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 SIX MONTHS ENDED 30TH SEPTEMBER, 2008

HIGHLIGHTS

- The Group's half year net sales revenue reached HK$1,425 million, up by 20%. (Note 1)
- Market Achievements: steady business performance in Hong Kong, remarkable sales growth in Mainland China, increased market share in Australia and New Zealand, narrowed loss in North America and successful integration of Unicurd, a leading soyfood manufacturer in Singapore.
- A one-off provision of HK$26 million in relation to prior years' leave pay entitlements of Hong Kong employees had been provided.
- Profit before taxation (excluding the one-off provision) was HK$170 million, increased by 16%. (Note 2)
- Profit before taxation (including the one-off provision) was HK$144 million, decreased by 2%. (Note 2)
- Profit attributable to equity shareholders was HK$97 million, decreased by 8%.
- EBITDA for the period was HK$197 million, down HK$2 million or 1%. EBITDA margin to net sales was 14%.
- In view of the Group's strong financial position and satisfactory operating performance, the Board of Directors has declared an interim dividend of HK2.8 cents per ordinary share to be payable on 29th December, 2008.

Notes:

1. In line with industry practice, the Group began to show its turnover figure on net sales basis (i.e. gross sales less return, rebate and discount) for the year ended 31st March, 2008. Comparative figure for 2007/2008 in this announcement was restated accordingly.

2.

	Six months ended 30th September,		
	2008	2007	Change
	HK$ million	HK$ million	%
Profit before taxation (excluding one-off provision)	170	147	16
Less: one-off provision	26	-	-
Profit before taxation (including one-off provision)	144	147	(2)

RESULTS

The Board of Directors (the "Board") of Vitasoy International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2008, together with the comparative figure for the previous financial period, as follows:

CONSOLIDATED INCOME STATEMENT - UNAUDITED

	Note	Six months ended 30th September, **2008** HK$'000	2007 HK$'000 (restated)
Turnover	3, 4	**1,424,665**	1,188,762
Cost of sales		**(787,288)**	(620,551)
Gross profit		**637,377**	568,211
Other revenue		**37,071**	38,124
Marketing, selling and distribution expenses		**(326,567)**	(276,433)
Administrative expenses		**(103,707)**	(97,259)
Other operating expenses		**(95,909)**	(81,509)
Profit from operations	4	**148,265**	151,134
Finance costs	5	**(4,017)**	(4,103)
Profit before taxation	5	**144,248**	147,031
Income tax	6	**(29,357)**	(28,460)
Profit for the period		**114,891**	118,571
Attributable to:			
Equity shareholders of the Company		**96,800**	104,759
Minority interests		**18,091**	13,812
Profit for the period		**114,891**	118,571
Dividend	7	**28,424**	28,315
Earnings per share	8		
Basic		**HK9.5 cents**	HK10.4 cents
Diluted		**HK9.5 cents**	HK10.3 cents

CONSOLIDATED BALANCE SHEET - UNAUDITED

		At 30th September, 2008		At 31st March, 2008	
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**741,731**		757,086
- Investment property			**9,089**		9,352
- Interests in leasehold land held for own use under operating leases			**7,553**		7,505
			758,373		773,943
Intangible assets			**17,464**		-
Goodwill			**35,712**		-
Employee retirement benefit assets			**3,562**		3,327
Deferred tax assets			**7,950**		4,249
			823,061		781,519
Current assets					
Inventories		**291,278**		268,417	
Trade and other receivables	9	**550,477**		421,295	
Current tax recoverable		**438**		675	
Bank deposits		**4,768**		18,962	
Cash and cash equivalents		**357,890**		529,799	
		1,204,851		1,239,148	
Current liabilities					
Trade and other payables	10	**548,555**		458,677	
Bank loans (unsecured)		**70,318**		47,190	
Obligations under finance leases		**7,805**		6,873	
Current tax payable		**33,184**		19,443	
		659,862		532,183	
Net current assets			**544,989**		706,965
Total assets less current liabilities			**1,368,050**		1,488,484
Non-current liabilities					
Bank loans (unsecured)		**-**		21,419	
Obligations under finance leases		**24,889**		29,146	
Employee retirement benefit liabilities		**2,195**		2,034	
Deferred tax liabilities		**18,831**		12,036	
			45,915		64,635
NET ASSETS			**1,322,135**		1,423,849
CAPITAL AND RESERVES					
Share capital			**253,697**		252,894
Reserves			**957,605**		1,052,490
Total equity attributable to equity shareholders of the Company			**1,211,302**		1,305,384
Minority interests			**110,833**		118,465
TOTAL EQUITY			**1,322,135**		1,423,849

Notes:

1. Independent review

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's review report to the Board is included in the interim report to be sent to shareholders. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

2. Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007/2008 annual financial statements.

3. Turnover

The principal activities of the Group are the manufacture and sale of food and beverages. Turnover represents the invoice value of products sold, net of return, rebates and discounts.

4. Segment information

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen because this is in line with the Group's internal management information reporting system.

No business segment analysis of the Group is presented as all the Group's turnover and trading result are generated from the manufacture and sale of food and beverages.

	Six months ended 30th September,			
	Group turnover		**Profit/(loss) from operations**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000
Hong Kong	**668,664**	561,770	**91,091**	108,367
Mainland China	**390,678**	340,092	**61,548**	50,219
Australia and New Zealand	**159,256**	129,940	**27,897**	23,397
North America	**175,315**	156,960	**(9,202)**	(9,674)
Singapore	**30,752**	-	**5,440**	-
	1,424,665	1,188,762	**176,774**	172,309
Unallocated	**-**	-	**(28,509)**	(21,175)
	1,424,665	1,188,762	**148,265**	151,134

Revenue from external customers by location of customers is as follows:

	Six months ended 30th September,	
	2008	2007
	HK$'000	HK$'000
		(restated)
Hong Kong	**653,716**	634,749
Mainland China	**312,995**	195,662
Australia and New Zealand	**161,594**	131,653
North America	**198,061**	187,636
Singapore	**36,746**	-
Others	**61,553**	39,062
	1,424,665	1,188,762

5. Profit before taxation

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

	Six months ended 30th September,	
	2008	2007
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**2,759**	2,868
Finance charges on obligations under finance leases	**1,258**	1,235
	4,017	4,103
(b) Other items:		
Interest income	**(4,948)**	(9,244)
Depreciation of property, plant and equipment	**52,407**	57,086
Depreciation of investment property	**263**	263
Amortisation of interests in leasehold land held for own use under operating leases	**150**	256
Amortisation of intangible assets	**972**	-
Cost of inventories	**807,000**	666,955
One-off provision for prior years' Hong Kong employees leave pay entitlements (Note)	**26,228**	-

Note: During the period, the Group reviewed the basis of calculating leave pay entitlements for Hong Kong employees for the previous six years as a result of the rulings of recent court cases in Hong Kong in which the Group is not a party. Based on the review, a one-off provision of HK$26,228,000 in relation to the above has been provided during the interim period. The provision is recognised in the following line items in the consolidated income statement:

	Six months ended 30th September,	
	2008	2007
	HK$'000	HK$'000
Cost of sales	**9,414**	-
Marketing, selling and distribution expenses	**12,612**	-
Administrative expenses	**818**	-
Other operating expenses	**3,384**	-
	26,228	-

6. Income tax

Income tax in the consolidated income statement represents:

	Six months ended 30th September,	
	2008	2007
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**15,952**	18,223
Current tax – Outside Hong Kong	**15,651**	10,028
Deferred tax – Origination and reversal of temporary differences	**(2,246)**	209
	29,357	28,460

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September, 2007: 17.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7. Dividend

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

	Six months ended 30th September,	
	2008	2007
	HK$'000	HK$'000
Interim dividend declared after the balance sheet date of HK2.8 cents per ordinary share (2007: HK2.8 cents per ordinary share)	**28,424**	28,315

The interim dividend declared after the balance sheet date has not been recognised as liabilities at the balance sheet date.

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

	Six months ended 30th September,	
	2008	2007
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK8.7 cents per ordinary share (2007: HK6.7 cents per ordinary share)	**88,278**	67,706
Special dividend in respect of the previous financial year, approved and paid during the interim period, of HK10.0 cents per ordinary share (2007: HK10.0 cents per ordinary share)	**101,469**	101,054
	189,747	168,760

8. 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$96,800,000 (six months ended 30th September, 2007: HK$104,759,000) and the weighted average number of 1,013,641,000 ordinary shares (2007: 1,009,441,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September,	
	2008	2007
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1st April	**1,011,576**	1,007,036
Effect of share options exercised	**2,065**	2,405
Weighted average number of ordinary shares for the period	**1,013,641**	1,009,441

(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$96,800,000 (six months ended 30th September, 2007: HK$104,759,000) and the weighted average number of 1,019,178,000 ordinary shares (2007: 1,016,681,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30th September, 2008 Number of shares '000	2007 Number of shares '000
Weighted average number of ordinary shares for the period	**1,013,641**	1,009,441
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**5,537**	7,240
Weighted average number of ordinary shares (diluted) for the period	**1,019,178**	1,016,681

9. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30th September, 2008 HK$'000	At 31st March, 2008 HK$'000
Current	**394,120**	284,660
Less than 1 month past due	**98,288**	83,341
1 to 3 months past due	**11,690**	9,714
More than 3 months but less than 12 months past due	**856**	865
More than 12 months past due	**3**	92
Amounts past due	**110,837**	94,012
	504,957	378,672

Management had a credit policy in place and the exposures to their credit risks are 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. Trade receivables are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

10. Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	At 30th September, 2008 HK$'000	At 31st March, 2008 HK$'000
Due within 1 month or on demand	**256,343**	193,596
Due after 1 month but within 3 months	**25,415**	21,955
Due after 3 months but within 6 months	**6,389**	2,527
Due over 6 months	**5,415**	3,016
	293,562	221,094

INTERIM DIVIDEND

The Board of the Company has declared an interim dividend of HK2.8 cents per ordinary share for the six months ended 30th September, 2008 (2007: HK2.8 cents per ordinary share), to shareholders whose names appear on the Register of Members at the close of business on Friday, 12th December, 2008. Dividend warrants will be sent to shareholders on or about Monday, 29th December, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Monday, 15th December, 2008, during which no transfers of shares will be effected. To determine entitlement of shareholders to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 12th December, 2008.

MANAGEMENT REPORT

BUSINESS REVIEW

Vitasoy Group

The Group's net sales revenue in the six months ended 30th September, 2008 was HK$1,425 million, an increase of 20% over the same period last year (2007/2008 interim: HK$1,189 million). Profit before taxation (excluding the one-off provision mentioned below) was HK$170 million, up 16% (2007/2008 interim: HK$147 million). Profit attributable to equity shareholders was HK$97 million, down 8% (2007/2008 interim: HK$105 million). The decrease was primarily attributable to a one-off provision provided for employees' leave pay entitlements in Hong Kong. During the period, the Group reviewed the basis of calculating leave pay entitlements for Hong Kong employees for the previous six years as a result of the rulings of recent court cases in Hong Kong in which the Group is not a party. Based on the review, a one-off provision of HK$26 million has been provided during the interim period. The provision is recognised in the following line items in the consolidated income statement:

	Consolidated unaudited income statement for the six months ended 30th September, (excluding one-off provision)		One-off provision		Consolidated unaudited income statement for the six months ended 30th September, (including one-off provision)	
	2008	2007	**2008**	2007	**2008**	2007
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Turnover	**1,425**	1,189	**-**	-	**1,425**	1,189
Cost of sales	**(779)**	(621)	**(9)**	-	**(788)**	(621)
Gross profit	**646**	568	**(9)**	-	**637**	568
Other revenue	**37**	38	**-**	-	**37**	38
Marketing, selling and distribution expenses	**(313)**	(276)	**(13)**	-	**(326)**	(276)
Administrative expenses	**(103)**	(97)	**(1)**	-	**(104)**	(97)
Other operating expenses	**(93)**	(82)	**(3)**	-	**(96)**	(82)
Profit from operations	**174**	151	**(26)**	-	**148**	151
Finance costs	**(4)**	(4)	**-**	-	**(4)**	(4)
Profit before taxation	**170**	147	**(26)**		**144**	147

This amount is considered by the Board to represent the most prudent estimation of the Group's liabilities in this regard. As such payments are expected to be paid over a period of time, the Board considers that the provision would not have a material adverse impact on the Group's business operations and strong cash flow position.

Although this provision has a one-off negative impact on the results of the Group during this financial year, the Board was advised, and has concluded, that this adjustment is appropriate in view of the results of recent court decisions (in which the Group is not a party) on the subject of how employees' leave pay entitlements are to be calculated pursuant to the Employment (Amendment) Ordinance 2007 in Hong Kong.

It is further estimated by the Board that the on going additional charge of this nature will be approximately HK$3 million on an annual basis. The charge for the period of 1st April, 2008 to 30th September, 2008 has already been included in the provision of HK$26 million mentioned above.

Hong Kong

In the period under review, revenue generated by the Tuen Mun plant (which supports both domestic sales and exports) and the Group's tuck shop business in Hong Kong was HK$669 million, up 19% from the corresponding period last year. After taking into full account of the one-off provision amounted to HK$26 million and the investment for revamping the VITASOY logo during the period, the segment result decreased by 16% to HK$ 91 million.

The Hong Kong market entered a very challenging period with the onset of the global financial crisis that inevitably had an adverse impact on economic growth and private consumption. For the non-alcoholic beverage industry, the abnormally rainy and stormy weather conditions during the peak summer season were particularly detrimental to sales. As a result, the beverage market as a whole recorded a decline in both value and volume terms. As regards production cost, escalating inflation, labour cost and raw material prices plus the tightened supply of agricultural commodities added to the burden of the industry. Against this backdrop, the pricing of beverages became a major challenge for operators who had to strike a balance between ensuring sales growth and protecting profit margin.

The Group did well in striking that balance and succeeded in growing its sales revenue to customers in Hong Kong by 3% to HK$654 million year-on-year. We continued to pursue a proactive product development programme by introducing 19 new variants into the market with an emphasis on being more healthy and wholesome for consumers by incorporating such new features as low-sugar, rich-soy content and zero-cholesterol. Examples are Low-sugar VITASOY Soymilk, Low-sugar Malted VITASOY Soymilk, VITA CHOCOLATE MAGIC Low-fat Milk Drink and CALCI-PLUS Soya Collagen Skin Health Soymilk, just to name a few. Meanwhile, public concern over the safety of dairy products to some extent led to a rise in the consumption of soy-based products in the latter half month of September 2008 but the long term impact is yet to be seen.

In June 2008, we took the initiative to revamp the VITASOY logo and product package in Hong Kong to refresh and rejuvenate the VITASOY brand, with a view to further reinforcing our market leadership position. The response from the market has been extremely positive, as reflected in sales performance.

The Group's tuck shop business operated through Vitaland Services Limited ("Vitaland") continued to pursue a pragmatic strategy that emphasised margin protection through effective cost management and business quality rather than quantity. As a result, its profitability improved from the same period last year despite a drop in sales. On the other hand, by streamlining its production process, developing new recipes and ensuring quality, the catering business of Hong Kong Gourmet Limited ("Hong Kong Gourmet") continued to grow in terms of sales and profitability and contributed to the Group's bottom-line.

The export sales of the Group's Hong Kong operation grew by 59% versus the same period last year. Robust growth was recorded in markets like Macau, European Union, Nigeria, Papua New Guinea, Singapore and other new markets.

Mainland China

The Group's production plants in both Shanghai and Shenzhen support the Mainland China and Hong Kong markets. In the first six months of Fiscal 2008/2009, these two HACCP (Hazard Analysis and Critical Control Point) accredited plants together generated HK$391 million in net sales revenue, representing an increase of 15% year-on-year. The segment result was HK$62 million, up 24% over the same period in the previous year.

The soy beverage market in Mainland China continued to grow as the Chinese economy was developing at a steady pace during the period under review. Because of unfavourable weather conditions, business was relatively slower in June and July but was able to catch up quickly in August and September.

Harvesting from its investment in brand building, the Group continued to command a leading market position, particularly in Southern China. Recently VITASOY was named by a Mainland China website as one of the top ten soymilk brands in Mainland China. The 60% growth in sales revenue to customers in Mainland China in the interim period could be attributed mainly to our effective pricing strategy and our strenuous effort in developing our distribution channels. For example, aggressive trade promotion was carried out in the milk store channel and key accounts to drive sales growth. At the same time, we continued to promote the health benefits of soy among consumers, whose response has been encouraging.

Aside from executing an aggressive sales strategy, we also pursued a product development strategy that caters to local needs. For example, in June we launched a lemon tea which was manufactured domestically in Mainland China. In line with the Group's philosophy on promoting a healthy diet, we rolled out a low-fat, low-cholesterol, low-sweet and calciferous soymilk in September. At the same time, we also introduced a local product, VITASOY Black Bean Soymilk, which was developed and sold exclusively in the Mainland China market.

Australia and New Zealand

The Group's joint-venture plant in Wodonga, Victoria supports the Australian and New Zealand markets. In the first half of Fiscal 2008/2009, the plant generated HK$159 million in net sales revenue, representing an increase of 22%. The growth rate by location of customer base was similar, which was 23%. The segment result was HK$28 million, compared to HK$23 million for the same period last year, representing a growth of 22%.

In the period under review, the Australian soy and rice milk markets returned to growth for the first time on MAT basis (Moving Annual Total). The New Zealand grocery soymilk and rice milk markets also saw steady growth. Market conditions, however, remained fiercely competitive in terms of pricing.

The strength of the VITASOY brand, our product quality and our diversified product range ensured that sales could grow at a faster rate than our competitors and hence gaining market share. To satisfy the market's demand for our products, Vitasoy Australia launched three new products in Australia in the past few months. These were the one-litre VITASOY High-fibre Rice Milk, VITASOY Oat Milk, and VITASOY Rice Milk in refrigerated pack. The first two of these products were also distributed in New Zealand.

North America

The Group's production plant in Ayers, Massachusetts supports the North American market. During the first half of Fiscal 2008/2009, sales revenue generated by this plant increased by 11% year-on-year to HK$175 million. Operating loss narrowed to HK$9 million, versus HK$10 million for the corresponding period in Fiscal 2007/2008.

The revenue growth rate by location of customer base, however, was only 5%, after excluding products imported from Hong Kong.

After sustaining a slight growth of around 1% in 2007, soyfood retail sales in the US market remained in a low-growth state. Tofu sales declined by 2% whereas soymilk sales grew by 3%, of which refrigerated soymilk was up 6% and ambient soymilk was down 8%.

Despite the challenges posed by significant increases in energy and raw material costs, Vitasoy USA was able to capitalise on its growth momentum generated last year, focus on its most profitable products, maximise its use of trade promotion spending, and maintain its profitability level. Total tofu sales grew by a healthy 12% while pasta sales were up by an even more impressive 34%. However, soymilk and imported products were down by 16% and 33% respectively.

The overall growth in sales was also supported by new packaging, SKU (Stock Keeping Unit) reduction and the launching of the first ambient single-serve soymilk in plastic bottle. We also expanded the development of private-label tofu and made progress in entering new alternate business channels.

Singapore

As announced in our 2007/2008 Annual Report, in early April 2008 we acquired the entire equity of Unicurd Food Co. (Private) Limited ("Unicurd"), which is a leading soyfood manufacturer and marketer in Singapore. This acquisition is aimed at expanding the Group's market presence in the Asia Pacific Region.

The production plant of Unicurd at Senoko South Road, Singapore supports the Singapore market and exports to Europe, New Zealand, South Africa, Dubai and other parts of Asia. In the six months to 30th September, 2008, Unicurd recorded total sales revenue of HK$31 million and segment result of HK$5 million.

Revenue by location of customer base for the period under review was HK$37 million after taking into account of beverage products imported from Hong Kong.

The consumption of tofu experienced strong growth in the period under review. This was mainly because while the prices of other food items were rising sharply, the price of tofu remained basically constant.

In the first few months of the year, tofu sales increased by over 26% at the supermarket channel. Through strong promotion activities carried out at the Group's key accounts, UNICURD was the major brand that drove sales growth in this channel and outperformed its competitor by a wide margin. Outside supermarkets, Unicurd also performed strongly in sales in other channels.

While no new product or service was introduced during the interim period, improvement was made to the delivery of stock and inventory control to enhance our service quality.

The export business of Unicurd to Europe, Asia, New Zealand, South Africa and Dubai also performed well during the period under review.

GENERAL OUTLOOK

The remainder of the year is likely to become increasingly challenging. The financial turmoil that has hit the global economy is resulting in a general downturn with direct or indirect ramifications for most, if not all, industry sectors. The undesirable consequences of dampened income growth and private consumption are beginning to be felt. For the beverage sector, while inflation and production costs should come down amidst economic adversities, the challenge for operators to grow sales, maintain profit margin and contain operating costs would be formidable as competition intensifies in a tough market environment.

In Hong Kong, we will further diversify our product range in the coming months with an emphasis on more healthy products to drive demand and sales growth. We will also leverage the success of our revamped VITASOY logo and product package to reinforce our market position through advertising and promotion. Under the current economic climate, obviously it is important for us to be even more prudent in cost management to ensure a higher degree of cost-efficiency and maintain profitability. Regarding our school tuck shop business under Vitaland, we will continue to focus on the quality rather than quantity of clients to achieve higher profitability while implementing further system upgrading in the tuck shops to improve operational efficiency. The production capacity of Hong Kong Gourmet will be expanded to supply new food items with a higher margin such as desserts.

In Mainland China, although the latest GDP figures point to the beginning of slower growth, the fundamentals of the economy remain sound as domestic demand is still robust. We are confident that our effort in brand building and promoting soy benefits should continue to pay off. We will stick to our strategy of "core business, core brand and core city" to drive the growth of sales and market share. We will also expand our distribution network and launch a broader range of products to stimulate new demand.

In Australia and New Zealand, despite a relatively tougher operating environment, we remain committed to growing our core business by combining innovative marketing with a successful retail promotion pricing strategy to maintain a steady pace of growth. The newly launched VITASOY High-fibre Rice Milk and VITASOY Oat Milk are expected to generate more obvious results and contribute to Vitasoy Australia's overall sales performance for the full year.

In North America, we will continue to focus on our core competencies. New product development will centre around the fastest-growing segments, namely, tofu and pasta. A new line of Silken Tofu Starters will be launched and positioned as a premium additive in preparing desserts. New flavours will be added to our existing range of pastas and wraps. With our ongoing effort to reduce overall cost and improve trade spending efficiency, we aim to further narrow our operating loss in this market in the rest of the year.

In Singapore, tofu consumption is expected to grow as more people are inclined to stay at home rather than eat out in order to economise, which should benefit Unicurd's sales growth. In the coming months, Unicurd will focus on the improvement of the plant's production efficiency and output. To support sales growth, it will also improve the management of its customer service. On the product development front, Unicurd will launch three new dessert products, one being a grass jelly for export markets, and the other two being tofu desserts with collagen and inulin that target female consumers aged 18 and above.

FINANCIAL REVIEW

The Group's financial position has remained very strong. As at 30th September, 2008, the Group was in a healthy net cash position of HK$260 million (31st March, 2008: HK$444 million) after the acquisition of Unicurd. Banking facilities available to but not used by the Group amounted to HK$335 million.

As at 30th September, 2008, the Group's borrowings (including obligations under finance leases) amounted to HK$103 million (31st March, 2008: HK$105 million). The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) slightly increased to 9% (31st March, 2008: 8%).

The Group incurred capital expenditures totalling HK$33 million (2007/2008 interim: HK$38 million), which was primarily funded by cash generated from various operations.

CORPORATE GOVERNANCE

The Company has, throughout the six months ended 30th September, 2008, complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the Code Provision A.2.1 for the separation of the roles of Executive Chairman and Chief Executive Officer.

Code Provision A.2.1 of the Listing Rules sets out that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. As mentioned in the 2007/2008 Annual Report, with the promotion of Mr. Laurence P. EISENTRAGER to the Group Chief Executive Officer in August 2007, we are confident that the transition process of assigning the executive responsibilities of the Executive Chairman to the Group Chief Executive Officer will be completed in fiscal year of 2009/2010.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee was established in 1999. Its current members include three Independent Non-executive Directors, namely, Mr. Iain F. BRUCE (Chairman), Dr. The Hon. Sir David Kwok-po LI and Mr. Jan P. S. ERLUND.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's unaudited interim financial report for the six months ended 30th September, 2008.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2008.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Company's interim report for the six months ended 30th September, 2008 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, 24th November, 2008

As at the date of this announcement, Mr. Winston Yau-lai LO, Mr. Laurence P. EISENTRAGER and Mr. Eric Fat YU 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. Iain F. BRUCE and Mr. Jan P. S. ERLUND are independent non-executive directors.