interim: HK\$153 million) and the effective tax rate was 24%.

Profit Attributable to Equity Shareholders of the Company

- Profit attributable to equity shareholders of the Company was HK\$672 million, representing an increase of 26% compared to the previous interim period (FY2019/2020 interim: HK\$533 million).

Financial Position

- The Group finances its operations and capital expenditure primarily through internally generated cash as well as banking facilities provided by its principal bankers. As at 30th September 2020, cash and bank deposits amounted to HK\$648 million (31st March 2020: HK\$848 million), of which 9%, 79% and 3% were denominated in Hong Kong dollars (HKD), Renminbi (RMB) and United States dollars (USD), respectively (31st March 2020: 8%, 82% and 6%). As of 30th September 2020, the Group had a net cash balance of HK\$365 million (31st March 2020: HK\$363 million). Available banking facilities amounted to HK\$935 million (31st March 2020: HK\$699 million) to facilitate future cash flow needs.
- The Group's borrowings (including lease liabilities) amounted to HK\$283 million (31st March 2020: HK\$485 million).
- The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) decreased to 8% (31st March 2020: 16%). The gearing ratio would have been 1% (31st March 2020: 8%) had lease liabilities been excluded from total borrowings.
- The Group's return on capital employed (ROCE) (EBITDA for the interim period/average non-current debt and equity as at 30th September 2020 and 31st March 2020) for the first half of FY2020/2021 was 30% (FY2019/2020 interim: 25%).
- Capital expenditure incurred during the period amounted to HK\$359 million (FY2019/2020 interim: HK\$413 million), primarily to fund the acquisition of production equipment for the new Changping plant in Dongguan City, Guangdong Province in Mainland China.
- There were no assets pledged under loan and/or lease arrangements.

Non-financial Key Performance Indicators

- The Group has already disclosed various non-financial key performance indicators (KPIs) in the "Sustainability Report 2019/2020", which was published in July 2020. The KPIs focused on product and packaging portfolio improvement ("making the right products") and reduction in energy used ("making products the right way"). The Group continues to remain on its published trajectory in this area, with the full Sustainability Report 2020/2021 to be released in July 2021.

Financial Risk Management

- The Group's overall financial management policy focuses on anticipating, mitigating, controlling and managing risks, covering 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 subsidiaries. Borrowings are normally taken out in local currencies by the operating subsidiaries to fund and partially mitigate foreign currency risks.

General Review

Mainland China

- A revenue decline of 2% in local currency was due to a significant revenue drop of 23% in April which was the last month significantly impacted by the COVID-19 pandemic. Revenue grew during the period from May to September 2020 as the retail and market conditions gradually started to recover. On-line and home channels performed ahead of general trade and restaurants where the recovery path has been slower.
- Careful cost optimisation and investment phasing reflecting the pandemic conditions assisted by pandemic subsidies from the government resulted in an operating profit growth of 27% in local currency. Excluding subsidies, profit from operations still grew 19% in local currency. The Group has gradually started to resume planned investments as pandemic conditions subside and will progressively continue to raise them in the second half of FY2020/2021 should conditions allow.
- As post-pandemic conditions emerged, new products have been introduced for both core brands of VITASOY and VITA. For VITASOY, we have expanded our premium offerings under our HEALTH PLUS platform to drive not only extra premium revenue but also brand nutrition credentials in the long term. For VITA Tea, we have added two proven variants: VITA Ceylon and VITA SUPERICY, both of which were very well received by consumers.
- The Group's new landmark manufacturing plant in Dongguan City, Guangdong Province smoothly started production in August of this year. This will secure gradual provision of extra production capacity to support continued sales growth in Mainland China in longer term.

Hong Kong Operation (Hong Kong, Macau and Exports)

- Revenue of the Hong Kong Operation fell 14% versus the same interim period for 2019. Growth in home channel and on-line business was insufficient to offset declines in other trade channels due to continued impact of social unrest and the pandemic, in particular the Group's Vitaland business in schools where class schedules have been continually disrupted in full or in part throughout the period.
- Profit from operations increased 25% as a result of cost-optimisation and the receipt of government subsidies. Excluding government subsidies, profit from operations dropped 21%.

Australia and New Zealand

- Revenue dropped 4% in local currency, affected by a more than 3 months lockdown in Victoria State which led to not only a general trade slow down but also the closure of on-premise and coffee shops outlets which sell the Group's plant milk products.
- The Group has grown sales of both core items and new innovations across soy, almond and oat. Our new single-serve proposition continued to grow, together with our chilled business in hyper and super markets.
- Profit from operations dropped 13% in local currency as a result of not only lower revenue but also lower gross margin caused by more expensive imported soy raw materials to obviate to last year's severe drought which disrupted the soy harvest. Local sourcing of soy beans is expected to substantially recover during 2021.

Singapore

- Vitasoy Singapore grew revenue by 10% in local currency, mainly attributable to domestic tofu and imported beverage business, despite the pandemic disrupting the Group's tofu export business out of Singapore.
- Profit from operations increased by 163% in local currency as a result of revenue growth, effective expense control and government employment subsidies.

General Outlook

The second half of the fiscal year will continue to demand a high level of vigilance for all markets. We will monitor the volatile pandemic conditions to ensure an appropriate return on our investments, whilst staying competitive and gradually resuming our investment programme to build equity and scale as markets and economies recover.

Mainland China remains driver of the Group's immediate recovery and long-term growth. The overall pace of recovery will also depend on all markets' rebound from the current pandemic and economic conditions.

Mainland China

- Assuming no return of COVID-19, we expect that our business will rebound solidly in the second half of FY2020/2021. Our focus will remain on building brand equity for both VITASOY and VITA, with investment on both core items and innovation.

Hong Kong Operation (Hong Kong, Macau and Exports)

- The full recovery of the Hong Kong Operation will depend on sustained pandemic control and resumption of traffic, tourism and full-day school schedules to restore the impact of our market presence.

Australia and New Zealand

- As pandemic conditions improve, we are confident in the strength of our portfolio and in our recent innovation across multiple plant-milk platforms, complemented by the potential of our new VITASOY WHOLE single-serve platform launched last year to restore sustainable growth.

Singapore

- We will continue to grow our tofu business in the domestic market and export, while gradually expanding the imported beverage product portfolio.

The Philippines

- Our joint venture with Universal Robina Corporation in the Philippines has been driving soymilk awareness and trialling since we entered the market. Upon the extended lockdown easing, we will be ready to drive VITASOY by using our new local production line which facilitates flexibility and customisation for this new, high-potential market. Given the severe pandemic restrictions prevailing in the Philippines, we expect recovery in this market to take some time.

CORPORATE GOVERNANCE

The Company is firmly committed to a high level of corporate governance and adherence to the governance principles and practices emphasising transparency, independence, accountability, responsibility and fairness.

The Company has, throughout the six months ended 30th September 2020, complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-executive Directors, namely, Mr. Paul Jeremy BROUGH (Chairman), Dr. the Hon. Sir David Kwok-po LI, Mr. Jan P. S. ERLUND and Mr. Anthony John Liddell NIGHTINGALE.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's unaudited interim financial report for the six months ended 30th September 2020.

The Audit Committee reviews and assesses the effectiveness of the Company's risk management and internal control systems which cover all material financial, operational and compliance controls. The Audit Committee also reviews regularly the corporate governance structure and practices within the Company and monitors compliance fulfilment on an ongoing basis.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September 2020.

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 2020 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, 19th November 2020

As at the date of this announcement, Mr. Winston Yau-lai LO, Mr. Roberto GUIDETTI and Mr. Eugene LYE are executive directors. Ms. Yvonne Mo-ling LO, Mr. Peter Tak-shing LO and Ms. May LO are non-executive directors. Dr. the Hon. Sir David Kwok-po LI, Mr. Jan P. S. ERLUND, Mr. Anthony John Liddell NIGHTINGALE, Mr. Paul Jeremy BROUGH and Dr. Roy Chi-ping CHUNG are independent non-executive directors.