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, 2010

HIGHLIGHTS

- Solid business growth through uncertain times
- Key business performances
  - Hong Kong and Macau – outperformed industry average with growth recorded in core brands of products amidst vigorous price war and market competition.
  - Mainland China – maintained growth momentum with strong investment in brand building and package design.
  - Australia and New Zealand – strong growth in core business and development of new sales channels.
  - North America – successful focused strategy established good foundation for future growth.
  - Singapore – profitability challenged by cost pressures.
  - Margin sustained at last year level through improved manufacturing efficiency driven by volume growth and effective cost management.
- The Group's half year turnover reached HK$1,710 million, up 10%.
- Gross margin stood at 50%, remained at same level as last year.
- Profit before taxation was HK$234 million, increased by HK$27 million or 13%.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation and impairment losses on property, plant and equipment) for the period was HK$292 million, up HK$33 million or 13%.
- EBITDA margin to turnover was 17%.
- Profit attributable to equity shareholders was HK$156 million, increased by 10%.
- The Board of Directors has declared an interim dividend of HK3.2 cents per ordinary share to be payable on 21st December, 2010.

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, 2010, together with the comparative figures for the previous financial period, as follows:

CONSOLIDATED INCOME STATEMENT - UNAUDITED

		Six months ended 30th September,	
		2010	2009
	Note	**HK$'000**	HK$'000
Turnover	3, 4	**1,709,742**	1,561,016
Cost of sales		**(860,450)**	(786,304)
Gross profit		**849,292**	774,712
Other revenue		**18,399**	29,067
Marketing, selling and distribution expenses		**(418,798)**	(395,264)
Administrative expenses		**(116,777)**	(110,224)
Other operating expenses		**(94,334)**	(88,910)
Profit from operations		**237,782**	209,381
Finance costs	5(a)	**(3,696)**	(2,561)
Profit before taxation	5	**234,086**	206,820
Income tax	6	**(48,904)**	(41,846)
Profit for the period		**185,182**	164,974
Attributable to:			
Equity shareholders of the Company		**155,888**	141,115
Non-controlling interests		**29,294**	23,859
Profit for the period		**185,182**	164,974
Earnings per share	8		
Basic		**HK15.3 cents**	HK13.9 cents
Diluted		**HK15.2 cents**	HK13.8 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	Six months ended 30th September,	
	2010	2009
	HK$'000	HK$'000
Profit for the period	**185,182**	164,974
Other comprehensive income for the period:		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	**19,386**	37,956
Total comprehensive income for the period	**204,568**	202,930
Attributable to:		
Equity shareholders of the Company	**169,162**	162,816
Non-controlling interests	**35,406**	40,114
Total comprehensive income for the period	**204,568**	202,930

CONSOLIDATED BALANCE SHEET - UNAUDITED

		At 30th September, 2010		At 31st March, 2010	
	Note	**HK$'000**	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**903,380**		805,720
- Investment property			**8,036**		8,299
- Interests in leasehold land held for own use under operating leases			**7,038**		7,056
			918,454		821,075
Deposits for the acquisition of fixed assets			**25,509**		15,808
Intangible assets			**14,148**		14,238
Goodwill			**37,477**		35,197
Deferred tax assets			**10,138**		7,996
			1,005,726		894,314
Current assets					
Inventories		**343,307**		303,584	
Trade and other receivables	9	**654,277**		544,601	
Current tax recoverable		**1,144**		1,160	
Bank deposits		**16,467**		15,500	
Cash and cash equivalents		**454,363**		463,245	
		1,469,558		1,328,090	
Current liabilities					
Trade and other payables	10	**699,342**		577,745	
Bank loans	11	**166,880**		64,456	
Obligations under finance leases		**7,855**		6,307	
Current tax payable		**46,023**		22,985	
		920,100		671,493	
Net current assets			**549,458**		656,597
Total assets less current liabilities			**1,555,184**		1,550,911
Non-current liabilities					
Bank loans	11	**57,000**		-	
Obligations under finance leases		**15,167**		16,468	
Employee retirement benefit liabilities		**1,855**		1,851	
Deferred tax liabilities		**39,332**		33,714	
			113,354		52,033
NET ASSETS			**1,441,830**		1,498,878
CAPITAL AND RESERVES					
Share capital			**254,692**		254,422
Reserves			**1,039,129**		1,104,075
Total equity attributable to equity shareholders of the Company			**1,293,821**		1,358,497
Non-controlling interests			**148,009**		140,381
TOTAL EQUITY			**1,441,830**		1,498,878

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 2009/2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010/2011 annual financial statements.

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation 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 3 (revised 2008), Business combinations
- Amendments to HKAS 27, Consolidated and separate financial statements
- Improvements to HKFRSs (2009)

The above developments have resulted in changes in accounting policies but none of these changes in accounting policies has had a material impact on the current or comparative periods.

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 businesses 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 period is set out below:

4. Segment reporting (continued)

(a) Segment results and assets (continued)

	Hong Kong and Macau		Mainland China		Australia and New Zealand		North America		Singapore		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Six months ended 30th September												
Revenue from external customers	**759,166**	736,851	**500,771**	437,545	**209,519**	158,348	**208,714**	197,049	**31,572**	31,223	**1,709,742**	1,561,016
Inter-segment revenue	**36,151**	33,964	**57,536**	48,648	**408**	-	**132**	132	**-**	-	**94,227**	82,744
Reportable segment revenue	**795,317**	770,815	**558,307**	486,193	**209,927**	158,348	**208,846**	197,181	**31,572**	31,223	**1,803,969**	1,643,760
Reportable segment profit from operations	**139,556**	141,811	**87,527**	73,176	**40,561**	23,996	**5,540**	1,499	**2,353**	4,729	**275,537**	245,211
Additions to non-current segment assets during the period	**64,695**	30,769	**67,294**	3,546	**14,328**	896	**3,436**	2,583	**199**	931	**149,952**	38,725

	Hong Kong and Macau		Mainland China		Australia and New Zealand		North America		Singapore		Total	
	At 30th September, 2010	At 31st March, 2010	**At 30th September, 2010**	At 31st March, 2010	**At 30th September, 2010**	At 31st March, 2010	**At 30th September, 2010**	At 31st March, 2010	**At 30th September, 2010**	At 31st March, 2010	**At 30th September, 2010**	At 31st March, 2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**1,653,229**	1,521,773	**667,778**	495,324	**325,618**	283,192	**204,982**	206,896	**96,162**	99,441	**2,947,769**	2,606,626

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

	Six months ended 30th September,	
	2010	2009
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**1,803,969**	1,643,760
Elimination of inter-segment revenue	**(94,227)**	(82,744)
Consolidated turnover	**1,709,742**	1,561,016

	Six months ended 30th September,	
	2010	2009
	HK$'000	HK$'000
Profit		
Reportable segment profit from operations	**275,537**	245,211
Finance costs	**(3,696)**	(2,561)
Unallocated head office and corporate expenses	**(37,755)**	(35,830)
Consolidated profit before taxation	**234,086**	206,820

4. Segment reporting (continued)

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

	At 30th September, 2010 HK$'000	At 31st March, 2010 HK$'000
Assets		
Reportable segment assets	**2,947,769**	2,606,626
Elimination of inter-segment receivables	**(500,847)**	(416,039)
	2,446,922	2,190,587
Deferred tax assets	**10,138**	7,996
Current tax recoverable	**1,144**	1,160
Unallocated head office and corporate assets	**17,080**	22,661
Consolidated total assets	**2,475,284**	2,222,404

5. Profit before taxation

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

	Six months ended 30th September,	
	2010 HK$'000	2009 HK$'000
(a) Finance costs:		
Interest on bank loans	**2,796**	1,461
Finance charges on obligations under finance leases	**900**	1,100
	3,696	2,561
(b) Other items:		
Interest income	**(1,125)**	(1,203)
Depreciation of property, plant and equipment	**53,994**	49,264
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	**978**	922
Cost of inventories	**915,801**	836,197

6. Income tax

Income tax in the consolidated income statement represents:

	Six months ended 30th September, 2010 HK$'000	2009 HK$'000
Current tax – Hong Kong Profits Tax	**12,775**	14,227
Current tax – Outside Hong Kong	**32,699**	23,882
Deferred tax – Origination and reversal of temporary differences	**3,430**	3,737
	48,904	41,846

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September, 2009: 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. Dividends

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

	Six months ended 30th September, 2010 HK$'000	2009 HK$'000
Interim dividend declared after the balance sheet date of HK3.2 cents per ordinary share (2009: HK3.2 cents per ordinary share)	**32,601**	32,537

The interim dividend proposed after the balance sheet date is based on 1,018,770,000 ordinary shares (2009: 1,016,780,000 ordinary shares), being the total number of issued shares at the date of approval of the financial report.

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, 2010 HK$'000	2009 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK13.4 cents per ordinary share (2009: HK9.0 cents per ordinary share)	**136,506**	91,489
Special dividend in respect of the previous financial year, approved and paid during the interim period, of HK10.0 cents per ordinary share (2009: HK10.0 cents per ordinary share)	**101,870**	101,656
	238,376	193,145

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$155,888,000 (six months ended 30th September, 2009: HK$141,115,000) and the weighted average number of 1,018,220,000 ordinary shares (2009: 1,015,733,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September,	
	2010	2009
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1st April	**1,017,688**	1,015,222
Effect of share options exercised	**532**	511
Weighted average number of ordinary shares for the period	**1,018,220**	1,015,733

(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$155,888,000 (six months ended 30th September, 2009: HK$141,115,000) and the weighted average number of 1,027,617,000 ordinary shares (2009: 1,021,786,000 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,	
	2010	2009
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for the period	**1,018,220**	1,015,733
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**9,397**	6,053
Weighted average number of ordinary shares (diluted) for the period	**1,027,617**	1,021,786

9. Trade and other receivables

	At 30th September, 2010 HK$'000	At 31st March, 2010 HK$'000
Trade debtors and bills receivable	**591,243**	482,539
Less: Allowance for doubtful debts	**(3,836)**	(2,187)
	587,407	480,352
Other debtors, deposits and prepayments	**66,870**	64,249
	654,277	544,601

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, 2010 HK$'000	At 31st March, 2010 HK$'000
Current	**488,901**	392,900
Less than one month past due	**89,957**	77,503
One to three months past due	**6,407**	7,490
More than three months but less than twelve months past due	**2,126**	2,445
More than twelve months past due	**16**	14
Amounts past due	**98,506**	87,452
	587,407	480,352

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, 2010 HK$'000	At 31st March, 2010 HK$'000
Trade creditors and bills payable	**340,050**	275,499
Accrued expenses and other payables	**359,292**	302,246
	699,342	577,745

10. Trade and other payables (continued)

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

	At 30th September, 2010 HK$'000	At 31st March, 2010 HK$'000
By due date		
Due within one month or on demand	**298,456**	231,808
Due after one month but within three months	**25,822**	29,236
Due after three months but within six months	**2,386**	2,917
Due over six months	**13,386**	11,538
	340,050	275,499

11. Bank loans

At 30th September, 2010, the bank loans were repayable as follows:

	At 30th September, 2010 HK$'000	At 31st March, 2010 HK$'000
Within one year or on demand (Note)	**166,880**	64,456
After two years but within five years	**25,650**	-
After five years	**31,350**	-
	57,000	-
	223,880	64,456

Note: This amount includes a bank loan of HK$57,000,000 as at 30th September, 2010, notwithstanding the agreed instalment schedule which allows this loan to be repaid over a period of more than one year. This bank loan has been presented as current as the bank agreement includes clauses which give the bank the ability to recall the loan on demand at its sole discretion. However, provided the Group does not breach the events of default included in this agreement, the Group does not expect the bank to exercise these rights. The expected repayment analysis of this bank loan is set out as below:

	At 30th September, 2010 HK$'000	At 31st March, 2010 HK$'000
Expected repayment analysis		
Within one year or on demand	-	-
After two years but within five years	**25,650**	-
After five years	**31,350**	-
	57,000	-

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, 2010 (2009: HK3.2 cents per ordinary share), to shareholders whose names appear on the Register of Members at the close of business on Wednesday, 8th December, 2010. Dividend warrants will be sent to shareholders on or about Tuesday, 21st December, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Thursday, 9th December, 2010, 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 Wednesday, 8th December, 2010.

MANAGEMENT REPORT

Business Highlights

The operating environment for the industry remained challenging in the first half of Fiscal 2010/2011. The costs of raw materials, fuels and labour have been on the rise in most markets and competition has been intensifying. Despite these challenges, the Group executed effective business strategies in its major markets worldwide and succeeded in achieving broad-based revenue growth while safeguarding its overall profit margin and maintaining its leading position in each market.

The Group's net sales revenue for the interim period was HK$1,710 million, up 10% (2009/2010 interim: HK$1,561 million). Profit before taxation was HK$234 million, up 13% (2009/2010 interim: HK$207 million). Profit attributable to shareholders was HK$156 million, which represented an increase of 10% over the same period in the previous year (2009/2010 interim: HK$141 million).

In view of the Group's solid business performance and healthy financial position, the Board of Directors has declared an interim dividend of HK3.2 cents per ordinary share (2009/2010 interim dividend: HK3.2 cents per ordinary share) to be payable on 21st December, 2010.

In terms of sales performance, almost all our operations worldwide recorded positive sales growth. In Hong Kong and Macau, amidst a difficult non-alcoholic drink market, our net sales grew 3% to reach HK$759 million, gaining market share from our competitors with new product launch and successful promotion focusing on our core brands. In Mainland China, sales continued to grow by 14% on the strength of our strong VITASOY brand positioning and distribution strategies. Australia and New Zealand reported a soaring sales growth of 32%, achieving market leadership for the past three months consecutively over competitors. In North America, sales revenue increased by 6% driven by growth in the Asian channel for imported VITASOY drinks and the growth in Tofu sales for the mainstream U.S. market. In Singapore, sales grew 1% to HK$32 million.

The Group's gross profit during the period was HK$849 million, an increase of 10% (2009/2010 interim: HK$775 million). Gross profit margin maintained at 50% (2009/2010 interim: 50%) through improved manufacturing efficiency driven by volume growth and effective cost management.

Total operating expenses during the period amounted to HK$630 million, up 6%. Marketing, selling and distribution expenses were HK$419 million, up 6%. Administrative expenses amounted to HK$117 million, up 6%. Other operating expenses were HK$94 million, versus HK$89 million for the same period last year.

EBITDA for the interim period was HK$292 million, an increase of 13% over same period last year. EBITDA margin was 17% of net sales which was on par with the same period last year.

Hong Kong and Macau

The Hong Kong economy continued to revive in the first half of 2010, driven by the surge in investment spending, inbound tourism and the export of goods and services. The growth of economic activities naturally helped boost the job market and wages, private consumption and, hence, retail sales. However, the non-alcoholic beverage and packaged food market remained sluggish with a decline in sales volume and value affected mainly by the increase in dining-out activities. In the first six months of Fiscal 2010/2011, the non-alcoholic drink market alone shrank by 5% in both volume and value. Other major challenges were the rise in the costs of raw materials, utilities and manpower as well as the intensifying competition to drive volume in the industry.

Notwithstanding these challenges, the Group recorded a steady sales growth, by outperforming the industry average. With a primary focus on its core brands of products, the Group recorded an increase of 3% in net sales revenue which reached HK$759 million in the interim period. Operating profit dropped slightly by 2% mainly due to increased costs of materials.

The main drivers of sales growth included the VITA range of Ready-To-Drink Teas, SANSUI Fresh Soymilk and the SANSUI range of Tofu. Through aggressive marketing and selling, strong growth was posted for all these categories over the same period last year. New products such as SANSUI Black Soymilk and VITAPOP – a new range of light-tasting beverages for young consumers, were launched with enthusiastic response, making a positive contribution to the Group's sales performance. Apart from domestic sales, the performance of the Group's export business was also ahead of other market players. Exports to external markets experienced a favourable growth of 13% and sales performance in Macau was also impressive.

The Group's school tuck shop business operated under Vitaland Services Limited recorded an increase in both sales revenue and the number of tuck shops. However, profit margin has shrunk due to the increased cost pressure on food and labour.

Mainland China

The Group continued to pursue the "Core Business, Core Brand and Core City" strategy in Mainland China. In the first six months, main focus was on driving sales and market share growth in Southern China within capacity constraints while further expanding our foothold in Eastern China. From a brand communication standpoint, the Group has actively focused on consumer education to enhance our product image as "healthy, green and low-carbon". The package design of the full range of products were revamped and met with good consumer response. To stimulate sales demand among children, the Group has obtained a trademark licence to use the popular "Pleasant Goat and Big Big Wolf" cartoon characters on our product packages. As regards product development, the Group has launched healthier versions with added nutrients such as by increasing the protein content in Soymilk and introducing the new Calcium-Rich Soymilk. To support the afore-mentioned initiatives, a series of TV commercials and other promotional activities were launched. These were instrumental in ensuring the Group's leadership in the soymilk market in Mainland China while boosting the growth of net sales revenue.

In the first half of Fiscal 2010/2011, net sales revenue in Mainland China maintained a double digit growth of 14% to HK$501 million, despite production capacity constraint in Southern China. Although there were higher raw material and energy costs, wages, transportation costs as well as higher promotional spending for brand building, operating profit still demonstrated a promising growth of 20% to HK$88 million.

In terms of market share, the Group's brand is now the soymilk leader in both Southern and Eastern China.

As mentioned in the Group's 2009/2010 Annual Report, a project to expand the Group's production capacity in Southern China has been underway so as to cope with the growth in demand and to alleviate capacity pressure for the next financial year. The new production facility now under construction is located in the municipality of Nanhai in central Guangdong Province.

Australia and New Zealand

The Australian soymilk and rice milk markets as a whole experienced a slight contraction in the interim period due to retailers' and competitors' deflationary tactics to gain market share. The VITASOY brand was the only brand to maintain a strong and healthy volume and value growth in sales. The New Zealand market was flat but the brand maintained its position without resorting to unsustainable price cuts and promotional spending. The VITASOY brand is now the market leader in milk alternative categories across Australia and New Zealand and has held that position throughout the second quarter of Fiscal 2010/2011.

In addition to substantially growing the sales of Soymilk and Rice Milk products, the Group also experienced exceptionally robust growth in the coffee channel. This was made possible by Vitasoy Australia Products Pty. Ltd. ("VAP")'s new product development and the strong distribution capability offered by the Group's local joint venture partner. Two new products were launched during the interim period, namely, VITASOY Soy Milky Kids in the grocery channel and VITASOY Organic Soymilk. The latter is exclusive for the coffee channel.

In the first half of Fiscal 2010/2011, net sales revenue grew strongly by 32% to HK$210 million. Operating profit registered an impressive increase of 69% to HK$41 million, attributed to strong sales growth and improved efficiency in the utilisation of the Wodonga plant's production capacity. The appreciation of the Australian dollar in the interim period also acted in the Group's favour in both revenue and profit. In local currency term, net sales revenue increased by 20% while operating profit grew by 53%.

North America

Despite the economy in the U.S. remaining stagnant, Vitasoy USA continued to show positive top and bottom line results in the interim period. Following on the heels of a breakthrough fiscal year, the operation continued to expand its market share leadership position in the U.S. Tofu and Asian Pasta categories while realising strong double digit growth in the Asian Imported Beverage sector.

The Group's strategic focus in the North American market this period has been on core products with good growth potential and innovative new product development. Recent launches of two new products namely, NASOYA Tofu Plus and NASOYA Super Hummus, has helped drive both category and brand sales. Together these initiatives allowed the Group to grow its sales and capture a bigger market share.

In the six months to 30th September, 2010, Vitasoy USA's net sales revenue amounted to HK$209 million, representing an increase of 6% year-on-year. Tofu and pasta sales grew steadily while the private-label tofu and imported beverage categories recorded exceptionally strong growth.

Operating profit increased strongly by 270% to HK$6 million due to improved utilisation of the plant capacity driven by the volume growth.

Singapore

Although the Singaporean economy has turned around in the first half of 2010 supported by casinos, finance and the construction sectors, supermarket sales remained flat. With the recovery of its GDP growth, the Singapore Government has terminated all its fiscal stimulus measures since March this year, causing increases in business overhead spending from land rental, property taxes to payroll. The manufacturing sector remained stagnant.

During the interim period, Unicurd Food Co. (Private) Limited ("Unicurd"), the Group's wholly-owned subsidiary in Singapore, faced a tough environment. Unicurd's business focus was on marketing and promotion as well as revamping its product packaging to drive sales growth. In respect of product development, one new product, UNICURD Extra Smooth Silken Tofu was launched with positive market response.

During the period under review, Unicurd recorded net sales revenue of HK$32 million, an increase of 1%. The marginal increase was mainly attributable to the appreciation of Singaporean dollar, while Unicurd's sales in local currency had dropped by 4%. Sales in the supermarket channel as well as the wholesale channel declined whereas sales in the restaurant channel, the wet market channel and exports increased. Operating profit fell by 50% to HK$2 million, which was mainly due to an overall decrease in sales, the removal of government subsidy coupled with the increase in costs, particularly salary, marketing spending to revamp product packages and promotional expenses in key account outlets.

General Outlook

Results from the first half of the year have thus far been encouraging and management are cautiously optimistic about the prospects for the second half. The operating environment for the packaged food and beverage industry in the remainder of the year will be more challenging than the first two quarters. Cost management is expected to be a thorny issue for all industry operators in view of the escalation in operating costs, particularly those related to raw materials, fuel and manpower, which has shown no sign of abating. Apart from that, the intensifying competition on pricing could probably add further pressure on profit margins.

For the Group, the main strategic focus in the coming months will be to drive growth from product innovation, sales and marketing as well as distribution. At the same time, it will continue to equip and prepare itself for development in the longer term by investing in four key areas, namely, brand equity, production capacity, product and package innovation as well as human resource development. While striving for growth and investing in the future, the Group will also adopt a prudent approach in managing costs and ensuring cost effectiveness in all its operations in order to maximise its profitability.

In Hong Kong, the Group will continue to build the VITASOY and VITA brands through innovative marketing and promotion. The Group is in the process of rejuvenating its production capability and expanding its capacity to cope with the growth in the volume and diversity of products. For the Group's tuck shop and catering business, in view with the prospect of the increase in food cost and the imminent enactment of minimum wage legislation, the Group's focus is to maintain the quality of its products and services while holding profitability.

In Mainland China, where sustainable economic growth is expected, the Group will continue to implement the "Core Business, Core Brand and Core City" strategy to drive the growth in sales and market share. In Southern China, the Group will reinforce its sales organisation and operational teams to prepare for the commissioning of the new production plant in Nanhai which is scheduled for Fiscal 2011/2012. In Eastern China, the Group will continue its brand strengthening programs and build customer awareness to gain growth and market share. Prudent cost management measures will be adopted to counter the escalation in operating costs.

The Australian economy is forecasted to remain stable in the coming months but the contraction of the soymilk and rice milk markets is likely to persist as a result of the current price war. It is therefore expected that operating costs will go up, thus compressing operators' profit margins. Given its premium position in the Australia/New Zealand market, VAP's business strategy will remain unchanged in the second half of the year. It will continue to drive category penetration, expand its market share and maintain its market leadership. To sustain and fuel its growth momentum, VAP is also actively developing a new range of products to be rolled out next year. The expansion of the Wodonga plant capacity is in good progress, with a target of being completed in Fiscal 2011/2012.

In North America, the Group will continue to build a solid platform for profitable growth. As economic conditions continue to stabilise, the Group will expand its product offerings and step up its trade promotion and consumer marketing to reach a more diverse spectrum of consumers.

In Singapore, Unicurd's focus will strive to expand its market share through product innovation and customer promotion. New products will be introduced to drive domestic sales and exports. Improved profit is also expected through better price positioning and efficiencies.

Financial Review

The Group's financial position, as at 30th September, 2010, continues to be healthy, with a net cash position of HK$224 million (31st March, 2010: HK$392 million) and available banking facilities of HK$898 million (31st March, 2010: HK$497 million).

As at 30th September, 2010, the Group's borrowings (including obligations under finance leases) amounted to HK$247 million (31st March, 2010: HK$87 million). The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) increased to 19% (31st March, 2010: 6%) due to the new bank loans drawn to finance the construction of the new production plant in Mainland China.

The Group incurred capital expenditure totalling HK$141 million (2009/2010 interim: HK$39 million), which was funded by both internal resources and bank loans.

CORPORATE GOVERNANCE

The Company has, throughout the six months ended 30th September, 2010, complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

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

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, 2010.

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, 2010.

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, 2010 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.

APPRECIATION FROM EXECUTIVE CHAIRMAN

I would take this opportunity to express my gratitude to our shareholders, customers and business partners for their continuing support, the Board of Directors for its valuable guidance as well as our staff for their dedication and hard work.

I would like to welcome Mr. Valiant Kin-piu CHEUNG who has been appointed as an Independent Non-executive Director and the Member of the Audit Committee and Remuneration and Nomination Committee of the Company on 1st September, 2010.

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

Hong Kong, 18th November, 2010

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, Mr. Jan P. S. ERLUND and Mr. Valiant Kin-piu CHEUNG are independent non-executive directors.