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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 YEAR ENDED 31ST MARCH 2023

HIGHLIGHTS

- In FY2022/2023, we returned the Group to profitability and revenue growth net of currency impact. We will continue to improve our sales execution and the availability of our portfolio, with the goal of sustaining profitable growth in FY2023/2024. Group revenue increased 2% net of currency impact, while falling slightly by 2% in Hong Kong dollar terms due to Renminbi and Australian dollar depreciation.
- During the year, we successfully recorded a profit from operations of HK\$104 million versus a loss of HK\$213 million last year, despite increased raw material prices and utility costs. This result was mainly attributable to effective cost rationalisation across our operations and promotions in Mainland China, as well as higher government subsidies received by our Hong Kong Operation compared with last year. We also took selective pricing action to alleviate the increase in higher raw material prices.
- In February 2023, we completed the acquisition of the remaining 49% equity interest in Vitasoy Australia Products Pty. Ltd. (“VAP”).
- Key business highlights
 - ◆ Mainland China – Stabilisation of the business with a disciplined focus on core fundamentals
 - ◆ Hong Kong Operation (Hong Kong SAR, Macau SAR and Exports) – Strong innovation-led growth from on-the-go consumption and school business
 - ◆ Australia and New Zealand – Growth in the grocery channel driven by accelerated sales of our Oat Milk platform.
 - ◆ Singapore – Commoditisation of tofu category and weak exports affected the Singapore business
- Gross profit for the year was HK\$3,012 million, a decrease of 2%, while gross profit margin increased from 47% to 48%.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation, amortisation and share of losses of joint venture) for the year was HK\$621 million, an increase of HK\$281 million or 82%.
- EBITDA to revenue margin increased from 5% to 10%.
- Profit attributable to equity shareholders of the Company was HK\$46 million, versus a loss of HK\$159 million last year. The result was in line with the profit alert announcement issued on 19th May 2023.
- As a result of the Group’s improved financial performance, a final dividend of HK1.4 cents per ordinary share (FY2021/2022: nil) has been proposed. Together with the interim dividend of HK\$1.3 cents per ordinary share (FY2021/2022: nil), this brings the total dividend for FY2022/2023 to HK2.7 cents per ordinary share (FY2021/2022 total dividend: nil).

Note: “Hong Kong SAR” stands for the Hong Kong Special Administrative Region of the People’s Republic of China.
“Macau SAR” stands for the Macao Special Administrative Region of the People’s Republic of China.

RESULTS

In this announcement, “we” and “our” refer to the Company (as defined below) and, where the context otherwise requires, the Group (as defined below).

The Board of Directors (the “Board”) of Vitasoy International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) and the Group’s interest in a joint venture for the year ended 31st March 2023, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2023

	Note	2023 HK\$’000	2022 HK\$’000
Revenue	3 & 4	6,340,559	6,501,215
Cost of sales		(3,328,763)	(3,430,534)
Gross profit		3,011,796	3,070,681
Other income	5	113,846	126,187
Marketing, selling and distribution expenses		(2,024,430)	(2,215,199)
Administrative expenses		(671,978)	(702,358)
Other operating expenses		(325,641)	(492,162)
Profit/(loss) from operations		103,593	(212,851)
Finance costs	6(a)	(32,547)	(23,071)
Share of losses of joint venture		(22,253)	-
Profit/(loss) before taxation	6	48,793	(235,922)
Income tax	7	(27,736)	74,541
Profit/(loss) for the year		21,057	(161,381)
Attributable to:			
Equity shareholders of the Company		45,721	(158,750)
Non-controlling interests		(24,664)	(2,631)
Profit/(loss) for the year		21,057	(161,381)
Earnings/(loss) per share	9		
Basic		HK4.3 cents	(HK14.9 cents)
Diluted		HK4.3 cents	(HK14.9 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 2023

	2023	2022
	HK\$'000	HK\$'000
Profit/(loss) for the year	21,057	(161,381)
Other comprehensive income for the year (after tax)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefit liabilities	(3,546)	569
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	(201,452)	87,773
Cash flow hedge: net movement in the hedging reserve	<u>1,111</u>	<u>(427)</u>
Total comprehensive income for the year	<u>(182,830)</u>	<u>(73,466)</u>
Attributable to:		
Equity shareholders of the Company	(137,184)	(76,049)
Non-controlling interests	<u>(45,646)</u>	<u>2,583</u>
Total comprehensive income for the year	<u><u>(182,830)</u></u>	<u><u>(73,466)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2023

		2023		2022	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment					
- Investment properties			3,124		3,250
- Right-of-use assets			277,724		341,130
- Other property, plant and equipment			3,111,274		3,623,838
			<u>3,392,122</u>		<u>3,968,218</u>
Deposits for the acquisition of property, plant and equipment			-		264
Intangible assets			419		768
Goodwill			-		-
Interest in joint venture			-		-
Deferred tax assets			260,693		281,707
			<u>3,653,234</u>		<u>4,250,957</u>
Current assets					
Inventories		639,615		773,384	
Trade and other receivables	10	981,850		1,123,027	
Current tax recoverable		19,528		37,889	
Cash and bank deposits		555,292		621,863	
		<u>2,196,285</u>		<u>2,556,163</u>	
Current liabilities					
Trade and other payables	11	1,963,392		2,432,523	
Bank loans	12	409,633		489,829	
Lease liabilities		84,665		96,901	
Current tax payable		14,232		12,334	
		<u>2,471,922</u>		<u>3,031,587</u>	
Net current liabilities			<u>(275,637)</u>		<u>(475,424)</u>
Total assets less current liabilities			<u>3,377,597</u>		<u>3,775,533</u>
Non-current liabilities					
Bank loans	12	115,053		-	
Lease liabilities		51,521		90,856	
Employee retirement benefit liabilities		24,835		6,222	
Deferred tax liabilities		76,115		99,116	
Other payables	11	9,483		10,240	
			<u>277,007</u>		<u>206,434</u>
NET ASSETS			<u>3,100,590</u>		<u>3,569,099</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31st March 2023*

	Note	2023 HK\$'000	2022 HK\$'000
CAPITAL AND RESERVES			
Share capital		1,021,453	1,013,028
Reserves		<u>1,963,262</u>	<u>2,244,885</u>
Total equity attributable to equity shareholders of the Company		2,984,715	3,257,913
Non-controlling interests		<u>115,875</u>	<u>311,186</u>
TOTAL EQUITY		<u>3,100,590</u>	<u>3,569,099</u>

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 31st March 2023 and the financial information relating to the year ended 31st March 2022 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 31st March 2022, 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").

The consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of HK\$275,637,000 at the end of the reporting period, and the breach of certain financial covenant clauses, which have now been resolved, in respect of outstanding bank loans of HK\$201,213,000 (the "Outstanding Borrowings") disclosed under current liabilities in the Group's consolidated statement of financial position as at 31st March 2023. In preparing these consolidated financial statements, the Directors have given careful consideration to the current and anticipated future liquidity of the Group. Taking into account, inter alia, (i) cash and bank deposits of HK\$555,292,000 at 31st March 2023, (ii) the unutilised loan facilities at the end of the reporting period, (iii) the bank waiver letters obtained on 22nd May 2023 and 25th May 2023 in relation to their covenant requirements for the Outstanding Borrowings and, as at the date of approval of these financial statements, the banks have not requested the Group's repayment of the Outstanding Borrowings; and (iv) the net cash inflows projected to be generated from the Group's operations for the next twelve months, the Directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due. Accordingly, the Directors consider that the preparation of these consolidated financial statements on a going concern basis is appropriate.

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

The Company's statutory financial statements for the year ended 31st March 2023 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 has delivered the statutory financial statements for the year ended 31st March 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor, KPMG, has reported on the statutory financial statements of the Group for the year ended 31st March 2022. 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 Hong Kong 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. Significant Accounting Policies

These financial statements have been prepared in accordance with the same accounting policies adopted in the 2021/2022 financial statements, except for the accounting policy changes arising from adoption of new and amended standards.

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendment to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts - cost of fulfilling a contract*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

No disaggregation of revenue from contracts with customers is presented as the entire revenue of the Group is derived from the manufacture and sale of food and beverages, and is recognised at point in time.

4. Segment reporting

(a) Segment results, assets and liabilities

The Group manages its businesses by entities, which are organised geographically.

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 2023 and 2022 is set out below:

	Mainland China		Hong Kong Operation		Australia and New Zealand		Singapore		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	3,509,101	3,838,297	2,143,815	1,933,856	580,325	606,971	107,318	122,091	6,340,559	6,501,215
Inter-segment revenue	138,276	74,773	20,079	23,558	3,408	6,630	4,491	4,314	166,254	109,275
Reportable segment revenue	3,647,377	3,913,070	2,163,894	1,957,414	583,733	613,601	111,809	126,405	6,506,813	6,610,490
Reportable segment profit/(loss) from operations	45,918	(340,309)	218,036	198,989	7,635	77,731	(12,130)	(12,692)	259,459	(76,281)
Interest income from bank deposits	2,669	3,706	9,348	1,845	266	-	-	2	12,283	5,553
Finance costs	(22,639)	(17,438)	(7,120)	(4,459)	(2,360)	(741)	(428)	(433)	(32,547)	(23,071)
Depreciation and amortisation for the year	(315,060)	(348,441)	(189,284)	(186,475)	(19,660)	(19,202)	(5,609)	(5,499)	(529,613)	(559,617)
Impairment losses on property, plant and equipment	(2,414)	(49,280)	(2,227)	(1,674)	-	-	-	(1,917)	(4,641)	(52,871)
Reportable segment assets	3,169,659	4,002,273	3,848,483	3,615,172	448,202	495,760	119,046	114,487	7,585,390	8,227,692
Reportable segment liabilities	2,366,732	2,875,854	1,015,704	958,598	232,263	149,026	32,562	38,968	3,647,261	4,022,446
Additions to non-current segment assets during the year	102,567	125,860	80,325	135,660	20,252	42,732	2,503	20,872	205,647	325,124

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

	2023	2022
	HK\$'000	HK\$'000
<i>Revenue</i>		
Reportable segment revenue	6,506,813	6,610,490
Elimination of inter-segment revenue	(166,254)	(109,275)
Consolidated revenue	6,340,559	6,501,215

4. Segment reporting (Continued)

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

	2023 HK\$'000	2022 HK\$'000
<i>Profit or loss</i>		
Reportable segment profit/(loss) from operations	259,459	(76,281)
Finance costs (note 6(a))	(32,547)	(23,071)
Share of losses of joint venture	(22,253)	-
Impairment losses on goodwill	-	(18,323)
Impairment losses on brand name	-	(2,303)
Acquisition related expenses on the remaining 49% equity interest in Vitasoy Australia Products Pty. Ltd.	(43,403)	-
Unallocated head office and corporate expenses	(112,463)	(115,944)
Consolidated profit/(loss) before taxation	48,793	(235,922)
	2023 HK\$'000	2022 HK\$'000
<i>Assets</i>		
Reportable segment assets	7,585,390	8,227,692
Elimination of inter-segment receivables	(2,017,528)	(1,740,925)
	5,567,862	6,486,767
Deferred tax assets	260,693	281,707
Current tax recoverable	19,528	37,889
Unallocated head office and corporate assets	1,436	757
Consolidated total assets	5,849,519	6,807,120
	2023 HK\$'000	2022 HK\$'000
<i>Liabilities</i>		
Reportable segment liabilities	3,647,261	4,022,446
Elimination of inter-segment payables	(1,015,339)	(927,210)
	2,631,922	3,095,236
Employee retirement benefit liabilities	24,835	6,222
Deferred tax liabilities	76,115	99,116
Current tax payable	14,232	12,334
Unallocated head office and corporate liabilities	1,825	25,113
Consolidated total liabilities	2,748,929	3,238,021

5. Other income

	2023 HK\$'000	2022 HK\$'000
Government grants (Note)	64,397	77,060
COVID-19-related rent concessions	12,869	17,095
Interest income from bank deposits	12,283	5,553
Interest income from loan to joint venture	-	894
Rental income	4,179	4,120
Scrap sales	4,823	5,175
Reversal of long outstanding other payables	-	215
Maintenance recharge income	5,606	6,963
Sundry income	9,689	9,112
	<u>113,846</u>	<u>126,187</u>

Note:

During the current year, government grants of HK\$32,092,000 (2022: HK\$53,319,000) were received from the government of the People's Republic of China ("PRC") in relation to an investment in Mainland China in 2020. Other government grants included COVID-19 financial assistance in Mainland China, Hong Kong SAR and Singapore amounting to HK\$25,521,000 (2022: HK\$13,847,000) and other financial assistance received from the government of the PRC.

Other government grants of HK\$93,000 (2022: HK\$632,000) received from the government of the PRC in relation to the acquisition of property, plant and equipment were netted off against the cost of the related assets.

6. Profit/(loss) before taxation

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

	2023 HK\$'000	2022 HK\$'000
(a) Finance costs:		
Interest on bank loans	26,958	16,773
Interest on lease liabilities	5,589	6,298
	<u>32,547</u>	<u>23,071</u>

6. Profit/(loss) before taxation (Continued)

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

	2023 HK\$'000	2022 HK\$'000
(b) Other operating expenses:		
Staff costs	175,902	191,489
Sundry tax in Mainland China	39,768	39,299
Management fee charged by a related party (Note (i))	25,371	34,279
Royalty withholding tax	12,214	13,434
Quality assurance and sampling expenses	16,707	21,284
Depreciation and amortisation	14,883	15,880
Professional fee	14,856	12,595
Repair and maintenance expenses	7,516	6,629
Donation	1,799	6,280
Net (gain)/loss on disposal of property, plant and equipment	(802)	2,724
(Reversal)/recognition of write down of inventories	(2,409)	20,406
Impairment losses on trade and other receivables	1,278	11,867
Impairment losses on property, plant and equipment	4,641	52,871
Impairment losses on goodwill	-	18,323
Impairment losses on brand name	-	2,303
Others	13,917	42,499
	325,641	492,162

	2023 HK\$'000	2022 HK\$'000
(c) Other items:		
Government grants (Note (ii))	(104,054)	(83,039)
COVID-19-related rent concessions	(17,729)	(22,409)
Amortisation of intangible assets	292	659
Depreciation		
- Investment properties	126	126
- Right-of-use assets	99,569	100,763
- Other assets	429,626	458,069
Cost of inventories (Note (iii))	3,327,851	3,451,179

6. Profit/(loss) before taxation (Continued)

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

Notes:

- (i) On 13th February 2023, the entity ceased to be a related party of the Group after the equity transaction disclosed in note 13.
- (ii) During the current year, government grants of HK\$32,092,000 (2022: HK\$53,319,000) were received from the government of the PRC in relation to an investment in Mainland China in 2020. Other government grants included COVID-19 financial assistance in Mainland China, Hong Kong SAR, and Singapore amounting to HK\$65,178,000 (2022: HK\$19,826,000), of which HK\$25,521,000 (2022: HK\$13,847,000) was included in other income, HK\$34,304,000 (2022: HK\$2,662,000) was netted off against staff costs and HK\$5,353,000 (2022: HK\$3,317,000) was netted off against cost of sales and operating expenses.
- (iii) Cost of inventories included recognition of write down of inventories of HK\$4,259,000 (2022: HK\$27,450,000)

7. Income tax

Taxation in the consolidated statement of profit or loss represents:

	2023 HK\$'000	2022 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	17,270	24,725
Under-provision in respect of prior years	3,585	39
	<u>20,855</u>	<u>24,764</u>
Current tax – Outside Hong Kong		
Provision for the year	24,783	54,397
(Over)/under-provision in respect of prior years	(1,868)	1,268
	<u>22,915</u>	<u>55,665</u>
Deferred tax	<u>(16,034)</u>	<u>(154,970)</u>
	<u>27,736</u>	<u>(74,541)</u>

Note:

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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

	2023 HK\$'000	2022 HK\$'000
Interim dividend declared and paid of HK1.3 cents per ordinary share (2022: nil)	13,916	-
Final dividend proposed after the end of the reporting period of HK1.4 cents per ordinary share (2022: nil)	15,009	-
	<u>28,925</u>	<u>-</u>

The final dividend proposed after the end of 31st March 2023 reporting period is based on 1,072,099,023 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 31st March 2023 reporting period was not recognised a liability at 31st March 2023.

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

	2023 HK\$'000	2022 HK\$'000
No final dividend in respect of the previous financial year, approved and paid during the year (2022: HK29.0 cents per ordinary share)	-	310,158

9. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share (2022: basic loss per share) is based on the profit attributable to equity shareholders of the Company of HK\$45,721,000 (2022: loss of HK\$158,750,000) and the weighted average number of 1,070,165,000 ordinary shares (2022: 1,068,766,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023 Number of shares '000	2022 Number of shares '000
Issued ordinary shares at 1st April	1,070,010	1,067,188
Effect of share options exercised	469	1,888
Effect of share awards vested	77	-
Effect of shares purchased under share award scheme	(391)	(310)
Weighted average number of ordinary shares at 31st March	<u>1,070,165</u>	<u>1,068,766</u>

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share (2022: diluted loss per share) is based on the profit attributable to equity shareholders of the Company of HK\$45,721,000 (2022: loss of HK\$158,750,000) and the weighted average number of 1,072,096,000 ordinary shares (2022: 1,068,766,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023 Number of shares '000	2022 Number of shares '000
Weighted average number of ordinary shares at 31st March (note 9(a))	1,070,165	1,068,766
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	1,178	-
Effect of shares awarded under share award scheme	753	-
Weighted average number of ordinary shares (diluted) at 31st March	<u>1,072,096</u>	<u>1,068,766</u>

The Group had potential dilutive shares in connection with its share option scheme and share award scheme. As at 31st March 2022, the potential ordinary shares relating to the share option scheme and share award scheme were not included in the calculation of diluted loss per share as they did not give rise to any dilutive effect for the period.

10. Trade and other receivables

	2023 HK\$'000	2022 HK\$'000
Trade debtors and bills receivable, net of loss allowance	788,957	804,496
Other debtors, deposits and prepayments	192,893	318,531
	<u>981,850</u>	<u>1,123,027</u>

As of 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 loss allowance, is as follows:

	2023 HK\$'000	2022 HK\$'000
Within three months	777,056	780,538
Three to six months	8,115	17,835
Over six months	3,786	6,123
	<u>788,957</u>	<u>804,496</u>

Trade debtors and bills receivables are generally due within one to three months from the date of billing. Management has a credit policy in place and exposure to 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

	2023 HK\$'000	2022 HK\$'000
<i>Current liabilities:</i>		
Trade creditors and bills payable	885,593	995,042
Accrued expenses and other payables	1,013,969	1,296,969
Receipts in advance from customers	63,830	140,512
	<u>1,963,392</u>	<u>2,432,523</u>
<i>Non-current liabilities:</i>		
Accrued expenses	<u>9,483</u>	<u>10,240</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:

	2023 HK\$'000	2022 HK\$'000
Within three months	878,985	989,648
Three to six months	5,577	3,329
Over six months	1,031	2,065
	<u>885,593</u>	<u>995,042</u>

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

12. Bank loans

At 31st March 2023, the bank loans were repayable as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year or on demand	409,633	489,829
After one year but within two years	115,053	-
	<u>524,686</u>	<u>489,829</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 compliance with certain financial covenants, as are commonly found in borrowing arrangements with financial institutions. The Group did not comply with certain financial covenants as required in the banking facilities agreements with certain banks for the outstanding loan amounts of approximately HK\$201,213,000 as at 31st March 2023 (31st March 2022: Nil), which are presented as current liabilities in the Group's consolidated statement of financial position as at 31st March 2023.

On 22nd May 2023 and 25th May 2023, the Group obtained waivers from banks in relation to their covenant requirements for the outstanding bank loans of approximately HK\$201,213,000.

13. Equity transaction with non-controlling interests

On 13th February 2023, the Group acquired the remaining 49% equity interest in Vitasoy Australia Products Pty. Ltd. (“VAP”) from National Foods Holdings Ltd. (“National Foods”) for AUD 51,000,000 in cash (equivalent to approximately HK\$280,345,000), increasing the Group’s equity interest in VAP from 51% to 100%. The fair value for the shares acquisition was determined by an independent valuer jointly appointed by both parties. At the date of acquisition, the carrying amount of VAP’s net assets amounted to HK\$261,290,000. The acquisition resulted in a decrease in non-controlling interest of HK\$128,032,000 and an increase in other reserve of HK\$152,313,000.

14. Non-adjusting events after the reporting period

Subsequent to the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 8(a).

15. Scope of work of auditor

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st March 2023 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in 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 the auditor.

DIVIDEND

In view of the Group's business performance and sound financial position, the Board of Directors is recommending a final dividend of HK1.4 cents per ordinary share (FY2021/2022: nil) at the Annual General Meeting to be held on 28th August 2023 (the "AGM"). This, coupled with the interim dividend of HK1.3 cents per ordinary share (FY2021/2022: nil), means that, if approved, the Company's total dividend for FY2022/2023 will be HK2.7 cents per ordinary share (FY2021/2022 total dividend: nil). The proposed final dividend will be payable on Wednesday, 20th September 2023 to shareholders whose names appear in the Company's Register of Members on Thursday, 7th September 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed as follows:

(a) For determining eligibility to attend and vote at the AGM: <ul style="list-style-type: none">- Latest time to lodge transfer documents for registration with the Company's Share Registrar- Closure of the Company's Register of Members- Record date	At 4:30 p.m. on 22nd August 2023 23rd August 2023 to 28th August 2023 (both dates inclusive) 28th August 2023
(b) For determining entitlement to the proposed final dividend: <ul style="list-style-type: none">- Latest time to lodge transfer documents for registration with the Company's Share Registrar- Closure of the Company's Register of Members- Record date	At 4:30 p.m. on 4th September 2023 5th September 2023 to 7th September 2023 (both dates inclusive) 7th September 2023

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the proposed final dividend, all transfer forms 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 the aforementioned latest time.

MANAGEMENT REPORT

Sales Performance

Although our business in Mainland China stabilised with a growth in profit from operations and a slight 2% decline in revenue in local currency versus last year, we were able to register growth across our other main markets.

In the Hong Kong SAR, we achieved double-digit growth in revenue and profit from operations versus last year due to our core business strengths and shoppers' acceptance of our innovations as pandemic restrictions were relaxed.

In Australia and New Zealand, we acquired full ownership of our business, which grew revenues by 3% in local currency versus last year, driven by incremental growth in our Oat Milk line and the recently added plant-based Greek Style Yoghurt.

In ASEAN markets, Singapore revenue dropped due to the commoditisation of the tofu category and export challenges, while in the Philippines our business grew strongly across all platforms and channels.

We have confidence in the long-term profitable growth trajectory of our business.

In Mainland China, we will continue to focus on improving the execution and expansion of our core VITASOY and VITA brand portfolio with new marketing campaigns, while selectively identifying and driving strategic innovation that has long term potential.

In the Hong Kong SAR and the Macau SAR, we will sustain the growth of our core products while promoting product innovation, which we believe is feasible given the high per capita consumption of our portfolio products.

Our Australia and New Zealand business will fortify its leadership position in plant-based milk and further develop the new plant-based yoghurt platform.

In ASEAN, we will improve the performance of our tofu category and scale up beverage sales in both Singapore and the Philippines, along with our newly launched plant milks.

Financial Highlights

Revenue

- For the year ended 31st March 2023, the Group's revenue decreased 2% to HK\$6,341 million (FY2021/2022: HK\$6,501 million) but increased 2% net of currency impact.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the year was HK\$3,012 million (FY2021/2022: HK\$3,071 million), representing a decrease of 2%, mainly driven by lower sales performance.
- Gross profit margin increased to 48% (FY2021/2022: 47%), mainly attributable to lower trade promotional expenses and higher operational efficiency, partially offset by the impact of unfavourable foreign exchange movements, sales mix and higher raw material costs/utility costs.

Operating Expenses

- Total operating expenses decreased 11% to HK\$3,022 million (FY2021/2022: HK\$3,409 million). This was mainly due to effective cost rationalisation in our operations; higher COVID-19 related government subsidies; efficiencies in advertising and promotional spending; lower impairment of property, plant and equipment; lower write-downs of inventories; and the absence of non-recurring expenses associated with the relocation of the Shenzhen operation to the new facility in Dongguan, Mainland China in FY2021/22. There was no further impairment of goodwill in the Singapore business this year.
- Marketing, selling and distribution expenses decreased 9% to HK\$2,024 million (FY2021/2022: HK\$2,215 million), mainly due to greater efficiencies in advertising and promotion spending, effective cost rationalisation in our operations, and higher COVID-19 related government subsidies.
- Administrative expenses decreased 4% to HK\$672 million (FY2021/2022: HK\$702 million), mainly due, as noted above, to non-recurring costs associated with the relocation of the Shenzhen operation in Mainland China last year.
- Other operating expenses mainly included staff costs for other supporting functions, sundry tax charges in Mainland China and a management fee charged by a related party. These expenses decreased by 34% to HK\$326 million (FY2021/2022: HK\$492 million), mainly due to lower impairment of property, plant and equipment, lower write-downs of inventories and the absence of goodwill impairment in the Singapore business this year.

COVID-19-related Government Grants

- In FY2022/2023, the Group received COVID-19 related government subsidies of HK\$65 million (FY2021/2022: HK\$20 million), which were mainly related to COVID-19 financial assistance in support of the Vitaland school business in Hong Kong and staff retention.

Segment	Subsidy recognised	
	2023 (HK\$ million)	2022 (HK\$ million)
Hong Kong Operation	60	17
Mainland China	3	2
Singapore	-	1
Others	2	-
	65	20

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

- EBITDA for the year was HK\$621 million, an increase of 82% year-on-year, mainly driven by reduced operating expenses and higher COVID-19 related government subsidies. The EBITDA to revenue margin for the year increased from 5% to 10%.

Profit/(Loss) from Operations

- Profit from operations was HK\$104 million for the year, versus a loss of HK\$213 million last year.

Profit/(Loss) Before Taxation

- Profit before taxation was HK\$49 million for the year, compared with last year's loss before taxation of HK\$236 million.

Taxation

- Income tax charged for the year was HK\$28 million (FY2021/2022: income tax credited HK\$75 million) with an effective tax rate of 57% versus 32% last year, mainly due to lower recognition of deferred tax credits in respect of prior years' tax losses.

Profit/(Loss) Attributable to Equity Shareholders of the Company

- Profit attributable to equity shareholders of the Company was HK\$46 million, versus a loss of HK\$159 million last year.

General Review

The Group's revenue for FY2022/2023 dropped 2% in Hong Kong dollar terms but rose 2% net of currency impact over the previous year. Despite surging input costs and utility expenses, we were able to register a profit attributable to shareholders of HK\$46 million, reversing a loss of HK\$159 million in the previous year.

Mainland China

- Revenue in local currency terms dropped slightly by 2% to RMB3,084 million.
- Our Mainland China operation registered an operating profit of RMB40 million versus an operating loss of RMB280 million in FY2021/2022, mainly due to effective control of higher input costs and operating expenses.
- We have successfully implemented a pricing strategy to partially alleviate input cost pressures and have strengthened our organisational capabilities in our Mainland China operation. VITASOY retains strong leadership in the soymilk market. In our VITA brand, our core premium Lemon Tea range was the main revenue driver, while sparkling tea and new fruit tea continued to gain popularity.

Hong Kong Operation

- Our Hong Kong Operation made a strong recovery in FY2022/2023, driven by effective field sales execution, improved traffic since the removal of travel restrictions and an increase in the number of school days for the Vitaland tuck shop business. Revenue grew 11% from the previous year to HK\$2,144 million.
- We also grew our market share for soymilk, plant milk and tea, despite already being the leader in these three categories. Successful new innovations such as VITASOY CALCI-PLUS Protein Drink, VITA Fresh Tea and Sparkling Peach Orange Tea have been well accepted by shoppers, thereby generating incremental revenue.
- Our operating profit grew by 10% in FY2022/2023. Excluding COVID-19 related government subsidies, our operating profit would have dropped by 13%, mainly due to a surge in raw material prices and production costs, but partly offset by an increase in sales.

Australia and New Zealand

- Revenue increased by 3% in local currency during the year, despite economic headwinds.
- Profit from operations dropped by 89% in local currency, mainly due to increased raw material prices and higher logistics and overhead costs.
- New products launched during the year, including VITASOY Café Latte Oat Milk and the VITASOY Greek Style Yoghurt range, have been well received by consumers.
- During the year, we completed the acquisition of the remaining 49% equity interest in our non-wholly owned subsidiary in Australia. The transition and integration were managed effectively by our competent local team, who will continue to drive the business via core and new products.

Singapore

- Revenue decreased by 11% in local currency terms. This was due in part to the commoditisation of the local tofu category, which caused consumers to switch to more affordable options. Furthermore, export sales to Europe, our main tofu export market, fell as a result of weak overseas demand and increased logistical costs.
- Operating loss decreased owing to lower advertising and promotion expenses and sales-related transportation costs, partly offset by lower revenue and higher raw material prices and utility costs.

Outlook

Our Company is well positioned for long-term growth because of the strong potential of the plant-based market, as well as the solid foundation of our proven product platforms, market understanding and organisational scale and capabilities. In the short term, however, cost pressures will likely persist, as the price of raw materials and utilities together with logistics expenses are expected to remain high.

Mainland China

- The goal of our business in this market is to continue scaling up via disciplined execution, ever-improving availability and selective innovation. VITASOY will drive core product sales via a new marketing campaign, while VITA will drive its product platforms (Fruit, No Sugar, Sparkling) by leveraging on-the-go consumption.

Hong Kong Operation

- As the Hong Kong SAR is our most developed market, we will complement execution on our core products with continuous innovation on both VITASOY and VITA brands, with a particular focus on the rapidly growing fresh short-shelf-life segment.

Australia and New Zealand

- The market for plant-based food and beverages continues to grow in Australia and New Zealand ahead of other markets in Asia, thus providing us with a unique opportunity to pilot new initiatives for broader reapplication. We will continue to drive key plant milk categories while strengthening the availability and range of our new plant-based yoghurt.

Singapore

- With the commoditisation of the tofu category, we will continue to drive cost efficiencies via product and organisational rationalisation, while at the same time driving growth in the export tofu business and beverages.

Philippines

- This market's results are not consolidated but the joint venture with Universal Robina Corporation, our local joint venture partner, continues to perform strongly as a result of strong growth in the still small plant-based milk category. We are now leveraging local manufacturing and growth in both single serve and multi serve by offering a range that has evolved from soymilk to the broader plant milk segments of Almond Milk and Oat Milk. The increasing mobility of on-the-go consumers and wider distribution will help us revive our single-serve business.

Financial Position

- The Group finances its operations and capital expenditure primarily through internally-generated cash as well as banking facilities provided by our principal bankers.
- As of 31st March 2023, cash and bank deposits amounted to HK\$555 million (31st March 2022: HK\$622 million), with 62%, 27% and 6% of our cash and bank deposits denominated in Hong Kong dollars (HKD), Renminbi (RMB) and United States dollars (USD), respectively (31st March 2022: 40%, 50% and 3%). As of 31st March 2023, the Group had a net debt balance (cash and bank deposits less bank borrowings, bills payable and lease liabilities) of HK\$197 million (31st March 2022: HK\$232 million). Available banking facilities amounted to HK\$1,146 million (31st March 2022: HK\$968 million) to facilitate future cash flow needs.
- The Group's debt amounted to HK\$753 million (31st March 2022: HK\$854 million), of which bank borrowings amounted to HK\$525 million (31st March 2022: HK\$490 million), bills payable amounted to HK\$92 million (31st March 2022: HK\$176 million), and lease liabilities amounted to HK\$136 million (31st March 2022: HK\$188 million).
- The gearing ratio (total debt/total equity attributable to equity shareholders of the Company) decreased to 25% (31st March 2022: 26%).
- The Group's return on capital employed (ROCE) being (EBITDA/ average non-current debt and equity) for the year was 18% (FY2021/2022: 9%).
- Capital expenditure incurred during the year decreased to HK\$154 million (FY2021/2022: HK\$243 million), mainly due to normalised investment to maintain and upgrade our production lines and equipment.
- There were no assets pledged or secured under loan and/or lease arrangements.

Sustainability Report 2022/2023

- The Group publishes various non-financial KPIs in its *Sustainability Report 2022/2023*, which will be released in July 2023 together with FY2022/2023 annual report.

Tax Strategy

- When considering tax, the Group gives due consideration to the importance of corporate and social responsibilities. More specifically, the Group commits to paying taxes in the countries where value is created and ensure it is fully compliant with tax laws across all relevant jurisdictions. The Group also commits to following the Organisation for Economic Co-operation and Development (OECD) transfer pricing guidelines and to ensuring that the arm's length principle is always observed in transactions between Group companies. In addition, the Group commits to being open and transparent with tax authorities about the Group's tax affairs and to disclosing relevant information to enable tax authorities to carry out their reviews.

Financial Risk Management

- The Group's overall financial management policy focuses on anticipating, controlling and managing risks, and covering transactions directly related to the underlying businesses of the Group. For synergy, efficiency and control, the Group operates a central cash and treasury management system for all subsidiaries. Borrowings are normally taken out in local currencies by the operating subsidiaries to fund their investments and partially mitigate foreign currency risks.

Potential Risk and Uncertainties

- The Company has implemented a comprehensive risk management framework across the Group to consistently anticipate, assess and mitigate key business risks, as well as a risk governance structure to ensure risk ownership and proper oversight. In view of the rapidly changing business environment, the Group Internal Audit and Risk Management Department has stepped up its efforts to improve key risk indicators, identify external emerging risks, and facilitate risk reviews for key purchasing decisions. Details of these risk management processes are covered in the Risk Management section of the Corporate Governance Report in FY2022/2023 annual report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March 2023, complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

REVIEW OF ANNUAL RESULTS BY AUDIT 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 has 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 regularly reviews the Company's corporate governance structure and practices and monitors its performance on an ongoing basis.

The Group's annual results for the year ended 31st March 2023 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 has 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 FY2022/2023 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, 20th June 2023

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