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 2017

HIGHLIGHTS

- In FY2016/2017, our Group delivered another year of steady performance with our Sustainable Growth strategy in the context of rising competitive pressure and increasingly volatile economic conditions.
- Key business performances
    - Mainland China – "Go Deep Go Wide" strategy yields solid sales and profit growth.
    - Hong Kong Operation (Hong Kong, Macau and Exports) – Stable position in a challenging retail economy.
    - Australia and New Zealand – Strong performance and market leadership.
    - Singapore – Maintained leadership in tofu while enhancing beverage capabilities.
- The Group's revenue in FY2016/2017 was HK$5,406 million, down 3%. Excluding the impact of the North American disposal, the Group achieved an increase of 6%.
- Gross profit for the year was HK$2,873 million, up HK$47 million or 2%, with gross profit margin improving to 53%. Excluding the North American disposal, gross profit increased by 5% with gross profit margin on a par with last year.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation) for the year was HK$1,083 million, up HK$271 million or 33%. Excluding the North American disposal, EBITDA increased by 6%
- EBITDA to revenue margin was 20%. Net of the North American disposal, the EBITDA to revenue margin was 17%.
- Profit attributable to equity shareholders of the Company was HK$618 million, an increase of 16%. Excluding the impact of the North American disposal, profit attributable to equity shareholders of the Company increased by 2%.
- A final dividend of HK27.1 cents per ordinary share has been proposed. In addition, a special dividend of HK4.2 cents per ordinary share has been proposed due to the one-off net gain from the North American disposal. Total dividend per ordinary share for the year increased by 16% to HK35.1 cents (FY2015/2016 total dividend: HK30.3 cents per ordinary share).

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 2017, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	3 & 4	**5,406,090**	5,551,898
Cost of sales		**(2,532,704)**	(2,726,117)
Gross profit		**2,873,386**	2,825,781
Other income	5	**34,638**	32,050
Net gain on disposal of assets and liabilities classified as held for sale	11	**189,595**	-
Marketing, selling and distribution expenses		**(1,491,517)**	(1,496,807)
Administrative expenses		**(487,795)**	(468,279)
Other operating expenses		**(270,273)**	(289,393)
Profit from operations		**848,034**	603,352
Finance costs	6(a)	**(3,730)**	(4,044)
Share of losses of joint venture		**(627)**	-
Profit before taxation	6	**843,677**	599,308
Income tax	7	**(190,383)**	(34,064)
Profit for the year		**653,294**	565,244
Attributable to:			
Equity shareholders of the Company		**618,372**	530,616
Non-controlling interests		**34,922**	34,628
Profit for the year		**653,294**	565,244
Earnings per share	9		
Basic		**HK58.9 cents**	HK50.9 cents
Diluted		**HK58.4 cents**	HK50.4 cents

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March 2017

	2017	2016
	HK$'000	HK$'000
Profit for the year	**653,294**	565,244
Other comprehensive income for the year (after tax)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefit liabilities	**8,579**	(11,457)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(87,588)**	(41,943)
Cash flow hedge: net movement in the hedging reserve	**(888)**	(217)
Total comprehensive income for the year	**573,397**	511,627
Attributable to:		
Equity shareholders of the Company	**543,723**	480,523
Non-controlling interests	**29,674**	31,104
Total comprehensive income for the year	**573,397**	511,627

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2017

	Note	**2017**		2016	
		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			**62,182**		67,568
- Investment properties			**4,614**		5,140
- Other property, plant and equipment			**1,986,480**		2,114,264
			2,053,276		2,186,972
Deposits for the acquisition of property, plant and equipment			**1,125**		309
Intangible assets			**4,010**		4,530
Goodwill			**35,293**		36,547
Interest in joint venture			**148**		-
Bank deposits			**-**		1,406
Deferred tax assets			**56,451**		101,290
			2,150,303		2,331,054
Current assets					
Inventories		**582,446**		528,264	
Trade and other receivables	10	**900,003**		827,627	
Current tax recoverable		**736**		8,072	
Cash and bank deposits		**853,119**		271,731	
		2,336,304		1,635,694	
Assets of disposal group classified as held for sale	11	**-**		218,078	
		2,336,304		1,853,772	
Current liabilities					
Trade and other payables	12	**1,466,904**		1,286,879	
Bank loans		**7,329**		139,652	
Obligations under finance leases		**1,221**		1,135	
Current tax payable		**37,781**		16,675	
		1,513,235		1,444,341	
Liabilities of disposal group classified as held for sale	11	**-**		26,039	
		1,513,235		1,470,380	
Net current assets			**823,069**		383,392
Total assets less current liabilities			**2,973,372**		2,714,446
Non-current liabilities					
Bank loans		**200,000**		207,341	
Obligations under finance leases		**909**		2,134	
Employee retirement benefit liabilities		**22,065**		28,033	
Deferred tax liabilities		**60,692**		65,075	
			283,666		302,583
NET ASSETS			**2,689,706**		2,411,863

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st March 2017

	Note	**2017** HK$'000	**2017** HK$'000	2016 HK$'000	2016 HK$'000
CAPITAL AND RESERVES					
Share capital			**774,246**		733,722
Reserves			**1,697,123**		1,466,013
Total equity attributable to equity shareholders of the Company			**2,471,369**		2,199,735
Non-controlling interests			**218,337**		212,128
TOTAL EQUITY			**2,689,706**		2,411,863

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 31st March 2017 and the financial information relating to the year ended 31st March 2016 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 2016, 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 2017 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 2016 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 the statutory financial statements of the Group for the year ended 31st March 2016. 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 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

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 disposed of the majority of the assets and liabilities of Vitasoy USA Inc. on 9th May 2016 ("the Disposal"). After the Disposal, Vitasoy USA Inc. engages only in importing beverage products from Hong Kong for sale in North America which is not significant to the Group. Accordingly, the results, assets and liabilities in connection with such business are presented under the Hong Kong Operation segment for the year ended 31st March 2017. The corresponding gain on Disposal is excluded from reportable segment profit/(loss) from operations due to its non-recurrent nature.

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 2017 and 2016 is set as below:

	Mainland China		**Hong Kong Operation**		**Australia and New Zealand**		**Singapore**		**North America**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**2,666,244**	2,404,155	**2,167,552**	2,069,421	**471,894**	419,807	**100,400**	106,058	**-**	552,457	**5,406,090**	5,551,898
Inter-segment revenue	**85,012**	91,920	**64,307**	235,609	**346**	281	**2,004**	1,279	**-**	-	**151,669**	329,089
Reportable segment revenue	**2,751,256**	2,496,075	**2,231,859**	2,305,030	**472,240**	420,088	**102,404**	107,337	**-**	552,457	**5,557,759**	5,880,987
Reportable segment profit/(loss) from operations	**317,197**	281,494	**381,012**	380,350	**87,214**	84,199	**11,522**	10,993	**-**	(32,758)	**796,945**	724,278
Interest income from bank deposits	**765**	727	**4,392**	1,118	**156**	156	**1**	1	**-**	-	**5,314**	2,002
Finance costs	**(961)**	(109)	**(745)**	(728)	**(2,024)**	(3,137)	**-**	-	**-**	(70)	**(3,730)**	(4,044)
Depreciation and amortisation for the year	**(129,930)**	(84,877)	**(95,919)**	(93,890)	**(11,321)**	(10,188)	**(3,552)**	(3,215)	**-**	(18,651)	**(240,722)**	(210,821)
Reportable segment assets	**2,049,409**	2,125,058	**2,950,858**	2,868,189	**362,806**	350,193	**96,439**	102,129	**-**	263,671	**5,459,512**	5,709,240
Reportable segment liabilities	**1,304,623**	1,394,335	**721,986**	774,536	**105,010**	116,569	**11,695**	16,988	**-**	385,193	**2,143,314**	2,687,621
Additions to non-current segment assets during the year	**120,586**	593,121	**59,364**	81,985	**13,405**	19,299	**4,842**	3,861	**-**	12,759	**198,197**	711,025

4. Segment reporting (continued)

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

	2017	2016
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**5,557,759**	5,880,987
Elimination of inter-segment revenue	**(151,669)**	(329,089)
Consolidated revenue	**5,406,090**	5,551,898

	2017	2016
	HK$'000	HK$'000
Profit or loss		
Reportable segment profit/(loss) from operations	**796,945**	724,278
Finance costs	**(3,730)**	(4,044)
Share of losses of joint venture	**(627)**	-
Net gain on disposal of assets and liabilities classified as held for sale	**189,595**	-
Unallocated head office and corporate expenses	**(138,506)**	(120,926)
Consolidated profit before taxation	**843,677**	599,308

	2017	2016
	HK$'000	HK$'000
Assets		
Reportable segment assets	**5,459,512**	5,709,240
Elimination of inter-segment receivables	**(1,030,931)**	(1,635,884)
	4,428,581	4,073,356
Interest in joint venture	**148**	-
Deferred tax assets	**56,451**	101,290
Current tax recoverable	**736**	8,072
Unallocated head office and corporate assets	**691**	2,108
Consolidated total assets	**4,486,607**	4,184,826

4. Segment reporting (continued)

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

	2017	2016
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	**2,143,314**	2,687,621
Elimination of inter-segment payables	**(492,880)**	(1,049,399)
	1,650,434	1,638,222
Employee retirement benefit liabilities	**22,065**	28,033
Deferred tax liabilities	**60,692**	65,075
Current tax payable	**37,781**	16,675
Unallocated head office and corporate liabilities	**25,929**	24,958
Consolidated total liabilities	**1,796,901**	1,772,963

5. Other income

	2017	2016
	HK$'000	HK$'000
Government grants (note)	**7,917**	8,283
Interest income	**5,314**	2,002
Rental income	**3,406**	4,191
Scrap sales	**1,637**	8,611
Reversal of long outstanding other payables	**1,970**	1,720
Sundry income	**14,394**	7,243
	34,638	32,050

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):

	2017	2016
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**5,544**	5,656
Finance charges on obligations under finance leases	**201**	276
	5,745	5,932
Less: interest expense capitalised into property, plant and equipment *	**(2,015)**	(1,888)
	3,730	4,044

* The borrowing costs have been capitalised at a rate of 1.43% per annum (2016: 1.47%).

	2017	2016
	HK$'000	HK$'000
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**1,520**	1,607
Amortisation of intangible assets	**367**	367
Depreciation		
- Investment properties	**526**	526
- Assets acquired under finance leases	**254**	248
- Other assets	**238,055**	208,073
Recognition of impairment losses on trade and other receivables	**4,186**	141
Recognition of impairment losses on property, plant and equipment	**1,631**	679
Cost of inventories	**2,536,157**	2,808,139

7. Income tax

Taxation in the consolidated statement of profit or loss represents:

	2017	2016
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**51,941**	50,095
Over-provision in respect of prior years	**(13)**	(54)
	51,928	50,041
Current tax – Outside Hong Kong		
Provision for the year	**103,465**	55,984
(Over)/under-provision in respect of prior years	**(1,987)**	61
	101,478	56,045
Deferred tax	**36,977**	(72,022)
	190,383	34,064

Note: The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 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

	2017	2016
	HK$'000	HK$'000
Interim dividend declared and paid of HK3.8 cents per ordinary share (2016: HK3.8 cents per ordinary share)	**39,958**	39,656
Final dividend proposed after the end of the reporting period of HK27.1 cents per ordinary share (2016: HK26.5 cents per ordinary share)	**285,349**	277,935
Special dividend proposed after the end of the reporting period of HK4.2 cents per ordinary share (2016: Nil)	**44,224**	-
	369,531	317,591

The final and special dividends proposed after the end of the reporting period are based on 1,052,947,500 ordinary shares (2016: 1,048,811,500 ordinary shares), being the total number of issued shares at the date of approval of the financial statements.

The final and special dividends proposed after the end of the reporting period have 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

	2017	2016
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26.5 cents per ordinary share (2016: HK21.2 cents per ordinary share)	**278,400**	221,111

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$618,372,000 (2016: HK$530,616,000) and the weighted average number of 1,050,283,000 ordinary shares (2016: 1,042,467,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
	Number of shares '000	Number of shares '000
Issued ordinary shares at 1st April	**1,047,330**	1,039,515
Effect of share options exercised	**2,953**	2,952
Weighted average number of ordinary shares at 31st March	**1,050,283**	1,042,467

(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$618,372,000 (2016: HK$530,616,000) and the weighted average number of 1,059,023,000 ordinary shares (2016: 1,053,076,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017	2016
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares at 31st March	**1,050,283**	1,042,467
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**8,740**	10,609
Weighted average number of ordinary shares (diluted) at 31st March	**1,059,023**	1,053,076

10. Trade and other receivables

	2017	2016
	HK$'000	HK$'000
Trade debtors and bills receivable	**677,129**	637,940
Less: Allowance for doubtful debts	**(3,375)**	(1,227)
	673,754	636,713
Other debtors, deposits and prepayments	**226,249**	190,914
	900,003	827,627

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 allowance for doubtful debts, is as follows:

	2017	2016
	HK$'000	HK$'000
Within three months	**648,675**	620,989
Three to six months	**23,270**	14,154
Over six months	**1,809**	1,570
	673,754	636,713

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. Disposal group held for sale

The assets and liabilities of Vitasoy USA Inc. attributable to the Disposal had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31st March 2016. The Disposal was completed on 9th May 2016 at a consideration of US$51.4 million (equivalent to approximately HK$398.9 million). All the assets and liabilities held for sale were derecognised upon completion and a pre-tax gain of US$24.4 million (equivalent to approximately HK$189.6 million) was recognised as other income for the year ended 31st March 2017.

As at 31st March 2017, there was balance of the consideration of US$5 million (equivalent to approximately HK$38.8 million) held in an escrow account which was recorded in other receivables.

Vitasoy USA Inc. continues to import beverage products from Hong Kong for sale in North America after the Disposal.

The details of the Disposal are as follows:

	2017
	HK$'000
Consideration received and receivable	**398,874**
Net assets of disposal group as at the date of disposal	
Carrying amount of property, plant and equipment	**(118,029)**
Carrying amount of inventories	**(40,046)**
Carrying amount of trade and other receivables	**(54,897)**
Carrying amount of trade and other payables	**25,544**
Transaction costs	**(21,851)**
Net gain on disposal of assets and liabilities classified as held for sale (note 4(b))	**189,595**
Total consideration satisfied by cash	**398,874**
Cash to be received	**(38,797)**
	360,077
Transaction costs	**(21,851)**
Net cash inflow on disposal of assets and liabilities held for sale	**338,226**

12. Trade and other payables

	2017 **HK$'000**	2016 HK$'000
Trade creditors and bills payable	**497,239**	416,294
Accrued expenses and other payables	**969,047**	868,395
Derivative financial instruments	**618**	2,190
	1,466,904	1,286,879

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:

	2017 **HK$'000**	2016 HK$'000
Within three months	**496,435**	401,024
Three to six months	**431**	14,364
Over six months	**373**	906
	497,239	416,294

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

13. 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 2017 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.

DIVIDENDS

In view of the Group's business growth and healthy financial position, the Board of Directors is recommending a final dividend of HK27.1 cents per ordinary share and a special dividend of HK4.2 cents per ordinary share at the Annual General Meeting on 6th September 2017 (the "AGM"). This, coupled with the interim dividend of HK3.8 cents per ordinary share, means that the Company's total dividend for FY2016/2017 will be HK35.1 cents per ordinary share (FY2015/2016 total dividend: HK30.3 cents per ordinary share). The proposed final and special dividends will be payable on Tuesday, 26th September 2017 to shareholders whose names appear in the Company's register of members on Thursday, 14th September 2017.

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:	
- Latest time to lodge transfer documents for registration with the Company's Share Registrar	At 4:30 p.m. on 31st August 2017
- Closure of the Company's Register of Members	1st September 2017 to 6th September 2017 (both dates inclusive)
- Record date	6th September 2017
(b) For determining entitlement to the proposed final and special dividends:	
- Latest time to lodge transfer documents for registration with the Company's Share Registrar	At 4:30 p.m. on 11th September 2017
- Closure of the Company's Register of Members	12th September 2017 to 14th September 2017 (both dates inclusive)
- Record date	14th September 2017

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 and special dividends, 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

Mainland China remained the largest contributor to the Group's revenue at 49%. During FY2016/2017, sales revenue grew by 11% to reach HK$2,666 million. Adjusting for currency fluctuations by reporting in RMB, sales grew by 17%.

On a comparable basis, the Hong Kong sales remained flat and a slight drop of 1% in operating profit was recorded. After re-clustering the post-divestiture North American business under Hong Kong, revenue increased by 5% to HK$2,168 million. Focusing on growing our main Vitasoy franchise, we augmented our presence through increased distribution channels and new innovative products.

Australia and New Zealand delivered a satisfactory result with revenue up 12% to HK$472 million. With a solid core business and a disciplined, well-tailored commercial strategy, we have improved in-store execution, promotion strategy, distribution and our product range to enhance our market leadership in Australia.

The past year was a year of transition for the Singapore business, with sales slowing by 5% to HK$100.4 million, as we changed to another import distributor for ambient beverages. Part of this decline was due to a planned decrease in trade inventories as we switched to the new distributor.

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

- For the year ended 31st March 2017, the Group's revenue decreased by 3% to HK$5,406 million (FY2015/2016: HK$5,552 million), due to the divestiture of the North American Mainstream and SAN SUI Business (the "North American divestiture"). Excluding the impact of the North American divestiture, the Group achieved a revenue increase of 6% against last year in Hong Kong dollars, equivalent to an increment of 8% on a constant currency basis.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the year FY2016/2017 was HK$2,873 million, up 2% (FY2015/2016: HK$2,826 million), driven by an improvement in gross profit margin.
- Gross profit margin improved to 53% in FY2016/2017 (FY2015/2016: 51%), attributable to improved manufacturing efficiency resulting from increased volume, as well as favourable commodity prices – particularly for milk powder, soya beans, packaging materials and crude oil. Excluding the impact of the North American divestiture, gross profit margin remained at a similar level to that of last year.

Operating Expenses

- Total operating expenses remained at the same level, being HK$2,250 million (FY2015/2016: HK$2,254 million) for the year under review, mainly due to stringent cost management.
- Marketing, selling and distribution expenses were also stable at HK$1,492 million (FY2015/2016: HK$1,497 million) as a result of careful cost management and savings in transportation costs. The location of the Wuhan plant has shortened product delivery distances to our customers in Central China, leading to savings in fuel and shipping costs.
- Administrative expenses increased 4% to HK$488 million (FY2015/2016: HK$468 million), reflecting inflationary adjustments to salaries; strengthened organisational capacity and capability; increased depreciation charges associated with capital investment in recent years; and higher travelling and recruitment expenses linked to the expansion of organisational capacity and capability.
- Other operating expenses were HK$270 million, versus HK$289 million for the same period last year.

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

- EBITDA for the year was HK$1,083 million, up 33% year-on-year. Excluding the North American divestiture, EBITDA increased by 6%, mainly driven by higher gross profit and cost savings.
- The EBITDA to revenue margin for the year was 20%. Net of the North American divestiture, the EBITDA to revenue margin was 17%.

Profit from Operation

- With the improvement in gross profit and the one off net gain on the North American divestiture, as well as stringent control of operating costs, profit from operations increased by 41% to HK$848 million. Excluding the impact of the North American divestiture, profit from operations increased by 3% compared to the previous year.

Profit Before Taxation

- Profit before taxation improved by 41% to HK$844 million (FY2015/2016: HK$599 million). Excluding the impact of the North American divestiture, profit before taxation improved by 3% - mainly due to a reduction in net finance costs as a result of prudent cash flow management, in spite of a moderate increase in depreciation and amortisation charges.

Taxation

- Income tax charged for the year was HK$190 million (FY2015/2016: HK$34 million). The increase was due to the increase in operating profit and the tax expenses of HK$84 million incurred on the North American divestiture. Income tax charged for the year (net of the impact of the North American divestiture) was HK$106 million (FY2015/2016: HK$100 million). Excluding the above, the effective tax rate would have remained at the same level as last year, at 16%.

Profit Attributable to Equity Shareholders of the Company

- Profit attributable to equity shareholders of the Company was HK$618 million, representing an increase of 16% compared to the previous year (FY2015/2016: HK$531 million). Excluding the impact of the North American divestiture, profit attributable to equity shareholders of the Company increased by 2%, mainly due to improvements in operating profit and reduction in net finance costs, and partly offset by higher tax charges.

General Review

Despite the challenging economic environment, the Vitasoy Group delivered another year of steady performance in FY2016/2017.

Due to the North American divestiture, the Group registered a net sales decrease of 3% (flat on a constant currency basis). Excluding the impact of the North American divestiture, revenue increased by 6% year-on-year to HK$5,360 million, and 8% on a constant currency basis. Profit attributable to equity shareholders of the Company increased by 16% to HK$618 million, was mainly due to the gain from the North American divestiture. Net of the impact of the North American divestiture, the underlying profit attributable to equity shareholders of the Company grew by 2%.

In view of the Group's business growth and healthy financial position, the Board will recommend a final dividend of HK27.1 cents per ordinary share and a special dividend of HK4.2 cents per ordinary share at the Annual General Meeting to be held on 6th September 2017. Together with the interim dividend of HK3.8 cents per ordinary share, this brings the total dividend for FY2016/2017 to HK35.1 cents per ordinary share (FY2015/2016 total dividend: HK30.3 cents per ordinary share).

Mainland China

- Mainland China experienced slower GDP growth in 2016, which affected sales of consumer goods.
- Continuing to execute the Group's "Go Deep Go Wide" strategy, Vitasoy China accelerated growth in the Central and Eastern regions, backed by strong support from the new Wuhan plant.
- During the year under review, Vitasoy China benefitted from non-recurring lower commodity costs, which helped improve our gross profit margin.
- Strong brand building and innovative marketing efforts helped sustain Vitasoy China's leadership position in the soy milk segment in Guangdong province. Vitasoy China's business continued to strengthen its organisational capacity and capabilities, especially in marketing.
- Enterprise Resources Planning (ERP) platform was implemented at all facilities across Mainland China during the year.
- A 5% depreciation of the Renminbi versus the Hong Kong dollar has negatively impacted our results when reported in Hong Kong dollars. On a constant currency basis, sales and operating profit grew by 17% and 19%, respectively during the year.

Hong Kong Operation (Hong Kong, Macau and Exports)

- In FY2016/2017, economic conditions in Hong Kong continued to decelerate, following a 24-month declining trend in retail sales.
- On a comparable basis, the results of the Hong Kong Operation remained flat compared with the previous year. We continued to leverage product innovation, introducing VITASOY Black Soya Milk, rebranding CALCI-PLUS Soya Milk under the flagship VITASOY brand in a total product packaging revamp supported by TV advertising to highlight its nutritional value, and expanding the VITA portfolio with the addition of No Sugar Jasmine Tea and No Sugar Green Tea.
- Macau also suffered from a weak economy as fewer Mainland tourists visited Macau. As a result, net sales from the Macau business dropped by 1% year-on-year.
- After the North American divestiture, the North American business of imported beverages from Hong Kong has been reported under the Hong Kong Operation. Hong Kong's Export business achieved good progress and profitability, building on initiatives to improve the export distributor's performance.
- Vitaland Group generated 6% top-line growth year-on-year, mainly attributable to winning more tuck shop contracts and securing more lunch meals. However, labour supply shortages have resulted in higher salary demands, which impacted profitability. As a result, profit from operations decreased by 19% year-on-year.

Australia and New Zealand

- The Australian economy continued to grow in 2016, however wage growth has slowed down and price deflation is affecting manufacturers in the food and beverage industry. As a result, retailers continue to focus on every day value as a key driver to winning consumers.
- Growth in the plant milk category remained healthy, driven by the Almond and Coconut segments. The popularity of plant milks continued to rise, with increased household penetration during the year.
- Responding to market dynamics, Vitasoy Australia also increased commercial investment. As a result, Vitasoy Australia continued to hold the market leadership position in Australia
- In September 2016, Vitasoy Australia launched an organic soya bean milk product called PROTEIN-PLUS, which complements our existing VITASOY Creamy Original soya milk and CALCI-PLUS products. The launch was supported with TV advertising and in-store sampling at key locations in metro cities. The products have received very positive market response.
- Two TV campaigns focused on Soya Milk and Almond Milk, emphasising the theme of Australian-grown plant milks for breakfast, coffee and smoothies, and a "Mix and Win" consumer promotion encouraged consumers to use Vitasoy Australia's products in smoothies.
- In addition, a social media campaign encouraged target audiences to increase the intake of plant-based products in their diets.

Singapore

- Singapore's economy grew by 1.8% in 2016, reflecting its slowest economic expansion since 2009. Consumer prices dropped by 1% year-on-year, and major retail channels, including grocery retailers, recorded further declines in sales.
- Vitasoy Singapore experienced a 5% decline in revenue in FY2016/2017 as the business deliberately reduced inventory levels in preparation for the transition to a new beverage distributor.
- Allowing for an initial dip as we fine-tune our working relationship with the new distributor, we expect to achieve stronger business results in the long term. Profitability has already been positively affected, as increased sales prices agreed with the new distributor have improved margins.
- Our operating profit grew 5% with stringent cost management.
- Our Tofu business grew and maintained clear market leadership through dedicated focus on in-store excellence and leveraging Vitasoy's brand equity in communications – resulting in an increase in VITASOY Premium Organic Tofu sales year-on-year, and enabling synergies with the VITASOY beverage business.

Outlook

Looking forward towards FY2017/2018, we will continue to invest in growing brand equity and expanding our geographical presence, while scaling up our business and growing market share in our core operating markets.

Mainland China

- Vitasoy China will continue to execute its "Go Deep Go Wide" strategy and build strong brand equity.
- With ERP implementation now complete throughout Mainland China, the Group will benefit from enhanced management information and operational efficiency.
- The plant in Wuhan is operating smoothly, and we are growing capacity utilisation to support additional business growth.

Hong Kong Operation (Hong Kong, Macau and Exports)

- Vitasoy Hong Kong will continue to define our core categories' progress via renewed efforts in brand equity building, product and marketing innovation, and improving commercial execution.

Australia and New Zealand

- As innovative new entrants continue to expand product offerings in plant milk, the Group expects continued solid growth in our competitive position. As the category expands beyond soy-based drinks, Vitasoy Australia's comprehensive portfolio is well positioned to continue strengthening its market leadership.

Singapore

- Following the transition to a new imported beverage distributor, the Group expects to see a return to growth in this business segment, coupled with strong growth behind VITASOY Tofu offerings.

Philippines

- The Group has formed a joint venture with Universal Robina Corporation in the Philippines. Although contributions are expected to be modest in the first phase, the Group remains confident that we can expand Vitasoy's plant based portfolio with an established local partner, providing a strong and wide platform to expand Vitasoy's business portfolio in the Philippines. We look forward to bringing Vitasoy's high quality plant based nutrition to the health-conscious in the Philippines

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 at 31st March 2017, our cash and bank deposits amounted to HK$853 million (31st March 2016: HK$273 million). 66%, 24% and 7% of our cash and bank deposits were denominated in Hong Kong dollars (HKD), Renminbi and United States dollars, respectively (31st March 2016: 14%, 69% and 9%).
- As of 31st March 2017, the Group had a net cash balance of HK$644 million (31st March 2016: net borrowing balance of HK$77 million). Available banking facilities amounted to HK$931 million (31st March 2016: HK$1,036 million) to facilitate future cash flow needs.
- The Group's borrowings (including obligations under finance leases) amounted to HK$209 million (31st March 2016: HK$350 million). The borrowings comprised HK$200 million in HKD denominated borrowings and HK$9 million in Australian dollar denominated borrowings. Fixed rate borrowings amounted to HK$9 million, with an effective interest rate of 5.64% and 7.50% for bank loans and obligations under finance leases, respectively.
- The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) decreased to 8% (31st March 2016: 16%) as various capital expenditure projects were completed during the year, and the Group started to repay borrowings using internally generated cash, as well as the proceeds from the North American divestiture.
- The Group's return on capital employed (ROCE) (EBITDA/average non-current debt and equity for the year was 39% (FY2015/2016: 34%). The increase in ROCE was due to the one-off gain from the North American divestiture, and efficient employment of capital to generate higher shareholder value.
- Capital expenditure incurred during the year decreased to HK$197 million (FY2015/2016: HK$714 million). The significant drop was because the Wuhan plant construction was completed and production lines were added in our Foshan plant. The capital expenditure was invested in the construction of our new plant in Wuhan, Mainland China, as well as upgrade of existing production machinery in both Hong Kong and Mainland China.
- Assets with a carrying value of HK$65 million (31st March 2016: HK$71 million) were pledged under certain loans and lease arrangements.

Sustainability Report

- The Group published our first Sustainability Report two years ago, in which we described our purpose, our sustainability model and a description of our approach. Our second Sustainability Report updated our initial efforts with a re-articulated sustainable plant-based nutrition vision, focusing on our product portfolio and operations as specific areas of action, and the integration of sustainability as a core element of our overall corporate positioning and efforts.
- Our third yearly Sustainability Report shares progress made towards our sustainability goals over the past year, as well as our targeted glide path towards FY2025/2026 – which focuses on making the right products, and making products the right way. The Sustainability Report will be delivered to shareholders together with the FY2016/2017 Annual Report.

Financial Risk Management

- The Group's overall financial management policy focuses on 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 hedge their investments.
- The financial risks faced by the Group were mainly connected with uncertainties in interest rates and exchange rate movements. At the close of FY2016/2017, the Group entered into foreign exchange contracts to hedge against foreign currency fluctuations for the receipt of royalty income in Australian dollars from our Australian operation.

Potential Risk and Uncertainties

- During the year, the Group Internal Audit and Risk Management Department implemented a phased enhancement plan to further enhance the Group's internal controls and risk management systems. The plan aims to embed a risk management process into the day-to-day operations of the Group. Through the risk management process facilitated by Group Risk Management, business entities and functional units regularly identify potential risks by evaluating their impacts and likelihood according to six clusters: reputation, strategic, market, liquidity, credit and operational. After consolidation and verification, the Group Executive examines and prioritises the key risks, and ensures that appropriate control measures are in place or in progress. A Quarterly Group Risk Management Report is provided for discussion with the Group management; and significant and emerging risks, as well as the associated control measures, are communicated with the Audit Committee
- The framework was rolled-out at the Group and Company level in Hong Kong during FY2016/2017. It will be further rolled out to all subsidiaries over the coming financial year. Details of the new risk management process are covered in the Risk Management section of the Corporate Governance Report in the FY2016/2017 Annual Report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March 2017, 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 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, 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 2017 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 FY2016/2017 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 2017

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. Anthony John Liddell NIGHTINGALE and Mr. Paul Jeremy BROUGH are independent non-executive directors.