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 2019

HIGHLIGHTS

- Fiscal Year 2018/2019 has been another year of double-digit growth in both revenue and profits. The Group grew sales by 16%, behind broad-based growth across markets with the most significant contribution coming from Mainland China. Profit from operations grew even faster, by 19%, with a favourable sales mix across the portfolio and markets and high capacity utilisation.

- Key business highlights

  - Mainland China – Consistent strategy and disciplined execution delivered strong growth
  - Hong Kong Operation (Hong Kong, Macau and Exports) – Increased investment to prepare for a new phase of growth
  - Australia and New Zealand – Growing in the increasingly competitive plant milk market
  - Singapore – Maintaining tofu market leadership while growing beverage sales

- The Group's revenue in FY2018/2019 was HK$7,526 million, up 16%.

- Gross profit for the year was HK$4,042 million, up HK$622 million or 18%, with gross profit margin improving from 53% to 54%.

- EBITDA (Earnings before interest income, finance costs, income tax, depreciation, amortisation and share of losses of joint venture) for the year was HK$1,228 million, an increase of HK$165 million or 16%.

- EBITDA to revenue margin was 16%.

- Profit attributable to equity shareholders of the Company was HK$696 million, an increase of 19%.

- A final dividend of HK38.0 cents per ordinary share (FY2017/2018: a final dividend of HK31.4 cents per ordinary share) has been proposed. Together with the interim dividend of HK3.8 cents per ordinary share (FY2017/2018: an interim dividend of HK3.8 cents per ordinary share), this brings the total dividend for FY2018/2019 to HK41.8 cents per ordinary share (FY2017/2018 total dividend: HK35.2 cents per ordinary share).

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") for the year ended 31st March 2019, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Revenue	3 & 4	**7,526,495**	6,464,525
Cost of sales		**(3,484,665)**	(3,044,767)
Gross profit		**4,041,830**	3,419,758
Other income	5	**40,144**	27,829
Marketing, selling and distribution expenses		**(2,104,514)**	(1,729,371)
Administrative expenses		**(635,281)**	(559,096)
Other operating expenses		**(365,019)**	(336,872)
Profit from operations		**977,160**	822,248
Finance costs	6(a)	**(2,086)**	(1,700)
Share of losses of joint venture		**(19,236)**	(17,814)
Profit before taxation	6	**955,838**	802,734
Income tax	7	**(208,143)**	(160,679)
Profit for the year		**747,695**	642,055
Attributable to:			
Equity shareholders of the Company		**695,907**	585,774
Non-controlling interests		**51,788**	56,281
Profit for the year		**747,695**	642,055
Earnings per share	9		
Basic		**HK65.6 cents**	HK55.5 cents
Diluted		**HK65.0 cents**	HK55.0 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 2019

	2019	2018
	HK$'000	HK$'000
Profit for the year	**747,695**	642,055
Other comprehensive income for the year (after tax)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefit liabilities	**(5,141)**	6,095
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	**(122,804)**	145,272
Cash flow hedge: net movement in the hedging reserve	**(4,088)**	5,685
Total comprehensive income for the year	**615,662**	799,107
Attributable to:		
Equity shareholders of the Company	**580,823**	730,802
Non-controlling interests	**34,839**	68,305
Total comprehensive income for the year	**615,662**	799,107

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2019

		2019		2018	
	Note	**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			**176,428**		67,134
- Investment properties			**3,628**		4,088
- Other property, plant and equipment			**2,759,250**		2,277,653
			2,939,306		2,348,875
Deposits for the acquisition of property, plant and equipment			**1,601**		1,586
Intangible assets			**3,417**		3,922
Goodwill			**18,375**		18,983
Interest in joint venture			**59,290**		45,291
Deferred tax assets			**81,169**		103,362
			3,103,158		2,522,019
Current assets					
Inventories		**748,284**		709,312	
Trade and other receivables	10	**984,008**		954,944	
Current tax recoverable		**37,727**		10,209	
Cash and bank deposits		**1,005,032**		985,694	
		2,775,051		2,660,159	
Current liabilities					
Trade and other payables	11	**2,213,401**		1,863,772	
Bank loans	12	**44,508**		27,085	
Obligations under finance leases		**-**		921	
Current tax payable		**29,135**		31,265	
		2,287,044		1,923,043	
Net current assets			**488,007**		737,116
Total assets less current liabilities			**3,591,165**		3,259,135
Non-current liabilities					
Employee retirement benefit liabilities		**22,624**		16,066	
Deferred tax liabilities		**98,981**		73,923	
			121,605		89,989
NET ASSETS			**3,469,560**		3,169,146

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31st March 2019

	Note	**2019** HK$'000	**2019** HK$'000	2018 HK$'000	2018 HK$'000
CAPITAL AND RESERVES					
Share capital			**898,961**		857,335
Reserves			**2,266,451**		2,052,422
Total equity attributable to equity shareholders of the Company			**3,165,412**		2,909,757
Non-controlling interests			**304,148**		259,389
TOTAL EQUITY			**3,469,560**		3,169,146

Notes:

1. Basis of preparation

The unaudited financial information relating to the year ended 31st March 2019 and the financial information relating to the year ended 31st March 2018 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 2018, 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 2019 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 2018 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 2018. 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

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

2. Changes in accounting policies (Continued)

(a) Overview (Continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to measurement of credit losses and hedge accounting. The Group has also been impacted by HKFRS 15 in relation to accounting for consideration payable to customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

(i) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Where the effect of discounting is material, the expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for trade and other receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2. Changes in accounting policies (Continued)

(b) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation (Continued)*

(i) Credit losses (Continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowance for trade and other receivables is always measured at an amount equal to lifetime ECL. ECLs are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The adoption of the ECL model under HKFRS 9 has no material impact on the Group.

(ii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward looking.

The adoption of HKFRS 9 has not had a significant impact on the Group's financial statements in this regard.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied with following impact:

- All hedging relationships designated under HKAS 39 at 31st March 2018 met the criteria for hedge accounting under HKFRS 9 at 1st April 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

2. Changes in accounting policies (Continued)

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirement only to contracts that were not completed before 1st April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Consideration payable to a customer

HKFRS 15 requires an entity to account for consideration payable to a customer as a reduction of revenue, unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

The Group has reassessed the nature of payments to customers and only those for exchanging distinct goods or services with the customers are separately recognised as expenses. There was no significant impact on revenue and marketing, selling and distribution expenses upon the adoption of HKFRS 15 for the year ended 31st March 2019.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As a result of the adoption of HKFRS 15, “receipt in advance from customers” previously grouped under “accrued expenses and other payables” within trade and other payables is now separately disclosed in note 11.

2. Changes in accounting policies (Continued)

(d) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

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 entire revenue of the Group is derived from 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 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 2019 and 2018 is set out below:

	Mainland China		**Hong Kong Operation**		**Australia and New Zealand**		**Singapore**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**4,628,440**	3,700,034	**2,264,066**	2,158,936	**522,468**	501,807	**111,521**	103,748	**7,526,495**	6,464,525
Inter-segment revenue	**77,263**	66,128	**67,190**	47,406	**2,092**	899	**3,136**	2,519	**149,681**	116,952
Reportable segment revenue	**4,705,703**	3,766,162	**2,331,256**	2,206,342	**524,560**	502,706	**114,657**	106,267	**7,676,176**	6,581,477
Reportable segment profit from operations	**720,303**	542,267	**339,149**	352,088	**92,781**	94,639	**867**	7,333	**1,153,100**	996,327
Interest income from bank deposits	**3,751**	2,758	**9,664**	6,963	**165**	136	**1**	2	**13,581**	9,859
Finance costs	**-**	-	**(60)**	(494)	**(2,026)**	(1,206)	**-**	-	**(2,086)**	(1,700)
Depreciation and amortisation for the year	**(162,844)**	(140,313)	**(79,685)**	(93,933)	**(17,614)**	(12,313)	**(4,501)**	(4,185)	**(264,644)**	(250,744)
Reportable segment assets	**3,291,062**	2,568,086	**3,425,052**	2,842,352	**421,820**	406,790	**76,846**	69,119	**7,214,780**	5,886,347
Reportable segment liabilities	**1,769,460**	1,498,014	**672,600**	575,619	**137,592**	121,176	**17,271**	16,279	**2,596,923**	2,211,088
Additions to non-current segment assets during the year	**765,445**	237,801	**184,743**	122,148	**33,195**	61,617	**2,524**	6,692	**985,907**	428,258

4. Segment reporting (Continued)

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

	2019 HK$'000	2018 HK$'000
Revenue		
Reportable segment revenue	**7,676,176**	6,581,477
Elimination of inter-segment revenue	**(149,681)**	(116,952)
Consolidated revenue	**7,526,495**	6,464,525

	2019 HK$'000	2018 HK$'000
Profit or loss		
Reportable segment profit from operations	**1,153,100**	996,327
Finance costs (note 6(a))	**(2,086)**	(1,700)
Share of losses of joint venture	**(19,236)**	(17,814)
Recognition of impairment losses on goodwill	**-**	(18,342)
Unallocated head office and corporate expenses	**(175,940)**	(155,737)
Consolidated profit before taxation	**955,838**	802,734

4. Segment reporting (Continued)

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

	2019	2018
	HK$'000	HK$'000
Assets		
Reportable segment assets	**7,214,780**	5,886,347
Elimination of inter-segment receivables	**(1,539,207)**	(909,792)
	5,675,573	4,976,555
Interest in joint venture	**59,290**	45,291
Deferred tax assets	**81,169**	103,362
Current tax recoverable	**37,727**	10,209
Goodwill	**18,375**	18,983
Unallocated head office and corporate assets	**6,075**	27,778
Consolidated total assets	**5,878,209**	5,182,178

	2019	2018
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	**2,596,923**	2,211,088
Elimination of inter-segment payables	**(363,957)**	(344,300)
	2,232,966	1,866,788
Employee retirement benefit liabilities	**22,624**	16,066
Deferred tax liabilities	**98,981**	73,923
Current tax payable	**29,135**	31,265
Unallocated head office and corporate liabilities	**24,943**	24,990
Consolidated total liabilities	**2,408,649**	2,013,032

5. Other income

	2019	2018
	HK$'000	HK$'000
Government grants (note)	**8,692**	3,570
Interest income from bank deposits	**13,581**	9,859
Interest income from loan to joint venture	**471**	-
Rental income	**3,671**	3,667
Scrap sales	**4,382**	1,019
Reversal of long outstanding other payables	**1,679**	2,441
Sundry income	**7,668**	7,273
	40,144	27,829

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 property, 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:

	2019	2018
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**2,065**	1,579
Finance charges on obligations under finance leases	**21**	121
	2,086	1,700

	2019	2018
	HK$'000	HK$'000
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**3,488**	1,585
Amortisation of intangible assets	**379**	379
Depreciation		
- Investment properties	**460**	526
- Other assets	**260,317**	248,254
Recognition of impairment losses on trade and other receivables	**316**	256
Recognition of impairment losses on property, plant and equipment	**2,015**	13,625
Recognition of impairment losses on goodwill	**-**	18,342
Cost of inventories	**3,496,975**	3,048,655

7. Income tax

Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**37,448**	40,282
Under/(over)-provision in respect of prior years	**304**	(100)
	37,752	40,182
Current tax – Outside Hong Kong		
Provision for the year	**125,504**	158,500
Over-provision in respect of prior years	**(612)**	(7,504)
	124,892	150,996
Deferred tax	**45,499**	(30,499)
	208,143	160,679

Note: The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 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

	2019	2018
	HK$'000	HK$'000
Interim dividend declared and paid of HK3.8 cents per ordinary share (2018: HK3.8 cents per ordinary share)	**40,324**	40,161
Final dividend proposed after the end of the reporting period of HK38.0 cents per ordinary share (2018: HK31.4 cents per ordinary share)	**403,574**	332,520
	443,898	372,681

The final dividend proposed after the end of the reporting period are based on 1,062,037,500 ordinary shares (2018: 1,058,979,500 ordinary shares), being the total number of issued shares at the date of approval of the financial statements.

The final dividend proposed after the end of the reporting period 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

	2019	2018
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK31.4 cents per ordinary share (2018: HK27.1 cents per ordinary share)	**333,191**	285,831
Special dividend in respect of the previous financial year, approved and paid during the year, of nil (2018: HK4.2 cents per ordinary share)	**-**	44,299
	333,191	330,130

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$695,907,000 (2018: HK$585,774,000) and the weighted average number of 1,060,585,000 ordinary shares (2018: 1,055,541,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019 Number of shares '000	2018 Number of shares '000
Issued ordinary shares at 1st April	**1,058,872**	1,051,692
Effect of share options exercised	**1,713**	3,849
Weighted average number of ordinary shares at 31st March	**1,060,585**	1,055,541

9. Earnings per share (Continued)

(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$695,907,000 (2018: HK$585,774,000) and the weighted average number of 1,071,436,000 ordinary shares (2018: 1,064,205,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019 Number of shares ’000	2018 Number of shares ’000
Weighted average number of ordinary shares at 31st March	**1,060,585**	1,055,541
Effect of deemed issue of ordinary shares under the Company’s share option scheme for nil consideration	**10,851**	8,664
Weighted average number of ordinary shares (diluted) at 31st March	**1,071,436**	1,064,205

10. Trade and other receivables

	2019 HK$’000	2018 HK$’000
Trade debtors and bills receivable, net of loss allowance	**716,425**	726,443
Other debtors, deposits and prepayments	**267,583**	228,501
	984,008	954,944

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:

	2019 HK$’000	2018 HK$’000
Within three months	**708,851**	704,686
Three to six months	**7,416**	8,239
Over six months	**158**	13,518
	716,425	726,443

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 the exposure to the credit risk is monitored on an ongoing basis. The credit terms given to the customers vary and are generally based on the financial strength of the individual customer. In order to effectively manage the credit risks associated with customers, credit evaluations of customers are performed periodically. Normally, the Group does not obtain collateral from customers.

11. Trade and other payables

	2019	2018
	HK$'000	HK$'000
Trade creditors and bills payable	**660,898**	574,402
Accrued expenses and other payables	**1,063,278**	925,747
Receipts in advance from customers	**489,225**	363,442
Derivative financial instruments	**-**	181
	2,213,401	1,863,772

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:

	2019	2018
	HK$'000	HK$'000
Within three months	**659,796**	570,706
Three to six months	**687**	3,196
Over six months	**415**	500
	660,898	574,402

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

12. Bank loans

At 31st March 2019, the bank loans were repayable as follows:

	2019	2018
	HK$'000	HK$'000
Within one year or on demand	**44,508**	27,085

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

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31st March 2019 and 2018, none of the covenants relating to the drawn down facilities had been breached.

13. 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).

14. 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 2019 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 growth and sound financial position, the Board of Directors is recommending a final dividend of HK38.0 cents per ordinary share (FY2017/2018: a final dividend of HK31.4 cents per ordinary share) at the Annual General Meeting on 4th September 2019 (the "AGM"). This, coupled with the interim dividend of HK3.8 cents per ordinary share (FY2017/2018: an interim dividend of HK3.8 cents per ordinary share), means that, if approved, the Company's total dividend for FY2018/2019 will be HK41.8 cents per ordinary share (FY2017/2018 total dividend: HK35.2 cents per ordinary share). The proposed final dividend will be payable on Wednesday, 25th September 2019 to shareholders whose names appear in the Company's register of members on Friday, 13th September 2019.

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 29th August 2019
- Closure of the Company's Register of Members	30th August 2019 to 4th September 2019 (both dates inclusive)
- Record date	4th September 2019
(b) For determining entitlement to the proposed final dividend:	
- Latest time to lodge transfer documents for registration with the Company's Share Registrar	At 4:30 p.m. on 10th September 2019
- Closure of the Company's Register of Members	11th September 2019 to 13th September 2019 (both dates inclusive)
- Record date	13th September 2019

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

Mainland China delivered 25% growth in revenue, reaching HK$4,628 million. Even faster growth in profit before taxation was due to a favourable product and geographical mix. We are working to sustain growth rate ahead of the category but necessary investment in building brand equity, infrastructure and organisation is expected to impact profit performance in the coming year.

Hong Kong Operation revenue grew 5% to HK$2,264 million, with a moderate decline in profit before taxation due to the Group's multiple-year investment program in production and logistics infrastructure.

Australia and New Zealand delivered 4% growth (10% growth in local currency) to HK$522 million, riding on consumers' growing demand for plant milks and our strong product innovation and commercial execution.

Singapore continued to leverage its market leadership in the tofu category while growing its share in beverages, increasing revenue by 7% in Hong Kong dollar terms.

Meanwhile our joint venture with Universal Robina Corporation in the Philippines continues to increase the awareness of VITASOY in this promising market for the long term future of our portfolio.

Financial Highlights

The financial position of the Group remains healthy. Key financial indicators including revenue, gross profit margin and return on capital employed all reflect the solid position of the business.

Revenue

- For the year ended 31st March 2019, the Group's revenue increased by 16% to HK$7,526 million (FY2017/2018: HK$6,465 million).

Gross Profit and Gross Profit Margin

- The Group's gross profit was HK$4,042 million, representing an increase of 18% over the previous year (FY2017/2018: HK$3,420 million), mainly driven by growth in sales volume.
- Gross profit margin increased to 54% (FY2017/2018: 53%). Favourable commodity prices, particularly sugar and paper packaging, and improved manufacturing efficiency resulting from increased sales volume enabled us to improve our gross margin level.

Operating Expenses

- Total operating expenses increased 18% to HK$3,105 million (FY2017/2018: HK$2,625 million), due to enhanced advertising and promotion activities, and higher staff related and logistics expenses.
- Marketing, selling and distribution expenses increased 22% to HK$2,105 million (FY2017/2018: HK$1,729 million), due to investments in brand equity building. Logistics expenses were higher as a result of increased sales volume. As we gradually expanded our business in Mainland China, we increased the scale of our sales team, which increased staff costs and commission expenses incrementally.
- Administrative expenses increased 14% to HK$635 million (FY2017/2018: HK$559 million), reflecting salary inflationary adjustments and enhanced organisational capacity and capabilities.
- Other operating expenses were HK$365 million, versus HK$337 million for the previous year.

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

- EBITDA for the year was HK$1,228 million, representing an increase of 16% year-on-year, mainly driven by higher gross profit.
- The EBITDA to revenue margin for the year was 16%.

Profit from Operations

- Profit from operations increased by 19% to HK$977 million (FY2017/2018: HK$822 million).

Profit Before Taxation

- Profit before taxation increased by 19% to HK$956 million (FY2017/2018: HK$803 million).

Taxation

- Income tax charged for the year was HK$208 million (FY2017/2018: HK$161 million) with an effective tax rate of 22%, versus 20% last year.

Profit Attributable to Equity Shareholders of the Company

- Profit attributable to equity shareholders of the Company was HK$696 million, representing an increase of 19% compared to the previous year (FY2017/2018: HK$586 million).

General Review

Despite an increasingly challenging and uncertain international economy, the Group continued to deliver strong growth in both revenue and profit during the year. Thanks to significant growth in our biggest market of Mainland China driven by strong fundamentals and operating efficiency improvements, the Group registered 16% year-on-year growth in revenue to HK$7,526 million. Profit attributable to equity shareholders of the Company grew even faster by 19% to HK$696 million. On a constant currency basis, revenue and profit attributable to equity shareholders increased by 18% and 20% respectively.

In light of the Group's healthy financial position and strong business growth, the Board will recommend a final dividend of HK38.0 cents per ordinary share at the Annual General Meeting to be held on 4th September 2019. Together with the interim dividend of HK3.8 cents per ordinary share, this brings the total dividend for FY2018/2019 to HK41.8 cents per ordinary share (FY2017/2018 total dividend: HK35.2 cents per ordinary share).

Mainland China

- Vitasoy China grew revenue by 25%, with broad-based growth across portfolio, channels and geographies.
- To enhance our brand awareness and equity credentials as we expand, we have increased spending on advertising on both VITASOY and VITA brands in view of the increasingly competitive market to secure long-term success. We have also piloted smaller scale initiatives that we intend to launch in the next Fiscal Year.
- Profit from operations grew even faster than revenue at 33% as a result of favourable raw material prices, strong growth in established markets supported by high production capacity utilisation.
- The depreciation of Renminbi (RMB) has lowered our growth when reporting in Hong Kong dollar terms. In local currency, our revenue and profit increased by 27% and 35% respectively.

Hong Kong Operation (Hong Kong, Macau and Exports)

- Despite its very high per capita consumption of our brands, Hong Kong Operation delivered strong revenue growth of 5%. Profit from operations decreased by 4% as we executed our announced program of infrastructure upgrade and new organisational capabilities to support the next phase of growth in our core market.
- Both VITASOY and VITA brands grew revenue, together with health focused innovation, particularly our low/no sugar product ranges under both VITASOY and VITA.

Australia and New Zealand

- In the context of an increasingly competitive and innovative market, our Australia and New Zealand business delivered 10% and 4% growth on revenue and profit respectively in local currency, as we increased penetration of core offering, launched selective innovations and added stronger on-premises performance.
- Depreciation of the Australian dollars contracted revenue growth to 4% and offset increment of profit.

Singapore

- Singapore grew revenue by 7% in Hong Kong dollar terms. Operating profit was reduced by 88% as we invested in brand equity and organisational capabilities according to our strategy to scale up the operation over time.
- The Group maintained its market leadership position in the tofu market. The imported beverage business also registered double-digit growth when compared to last year.

Outlook

We anticipate continued solid growth in FY2019/2020, albeit at a more modest pace. At the same time, the Group will significantly increase investments in brand equity, infrastructure and organisational capacity and capability according to our plan to secure long term sustainable growth.

Mainland China

- China will continue to grow ahead of the market, leveraging execution, expansion and innovation on both the VITASOY and VITA brands. We will make further investments in brand equity building, infrastructure readiness and innovation for the future. With a relatively low per-capita consumption of our portfolio, the market continues to hold significant potential for growth.

Hong Kong Operation (Hong Kong, Macau and Exports)

- We will continue to drive solid growth of our core and additional acceleration in innovation. Our multiple year infrastructure investment program will prepare Hong Kong Operation for the next phase of profitable growth.

Australia and New Zealand

- The Group expects continued growth in this market primarily through innovation and execution, as consumers increasingly choose health-conscious choices.

Singapore

- We will continue our strategy of sustaining tofu market leadership whilst driving more investments in beverages to accelerate the scaling up of our operation.

Philippines

- The business is expected to continue its gradual and moderate growth, developing the local brand awareness for the new plant milk category and collaboration with our joint-venture partner, Universal Robina Corporation.

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 at 31st March 2019, cash and bank deposits amounted to HK$1,005 million (31st March 2018: HK$986 million). 45%, 47% and 4% of our cash and bank deposits were denominated in Hong Kong dollars, RMB and United States dollars (USD), respectively (31st March 2018: 39%, 35% and 23%). As of 31st March 2019, the Group had a net cash balance of HK$960 million (31st March 2018: HK$958 million). Available banking facilities amounted to HK$940 million (31st March 2018: HK$941 million) to facilitate future cash flow needs.
- The Group's borrowings (including obligations under finance leases) amounted to HK$45 million, all denominated in Australian dollars (AUD) (31st March 2018: HK$28 million denominated in AUD).
- The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) remained at 1% (31st March 2018: 1%).
- The Group's return on capital employed (ROCE) (EBITDA/average non-current debt and equity) for the year was 37% (FY2017/2018: 35%).
- Capital expenditure incurred during the year increased to HK$986 million (FY2017/2018: HK$428 million), which was mainly spent on construction of the new plant in Dongguan, the infrastructure upgrade program in Hong Kong and acquisition of new production lines.
- There were no assets pledged under loan and lease arrangements (31st March 2018: assets with carrying value of HK$3 million were so pledged).

Sustainability Report 2018/2019

- On sustainability, this year we have already achieved most of the Key Performance Indicators that were originally set for FY2020/2021. Therefore, we have reset and broadened our targets as illustrated in our Sustainability Report.
- Beyond our product portfolio and energy management, we have commenced pilot projects and initiatives on packaging to accelerate progress in this area.

Financial Risk Management

- The Group's overall financial management policy focuses on anticipating, controlling and managing risks, 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

- During the year, the Group Internal Audit and Risk Management Department implemented a phased enhancement plan to further improve the Group's internal controls and risk management systems. The plan aims to embed a risk management culture and process into the day-to-day operations of the Group. Through this plan, business entities and functional units anticipate potential risks by evaluating their impact and likelihood according to six criteria: reputation, strategy, market, liquidity, credit and operations. After consolidation and verification, the Enterprise Risk Management Executive Committee ("ERME Committee") examines and prioritises key risks, and ensures that appropriate control measures are in place or in progress. Periodic Group Risk Reports are provided for discussion with the ERME Committee; and significant and emerging risks, as well as associated control measures, are communicated with the Audit Committee. During FY2018/2019, a new Governance, Risk and Compliance System and an enhanced Enterprise Risk Management Framework were implemented to enable better monitoring on the current status risks, and on the follow-up of mitigation plans arising from incidents and adverse key risk indicator results. Details of the new risk management processes are covered in the Risk Management section of the Corporate Governance Report in the FY2018/2019 Annual Report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March 2019, 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 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 the Company's corporate governance structure and practices regularly and monitors its performance on an ongoing basis.

The Group's annual results for the year ended 31st March 2019 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 FY2018/2019 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 2019

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.