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, 2009

HIGHLIGHTS

- Solid business growth through uncertain times
- Key business performances
  - Hong Kong and Macau – performed within expectation.
  - Mainland China – sustained robust growth.
  - Australia and New Zealand – driving category growth.
  - North America – turnaround to positive contribution.
  - Singapore – growth in the wake of economic recession.
  - Margin improvements as a result of raw material cost and fuel cost coming down from last year's hikes.
  - Major brand rejuvenation in Hong Kong market.
- The Group's half year turnover reached HK$1,561 million, up by 9%.
- Gross margin stood at 50% representing an improvement of 4 percentage points from last year.
- Profit before taxation was HK$207 million, increased by HK$62 million or 43%. If the one-off provision in last period amounted to HK$25 million was to be excluded, the improvement in profit before taxation would be HK$37 million or 22%.
- EBITDA for the period was HK$259 million, up HK$62 million or 31%. If the one-off provision in last period amounted to HK$25 million was to be excluded, the improvement in EBITDA would be HK$37 million or 16%.
- EBITDA margin to turnover was 17%.
- Profit attributable to equity shareholders was HK$141 million, increased by 46%.
- The Board of Directors has declared an interim dividend of HK3.2 cents per ordinary share to be payable on 23rd December, 2009.

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, 2009, together with the comparative figure for the previous financial period, as follows:

CONSOLIDATED INCOME STATEMENT - UNAUDITED

	Note	**Six months ended 30th September, 2009 HK$'000**	2008 HK$'000
Turnover	3, 4	**1,561,016**	1,437,325
Cost of sales		**(786,304)**	(787,288)
Gross profit		**774,712**	650,037
Other revenue		**29,067**	37,071
Marketing, selling and distribution expenses		**(395,264)**	(339,227)
Administrative expenses		**(110,224)**	(103,707)
Other operating expenses		**(88,910)**	(95,909)
Profit from operations		**209,381**	148,265
Finance costs	5(a)	**(2,561)**	(4,017)
Profit before taxation	5	**206,820**	144,248
Income tax	6	**(41,846)**	(29,357)
Profit for the period		**164,974**	114,891
Attributable to:			
Equity shareholders of the Company		**141,115**	96,800
Minority interests		**23,859**	18,091
Profit for the period		**164,974**	114,891
Earnings per share	8		
Basic		**HK13.9 cents**	HK9.5 cents
Diluted		**HK13.8 cents**	HK9.5 cents

Details of dividend payable to equity shareholders of the Company are set out in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	Six months ended 30th September,	
	2009	2008
	HK$'000	HK$'000
Profit for the period	**164,974**	114,891
Other comprehensive income for the period:		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	**37,956**	(16,407)
Total comprehensive income for the period	**202,930**	98,484
Attributable to:		
Equity shareholders of the Company	**162,816**	88,445
Minority interests	**40,114**	10,039
Total comprehensive income for the period	**202,930**	98,484

CONSOLIDATED BALANCE SHEET - UNAUDITED

	Note	At 30th September, 2009		At 31st March, 2009	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**800,927**		781,952
- Investment property			**8,562**		8,825
- Interests in leasehold land held for own use under operating leases			**7,191**		7,367
			816,680		798,144
Intangible assets			**15,054**		14,879
Goodwill			**34,883**		32,446
Employee retirement benefit assets			**1,068**		2,478
Deferred tax assets			**6,653**		6,895
			874,338		854,842
Current assets					
Inventories		**298,330**		298,983	
Trade and other receivables	9	**602,709**		468,559	
Current tax recoverable		**474**		6,011	
Bank deposits		**15,168**		103,855	
Cash and cash equivalents		**377,676**		379,298	
		1,294,357		1,256,706	
Current liabilities					
Trade and other payables	10	**645,792**		595,439	
Bank loans		**55,769**		51,915	
Obligations under finance leases		**7,316**		5,878	
Current tax payable		**16,312**		11,882	
		725,189		665,114	
Net current assets			**569,168**		591,592
Total assets less current liabilities			**1,443,506**		1,446,434
Non-current liabilities					
Obligations under finance leases		**20,195**		19,120	
Employee retirement benefit liabilities		**1,475**		1,635	
Deferred tax liabilities		**32,371**		28,682	
			54,041		49,437
NET ASSETS			**1,389,465**		1,396,997
CAPITAL AND RESERVES					
Share capital			**254,195**		253,805
Reserves			**1,007,481**		1,033,213
Total equity attributable to equity shareholders of the Company			**1,261,676**		1,287,018
Minority interests			**127,789**		109,979
TOTAL EQUITY			**1,389,465**		1,396,997

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 independent 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 2008/2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009/2010 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 reporting

(a) Segment results and assets

The Group manages its business by entities, which are organised by geography. Information regarding the Group's reporting segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30th September, 2009 is set out below:

	Hong Kong and Macau Six months ended 30th September,		**Mainland China Six months ended 30th September,**		**Australia and New Zealand Six months ended 30th September,**		**North America Six months ended 30th September,**		**Singapore Six months ended 30th September,**		**Total Six months ended 30th September,**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Revenue from external customers	**736,851**	723,596	**437,545**	312,995	**158,348**	159,256	**197,049**	210,726	**31,223**	30,752	**1,561,016**	1,437,325
Inter-segment revenue	**33,964**	27,329	**48,648**	64,209	**-**	-	**132**	-	**-**	165	**82,744**	91,703
Reportable segment revenue	**770,815**	750,925	**486,193**	377,204	**158,348**	159,256	**197,181**	210,726	**31,223**	30,917	**1,643,760**	1,529,028
Reportable segment profit/(loss) from operations	**141,811**	108,264	**73,176**	45,626	**23,996**	28,519	**1,499**	(5,927)	**4,729**	4,313	**245,211**	180,795
Additions to non-current segment assets during the period	**30,769**	13,397	**3,546**	10,627	**896**	1,349	**2,583**	6,829	**931**	54,724	**38,725**	86,926

	Hong Kong and Macau		**Mainland China**		**Australia and New Zealand**		**North America**		**Singapore**		**Total**	
	At 30th September, 2009 HK$'000	At 31st March, 2009 HK$'000	**At 30th September, 2009 HK$'000**	At 31st March, 2009 HK$'000	**At 30th September, 2009 HK$'000**	At 31st March, 2009 HK$'000	**At 30th September, 2009 HK$'000**	At 31st March, 2009 HK$'000	**At 30th September, 2009 HK$'000**	At 31st March, 2009 HK$'000	**At 30th September, 2009 HK$'000**	At 31st March, 2009 HK$'000
Reportable segment assets	**1,531,488**	1,509,946	**444,338**	455,968	**268,928**	217,296	**210,364**	215,647	**90,469**	89,654	**2,545,587**	2,488,511

4. Segment reporting (continued)

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

	Six months ended 30th September, 2009 HK$'000	2008 HK$'000
Revenue		
Reportable segment revenue	**1,643,760**	1,529,028
Elimination of inter-segment revenue	**(82,744)**	(91,703)
Consolidated turnover	**1,561,016**	1,437,325

	Six months ended 30th September, 2009 HK$'000	2008 HK$'000
Profit		
Reportable segment profit from operations	**245,211**	180,795
Finance costs	**(2,561)**	(4,017)
Unallocated head office and corporate expenses	**(35,830)**	(32,530)
Consolidated profit before taxation	**206,820**	144,248

	At 30th September, 2009 HK$'000	At 31st March, 2009 HK$'000
Assets		
Reportable segment assets	**2,545,587**	2,488,511
Elimination of inter-segment receivables	**(405,598)**	(410,090)
	2,139,989	2,078,421
Employee retirement benefit assets	**1,068**	2,478
Deferred tax assets	**6,653**	6,895
Current tax recoverable	**474**	6,011
Unallocated head office and corporate assets	**20,511**	17,743
Consolidated total assets	**2,168,695**	2,111,548

5. Profit before taxation

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

	Six months ended 30th September,	
	2009	2008
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**1,461**	2,759
Finance charges on obligations under finance leases	**1,100**	1,258
	2,561	4,017

	Six months ended 30th September,	
	2009	2008
	HK$'000	HK$'000
(b) Other items:		
Interest income	**(1,203)**	(4,948)
Depreciation of property, plant and equipment	**49,264**	52,407
Depreciation of investment property	**263**	263
Amortisation of interests in leasehold land held for own use under operating leases	**150**	150
Amortisation of intangible assets	**922**	972
Cost of inventories	**836,197**	807,000
One-off provision for prior years' leave pay entitlements of Hong Kong employees (Note)	**-**	25,344

Note: In last period, the Group reviewed the basis of calculating leave pay entitlements for Hong Kong employees and a one-off provision was made for the previous five-and-a-half years up to March 2008.

6. Income tax

Income tax in the consolidated income statement represents:

	Six months ended 30th September,	
	2009	2008
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**14,227**	15,952
Current tax – Outside Hong Kong	**23,882**	15,651
Deferred tax – Origination and reversal of temporary differences	**3,737**	(2,246)
	41,846	29,357

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September, 2008: 16.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7. Dividend

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

	Six months ended 30th September,	
	2009	2008
	HK$'000	HK$'000
Interim dividend declared after the balance sheet date of HK3.2 cents per ordinary share (2008: HK2.8 cents per ordinary share)	**32,537**	28,424

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,	
	2009	2008
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK9.0 cents per ordinary share (2008: HK8.7 cents per ordinary share)	**91,489**	88,278
Special dividend in respect of the previous financial year, approved and paid during the interim period, of HK10.0 cents per ordinary share (2008: HK10.0 cents per ordinary share)	**101,656**	101,469
	193,145	189,747

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$141,115,000 (six months ended 30th September, 2008: HK$96,800,000) and the weighted average number of 1,015,733,000 ordinary shares (2008: 1,013,641,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September,	
	2009	2008
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1st April	**1,015,222**	1,011,576
Effect of share options exercised	**511**	2,065
Weighted average number of ordinary shares for the period	**1,015,733**	1,013,641

8. 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$141,115,000 (six months ended 30th September, 2008: HK$96,800,000) and the weighted average number of 1,021,786,000 ordinary shares (2008: 1,019,178,000 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,	
	2009	2008
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for the period	**1,015,733**	1,013,641
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**6,053**	5,537
Weighted average number of ordinary shares (diluted) for the period	**1,021,786**	1,019,178

9. Trade and other receivables

	At 30th September,	At 31st March,
	2009	2009
	HK$'000	HK$'000
Trade debtors and bills receivable	**555,630**	438,583
Less: Allowance for doubtful debts	**(3,284)**	(1,685)
	552,346	436,898
Other debtors, deposits and prepayments	**50,363**	31,661
	602,709	468,559

9. Trade and other receivables (continued)

The ageing of trade debtors and bills receivable (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	At 30th September, 2009 HK$'000	At 31st March, 2009 HK$'000
Current	**441,305**	344,064
Less than 1 month past due	**96,910**	82,020
1 to 3 months past due	**9,737**	8,802
More than 3 months but less than 12 months past due	**4,354**	1,891
More than 12 months past due	**40**	121
Amounts past due	**111,041**	92,834
	552,346	436,898

Management had a credit policy in place and the exposures 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. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

10. Trade and other payables

	At 30th September, 2009 HK$'000	At 31st March, 2009 HK$'000
Trade creditors and bills payable	**342,747**	242,562
Accrued expenses and other payables	**303,045**	352,877
	645,792	595,439

The ageing of trade creditors and bills payable as of the balance sheet date is as follows:

	At 30th September, 2009 HK$'000	At 31st March, 2009 HK$'000
Due within 1 month or on demand	**281,801**	196,160
Due after 1 month but within 3 months	**47,368**	35,522
Due after 3 months but within 6 months	**5,890**	7,285
Due over 6 months	**7,688**	3,595
	342,747	242,562

INTERIM DIVIDEND

The Board of the Company has declared an interim dividend of HK3.2 cents per ordinary share for the six months ended 30th September, 2009 (2008: HK2.8 cents per ordinary share), to shareholders whose names appear on the Register of Members at the close of business on Thursday, 10th December, 2009. Dividend warrants will be sent to shareholders on or about Wednesday, 23rd December, 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Friday, 11th December, 2009, 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 Thursday, 10th December, 2009.

MANAGEMENT REPORT

Business Highlights

Despite the prevailing uncertain economic conditions, we have been able to sustain solid growth for the six months ended 30th September 2009, with impact on operations being far less than expected. Ultimately, we performed better than our competitors, posting net gains in overall market share.

One positive effect of the worldwide downturn has been a reduction in the price of commodities and some of the key raw materials, which receded to more reasonable levels after price surges in 2008. The results were also aided by a reduction in freight-related costs due to the combination of reduced demand for carriers and lower fuel costs. While prices for soy beans and milk powder trended downward, sugar prices continued to vary at high levels due to the effect of worldwide droughts. These developments had an overall net positive impact on interim results.

Our net sales revenue for the period was HK$1,561 million, up 9% (2008/2009 interim: HK$1,437 million). Profit before taxation for the period was HK$207 million, up 43% (2008/2009 interim: HK$144 million). Profit attributable to shareholders was HK$141 million, up 46% (2008/2009 interim: HK$97 million). In last interim period, we reviewed the basis of calculating leave pay entitlement for Hong Kong employee. A one-off provision made during the period is recognised in the following line items from the 2008 consolidated income statement:

	Excluding One-off Provision Six months ended 30th September,		One-off Provision Six months ended 30th September,		Including One-off Provision Six months ended 30th September,	
	2009 HK$ million	2008 HK$ million	**2009 HK$ million**	2008 HK$ million	**2009 HK$ million**	2008 HK$ million
Turnover	**1,561**	1,437	**-**	-	**1,561**	1,437
Cost of sales	**(786)**	(778)	**-**	(9)	**(786)**	(787)
Gross profit	**775**	659	**-**	(9)	**775**	650
Other revenue	**29**	37	**-**	-	**29**	37
Marketing, selling and distribution expenses	**(395)**	(327)	**-**	(12)	**(395)**	(339)
Administrative expenses	**(110)**	(103)	**-**	(1)	**(110)**	(104)
Other operating expenses	**(90)**	(93)	**-**	(3)	**(90)**	(96)
Profit from operations	**209**	173	**-**	(25)	**209**	148
Finance costs	**(2)**	(4)	**-**	-	**(2)**	(4)
Profit before taxation	**207**	169	**-**	(25)	**207**	144

In view of the healthy financial position and satisfactory business performance, the Board of Directors has recommended an interim dividend of HK3.2 cents per ordinary share (2008/2009 interim: HK 2.8 cents per ordinary share), payable on 23rd December, 2009.

In terms of sales performance, with the exception of North America, all our operations worldwide recorded positive underlying growth. In Hong Kong and Macau, total net sales grew 2% to reach HK$737 million, on the back of a number of strong youth-oriented marketing campaigns. In Mainland China, sales grew by 40% on the strength of our strong VITASOY brand positioning and distribution strategies. As projected, Australia and New Zealand reported sales growth of 12% in the local currency, however, in Hong Kong dollar terms there was a slight 1% drop in sales due to the depreciation of the Australian dollar. In North America, sales revenue decreased by 6% due to our recent exit from the mainstream soymilk segment. In Singapore, sales grew 2% to HK$31 million.

Our gross profit during the period was HK$775 million, an increase of 19% (2008/2009 interim: HK$650 million). Gross profit margin stood at 50% (2008/2009 interim: 45%) due to the lower prices of commodities and other raw materials as well as more effective cost management.

Total operating expenses during the period amounted to HK$595 million, up 10%. Marketing, selling and distribution expenses were HK$395 million, up 17%. Administrative expenses amounted to HK$110 million, up 6%. Other operating expenses were HK$90 million, compared with HK$96 million for the same period last year.

EBITDA for the interim period was HK$259 million, up 31%. We improved our EBITDA margin to 17% of net sales (2008/2009 interim: 14%).

Hong Kong and Macau – Performed within expectation

While the Hong Kong economy has been affected by the global economic downturn, consumer sentiment has remained relatively stable. While the outlook is positive, increasing price sensitivity among consumers has put pressure on our product pricing.

During the period, our operations in Hong Kong and Macau rejuvenated the core VITASOY and VITA brands with a series of fun and energetic marketing campaigns designed to connect emotionally with the younger generation. “It’s Dead Fruity,” an advertising campaign for VITA Juice, received the Bronze Award in the Media Lions category in Cannes Lions 2009, the only Hong Kong advertising campaign to win an award in this category.

Our Hong Kong team introduced around 10 new variants into the market during the period, some of which were able to fast-track the original product launch timeline. This was complemented by a packaging revamp, coupled with the new TV commercials for VITA Pure Distilled Water, VITA Lemon Tea, SAN SUI Tofu and VITASOY Soymilk, launched during the summer season to help reinforce the leadership position in the various categories. The “Stand By Me” TV commercial has been particularly successful, thus far attracting over half a million online views.

Our tuck shop business, operated through Vitaland Services Limited (“Vitaland”), underwent successful streamlining over the year, maximising operating efficiencies in projects through a systematic approach of managing margin and controlling expenditure. The business managed to retain its clientele from last year, maintaining the same number of schools, but was severely affected by the 2009 swine flu pandemic, which decreased the number of school days due to individual and territory-wide school closures. Our operation therefore has adopted a strategy of optimising return on investment in evaluating opportunities rather than sales growth.

Export sales momentum grew by 10% where Southeast Asia performed well, particularly Singapore and Malaysia, supported by sales of new products such as Low-sugar VITASOY Soymilk, as well as the expansion of the glass bottle VITASOY Soymilk distribution channels to Nigeria.

Mainland China – Sustained robust growth

The Chinese economy continued to grow at a steady pace for the period. Our operations in Mainland China sustained a strong growth rate of 40%, due in large part to the accumulated effect of months of effective brand building and marketing. We have expanded our market presence in the pre-packed soymilk category, where we command a leading position in both Southern and Eastern China.

Following the melamine incident last year the dairy industry is fighting to restore confidence and regain market share, and this will challenge our rate of growth going forward.

Our operations’ success in the Guangdong market has expedited our entry into the surrounding markets of Hunan, Fujian and Guanxi provinces. In Southern China, our teams are deepening distribution channels and widening geographical penetration. Food service, breakfast and key accounts are the new channel focuses for the region, and increased profile and distribution networks are key elements of our new focus on Tier 2 and Tier 3 cities.

During the period, the Mainland China operations launched a series of new products, including VITASOY Black Bean Soymilk, which was well received in consumer markets and posted strong results. In Eastern China, a major marketing campaign was introduced in August to September to promote these new products through advertising in print, TV, public transport and online. This campaign yielded encouraging feedback, contributing to the success of the new product launch and bolstering our market presence.

Australia and New Zealand – Driving category growth

Our operation in Australia and New Zealand enjoyed 12% sales growth (in Australian currency terms) during the period. However, in Hong Kong dollar terms, net sales were HK$158 million, down 1% compared with those of last year, due to the depreciation in the Australian dollar. The increase in our sales has driven the category growth in the Australian soy and ricemilk categories, of which we are the primary driver. Besides currency translation impact, this period has seen an increase in the rate of royalties and management fees payable to respective partners, impacting operating profit.

We expanded our distribution network through one of Australia's largest dairy manufacturers, which was acquired by our joint venture partner earlier this year. Expanded distribution has also driven the channel growth in the Australian soy and ricemilk categories.

North America – Turnaround to positive contribution

North American operation experienced a modest decline in revenue due to a wholesale restructuring and exit from the mainstream soymilk business. Domestic soymilk showed a decline in sales after we exited that product line in early 2009. This was offset, however, by growth in the remaining businesses. Total net sales during the period were HK$197 million, down 6%.

The small profit recorded this period is a welcome turnaround from losses suffered over the past several years. This period's improved bottom line can be directly attributed to a major restructuring in the operation, primarily comprising the exit from the mainstream soymilk business, and more focus on our core products. Our management plans to centre product development on the core tofu and pasta/wrap segments, with new products in the pipeline geared toward broadening the reach of tofu as a healthy alternative to add protein and other nutritional benefits to the diet. The tofu business in the mainstream market, represented by the leading NASOYA and AZUMAYA brands, sustained strong growth.

Our business continues to be strong in the Asian markets, although Asian consumer shopping trends are experiencing ongoing shifts, with over 50% of the Asian population now frequenting mainstream supermarket chains and club stores on a regular basis. These trends are expected to continue into 2011.

Singapore – Growth in the wake of economic recession

The Singapore economy contracted by 7% in the first half of 2009, however, our operation experienced a top line growth of 6% in local currency.

The best performing business channel during the period was wholesalers. This strong growth was made possible by an expanded client base and the designation of a customer sales representative at the channel six days a week. The supermarket channel was also strong. Approximately one-quarter of this growth was the result of an increase in supermarket outlets run by major groups and chains.

General Outlook

Results from the first half have thus far been encouraging, and management are cautiously optimistic about the prospects for the second half.

In Hong Kong and Macau, we are committed to continuing brand-building strategies to sustain our customer base and maintain customer loyalty, complemented by a positive media and publicity campaign. A Hot VITASOY Soymilk campaign that presents a unique competitive edge over other beverage manufactures should help generate extra revenue through the winter season. On the CAPEX front, our management will continue to upgrade and expand the manufacturing base to ensure adequate capacity to meet market demand. Vitaland was recently awarded the official food caterer for staff, guests and athletes of the Hong Kong 2009 East Asian Games which will be conducted in December. This will be a valuable opportunity for our operation to raise its brand profile and increase its public exposure.

In Mainland China, the economy is expected to continue its steady growth in the second half of the year. Our Mainland China operations intend to maintain their present course for the upcoming period.

Southern China operation will shortly embark on an expansion into Hunan and Guangxi provinces, while Eastern China operation will continue to carry out an aggressive strategic brand building program begun in August, to strengthen our market presence. We are also planning the launch of a series of high-end soymilk products in the second half. The rapid growth in demand in Southern China is putting pressure on production capacity, and our management is considering constructing a second plant in Guangdong Province.

Australian and New Zealand operation will drive core growth for the second half, while mobilising based on growth strategies in the category entry brand, SOY MILKY. The teams will explore growing the convenience and food service business through a new café-specific product launched in the first half and the introduction of additional lines to this market. We expect sustained competitive pressure at the trade and promotional pricing level and will continue to closely monitor the intensifying level of competition among the major retailers.

Our operation in North America will intensify the focus on core domestic NASOYA and AZUMAYA food businesses as well as the Asian tofu and imported beverage business. We have expanded our tofu offerings to reach a broader array of consumers at all price/value levels and have revised our trade promotion tactics. Our marketing communication strategies have also been restructured to more effectively use of social media on the Web as an advertising tool in reaching millions of consumers through blogs, Facebook and Twitter. Finding a better means of reaching our shifting Asian consumer base through improved distribution avenues will be a key component of our strategy going forward.

Our Singapore business entered its peak season in mid-October. Outlook for the second half of this fiscal year is therefore cautiously optimistic. We will introduce several new products in the coming six months to complement our Collagen and High Fiber Tofu Desserts and strengthen our market position.

FINANCIAL REVIEW

Our financial position has remained very strong. As at 30th September, 2009, we were in a healthy net cash position of HK$310 million (31st March, 2009: HK$406 million). Banking facilities available to but not used by us amounted to HK$353 million (31st March, 2009: HK$260 million).

As at 30th September, 2009, our borrowings (including obligations under finance leases) amounted to HK$83 million (31st March, 2009: HK$77 million). The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) slightly increased to 7% (31st March, 2009: 6%).

We incurred capital expenditures totalling HK$39 million (2008/2009 interim: HK$33 million), which was primarily funded by cash generated from various operations.

CORPORATE GOVERNANCE

The Company has, throughout the six months ended 30th September, 2009, 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 2008/2009 Annual Report, Mr. Laurence P. EISENTRAGER has fully assumed the direct supervisory roles in Hong Kong, Australia, North America and Singapore and is currently in the course of assuming the supervisory role in Mainland China from the Executive Chairman. It is anticipated that the completion of full transition will cross over into fiscal year of 2010/2011.

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, 2009.

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, 2009.

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, 2009 will be published on the website of The Stock Exchange of Hong Kong Limited at *www.hkex.com.hk* and the Company's website at *www.vitasoy.com* in due course.

By Order of the Board
Winston Yau-lai LO
Executive Chairman

Hong Kong, 19th November, 2009

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.