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, 2012

HIGHLIGHTS

- Solid growth in business despite a tough operating environment. Successful completion of new production infrastructures laid a strong foundation for business growth forward.
- Key business performances
  - Hong Kong and Macau – Sales growth outperformed the beverage industry average through innovative marketing campaigns and extended product range.
  - Mainland China – Impressive business growth achieved with greater distribution penetration and territorial expansion.
  - Australia and New Zealand – Production expansion program completed, however, sales growth limited by capacity constraint.
  - North America – Steady sales growth and business break-even with manufacturing difficulties being resolved.
  - Singapore – Strong business supported by channel growth.
- The Group's half year turnover reached HK$2,135 million, up 10%.
- Gross profit was HK$1,010 million, up 11%. Gross margin stood at 47%, remained the same as last period.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation) for the period was HK$343 million, up HK$48 million or 16%.
- EBITDA margin to turnover was 16%.
- Profit before taxation was HK$245 million, an increase of 6%.
- Profit attributable to equity shareholders was increased by 16% to HK$173 million.
- The Board of Directors has declared an interim dividend of HK3.2 cents per ordinary share to be payable on 31st December 2012.

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, 2012, together with the comparative figures for the previous financial period, as follows:

CONSOLIDATED INCOME STATEMENT - UNAUDITED

		Six months ended 30th September,	
		2012	2011
	Note	**HK$'000**	HK$'000
Turnover	3, 4	**2,135,146**	1,945,918
Cost of sales		**(1,125,350)**	(1,033,246)
Gross profit		**1,009,796**	912,672
Other revenue		**34,733**	23,645
Marketing, selling and distribution expenses		**(524,925)**	(452,339)
Administrative expenses		**(146,234)**	(134,749)
Other operating expenses		**(116,400)**	(112,270)
Profit from operations		**256,970**	236,959
Finance costs	5(a)	**(12,294)**	(5,818)
Profit before taxation	5	**244,676**	231,141
Income tax	6	**(54,904)**	(53,631)
Profit for the period		**189,772**	177,510
Attributable to:			
Equity shareholders of the Company		**172,696**	148,528
Non-controlling interests		**17,076**	28,982
Profit for the period		**189,772**	177,510
Earnings per share	8		
Basic		**HK16.9 cents**	**HK14.6 cents**
Diluted		**HK16.8 cents**	**HK14.4 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,	
	2012	2011
	HK$'000	HK$'000
Profit for the period	**189,772**	177,510
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	**2,945**	(2,047)
Cash flow hedge: net movement in the hedging reserve	**(19)**	(1,401)
Total comprehensive income for the period	**192,698**	174,062
Attributable to:		
Equity shareholders of the Company	**175,220**	149,468
Non-controlling interests	**17,478**	24,594
Total comprehensive income for the period	**192,698**	174,062

CONSOLIDATED BALANCE SHEET - UNAUDITED

	Note	**At 30th September, 2012**		At 31st March, 2012	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**1,503,008**		1,524,520
- Investment properties			**6,982**		7,246
- Interests in leasehold land held for own use under operating leases			**34,846**		35,244
			1,544,836		1,567,010
Deposits for the acquisition of fixed assets			**8,073**		1,156
Intangible assets			**10,822**		11,622
Goodwill			**40,171**		39,206
Deferred tax assets			**18,067**		17,957
			1,621,969		1,636,951
Current assets					
Inventories		**425,692**		423,339	
Trade and other receivables	9	**816,157**		668,528	
Current tax recoverable		**1,977**		430	
Bank deposits		**451**		438	
Cash and cash equivalents		**177,752**		205,856	
		1,422,029		1,298,591	
Current liabilities					
Trade and other payables	10	**844,417**		771,918	
Bank loans	11	**199,084**		305,358	
Obligations under finance leases		**3,508**		3,784	
Current tax payable		**56,682**		26,256	
		1,103,691		1,107,316	
Net current assets			**318,338**		191,275
Total assets less current liabilities			**1,940,307**		1,828,226
Non-current liabilities					
Bank loans	11	**151,167**		79,824	
Obligations under finance leases		**7,841**		8,750	
Employee retirement benefit liabilities		**2,688**		2,228	
Deferred tax liabilities		**60,825**		59,084	
			222,521		149,886
NET ASSETS			**1,717,786**		1,678,340
CAPITAL AND RESERVES					
Share capital			**256,211**		255,437
Reserves			**1,268,306**		1,238,918
Total equity attributable to equity shareholders of the Company			**1,524,517**		1,494,355
Non-controlling interests			**193,269**		183,985
TOTAL EQUITY			**1,717,786**		1,678,340

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 and Corporate Governance 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 2011/2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012/2013 annual financial statements.

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. These developments have had no material impact on the interim financial report for current and prior periods.

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

3. Turnover

The principal activities of the Group are the manufacture and sale of food and beverages. Turnover represents the invoiced value of products sold, net of returns, 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:

	Hong Kong and Macau		**Mainland China**		**Australia and New Zealand**		**North America**		**Singapore**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**903,518**	832,215	**700,256**	599,891	**259,202**	259,991	**231,221**	216,350	**40,949**	37,471	**2,135,146**	1,945,918
Inter-segment revenue	**45,313**	39,591	**53,674**	33,812	**210**	206	**142**	65	**-**	-	**99,339**	73,674
Reportable segment revenue	**948,831**	871,806	**753,930**	633,703	**259,412**	260,197	**231,363**	216,415	**40,949**	37,471	**2,234,485**	2,019,592
Reportable segment profit/(loss) from operations	**161,573**	157,231	**96,617**	74,290	**40,454**	45,051	**13**	(4,177)	**3,520**	3,031	**302,177**	275,426
Additions to non-current segment assets during the period	**26,382**	59,187	**16,777**	112,728	**17,232**	58,512	**8,837**	5,099	**1,272**	2,151	**70,500**	237,677

	Hong Kong and Macau		**Mainland China**		**Australia and New Zealand**		**North America**		**Singapore**		**Total**	
	At 30th September, 2012	At 31st March, 2012	**At 30th September, 2012**	At 31st March, 2012	**At 30th September, 2012**	At 31st March, 2012	**At 30th September, 2012**	At 31st March, 2012	**At 30th September, 2012**	At 31st March, 2012	**At 30th September, 2012**	At 31st March, 2012
	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	**1,807,973**	1,729,230	**954,201**	1,024,575	**497,874**	471,875	**196,019**	188,980	**105,944**	101,864	**3,562,011**	3,516,524

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

	Six months ended 30th September,	
	2012	2011
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**2,234,485**	2,019,592
Elimination of inter-segment revenue	**(99,339)**	(73,674)
Consolidated turnover	**2,135,146**	1,945,918

	Six months ended 30th September,	
	2012	2011
	HK$'000	HK$'000
Profit		
Reportable segment profit from operations	**302,177**	275,426
Finance costs	**(12,294)**	(5,818)
Unallocated head office and corporate expenses	**(45,207)**	(38,467)
Consolidated profit before taxation	**244,676**	231,141

4. Segment reporting (continued)

	At 30th September, 2012 HK$'000	At 31st March, 2012 HK$'000
Assets		
Reportable segment assets	**3,562,011**	3,516,524
Elimination of inter-segment receivables	**(541,238)**	(601,501)
	3,020,773	2,915,023
Deferred tax assets	**18,067**	17,957
Current tax recoverable	**1,977**	430
Unallocated head office and corporate assets	**3,181**	2,132
Consolidated total assets	**3,043,998**	2,935,542

5. Profit before taxation

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

	Six months ended 30th September,	
	2012 HK$'000	2011 HK$'000
(a) Finance costs:		
Interest on bank loans	**11,831**	9,327
Finance charges on obligations under finance leases	**463**	737
	12,294	10,064
Less: interest expense capitalised into property, plant and equipment*	**-**	(4,246)
	12,294	5,818

* The borrowing costs had been capitalised at a rate of 1.30% - 7.32% per annum for the six months ended 30th September, 2011.

	2012 HK$'000	2011 HK$'000
(b) Other items:		
Interest income	**(1,001)**	(899)
Depreciation of property, plant and equipment	**85,225**	57,364
Depreciation of investment properties	**263**	263
Amortisation of interests in leasehold land held for own use under operating leases	**426**	461
Amortisation of intangible assets	**1,063**	1,085
Cost of inventories	**1,151,969**	1,059,511

6. Income tax

Income tax in the consolidated income statement represents:

	Six months ended 30th September,	
	2012	2011
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**23,575**	15,841
Current tax – Outside Hong Kong	**29,750**	33,844
Deferred tax – Origination and reversal of temporary differences	**1,579**	3,946
	54,904	53,631

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September, 2011: 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,	
	2012	2011
	HK$'000	HK$'000
Interim dividend declared after the balance sheet date of HK3.2 cents per ordinary share (2011: HK3.2 cents per ordinary share)	**32,797**	32,695

The interim dividend proposed after the balance sheet date is based on 1,024,891,500 ordinary shares (2011: 1,021,715,500 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,	
	2012	2011
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK15.1 cents per ordinary share (2011: HK15.1 cents per ordinary share)	**154,416**	154,267

The final dividend approved and paid during the interim period is based on the total number of issued shares at the date of the Annual General Meeting.

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$172,696,000 (six months ended 30th September, 2011: HK$148,528,000) and the weighted average number of 1,022,321,000 ordinary shares (2011: 1,020,653,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September,	
	2012	2011
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1st April	**1,021,748**	1,019,852
Effect of share options exercised	**573**	801
Weighted average number of ordinary shares for the period	**1,022,321**	1,020,653

(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$172,696,000 (six months ended 30th September, 2011: HK$148,528,000) and the weighted average number of 1,029,994,000 ordinary shares (2011: 1,028,713,000 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,	
	2012	2011
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for the period	**1,022,321**	1,020,653
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**7,673**	8,060
Weighted average number of ordinary shares (diluted) for the period	**1,029,994**	1,028,713

9. Trade and other receivables

	At 30th September, 2012 HK$'000	At 31st March, 2012 HK$'000
Trade debtors and bills receivable	**743,967**	556,154
Less: Allowance for doubtful debts	**(1,745)**	(1,533)
	742,222	554,621
Other debtors, deposits and prepayments	**73,935**	113,907
	816,157	668,528

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, 2012 HK$'000	At 31st March, 2012 HK$'000
Current	**592,900**	437,836
Less than one month past due	**136,166**	110,233
One to three months past due	**11,145**	4,968
More than three months but less than twelve months past due	**1,963**	1,372
More than twelve months past due	**48**	212
Amounts past due	**149,322**	116,785
	742,222	554,621

Management has a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. The credit terms given to the customers vary and are generally based on the financial strength of the individual customer. In order to effectively manage the credit risks associated with customers, credit evaluations of customers are performed periodically. 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, 2012 HK$'000	At 31st March, 2012 HK$'000
Trade creditors and bills payable	**446,520**	395,230
Accrued expenses and other payables	**397,897**	376,688
	844,417	771,918

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, 2012 HK$'000	At 31st March, 2012 HK$'000
By due date		
Due within one month or on demand	**374,896**	325,786
Due after one month but within three months	**68,608**	66,969
Due after three months but within six months	**2,214**	2,472
Due over six months	**802**	3
	446,520	395,230

11. Bank loans

At 30th September, 2012, the bank loans were repayable as follows:

	At 30th September, 2012 HK$'000	At 31st March, 2012 HK$'000
Within one year or on demand	**199,084**	305,358
After one year but within two years	**30,003**	-
After two years but within five years	**121,164**	79,824
	151,167	79,824
	350,251	385,182

At 30th September, 2012, the bank loans were secured as follows:

	At 30th September, 2012 $'000	At 31st March, 2012 $'000
Bank loans		
- Secured	**130,961**	-
- Unsecured	**219,290**	385,182
	350,251	385,182

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

12. Comparative figures

Certain expenses in the 2011/2012 unaudited interim financial report have been reclassified to conform with the current period's presentation to reflect more appropriately the nature of the expenses. As a result, "cost of sales" for the period ended 30th September, 2011 increased by HK$35,148,000 and "marketing, selling and distribution expenses" and "other operating expenses" for the period ended 30th September, 2011, decreased by HK$27,360,000 and HK$7,788,000 respectively.

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, 2012 (2011: HK3.2 cents per ordinary share), to shareholders whose names appear on the Register of Members at the close of business on Monday, 17th December, 2012. Dividend warrants will be sent to shareholders on or about Monday, 31st December, 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Tuesday, 18th December, 2012, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 17th December, 2012.

MANAGEMENT REPORT

Business Highlights

In the first half of FY2012/2013, Vitasoy Group showed good growth in a tough operating environment. Cost inflation, volatile employment condition and a highly competitive market landscape were the backdrop for this performance. We were able to strengthen our market position and delivered quality results showing solid increases in both sales and profit. Our investment plans for expanding production capacity, namely a new plant in Foshan China, a new PET (Polyethylene terephthalate) plastic bottle line in Hong Kong, and capacity enlargement in Australia, have all been completed. These new infrastructures will provide the Group with a very strong foundation for continuous future growth.

Net Sales Revenue

- For the six months up to 30th September 2012, the Group achieved total net sales revenue of HK$2,135 million, a solid increase of 10% year-on-year (2011/2012 interim: HK$1,946 million). Most of the operating entities registered encouraging sales growth, particularly in Mainland China.

- <u>Hong Kong and Macau</u>
  Sales growth outperformed the beverage industry average. This was achieved through innovative marketing campaigns and expansion of the product range with the new aseptic PET line. Export and Macau business also performed well.

- <u>Mainland China</u>
  Impressive domestic sales growth was accomplished in both southern and eastern China. Greater distribution penetration and provincial expansion were achieved in the South while successful brand repositioning campaign had enhanced brand awareness in the East.

- <u>Australia and New Zealand</u>
  Sales growth was limited by capacity constraint amidst the concurrent plant expansion project. The weakened Australian dollar also affected reported result.

- <u>North America</u>
  Steady sales growth was recorded across all NASOYA Tofu and Pasta products. Manufacturing issues being resolved which helped improve product supply situation.

- <u>Singapore</u>
  Business in most of the sales channels, especially restaurants and supermarkets, delivered good results.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the interim period was HK$1,010 million, up 11% year-on-year (2011/2012 interim: HK$913 million), which was in line with the sales growth.
- Gross profit margin was sustained at last year's level at 47% (2011/2012 interim: 47%) attributed to effective pricing strategy since the second half of FY2011/2012 and continuous drive for production and cost efficiency despite higher depreciation charges.

Operating Expenses

- Total operating expenses increased 13% to HK$788 million, mainly due to increased investment in brands and people, as well as higher depreciation from the new Foshan plant.
- Marketing, selling and distribution expenses were HK$525 million, up 16% with increased spending for the brand repositioning campaign in Shanghai, more promotional activities in South China and increased TV advertising in Hong Kong.
- Administrative expenses increased by 9% to HK$146 million reflecting inflationary adjustment on salary and increased number of headcount. Other operating expenses were HK$116 million, versus HK$112 million for the same period last year.

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

- EBITDA for the interim period was HK$343 million, up 16%. EBITDA margin was 16% of net sales, versus 15% for the same period last year.

Profit Before Taxation

- Despite the rising labour costs, increased brand investment, higher depreciation and higher financing costs for the production capacity expansion, profit before taxation still improved by 6% to HK$245 million (2011/2012 interim: HK$231 million). This was attributed to the strong sales growth in most operations, conscientious efforts in protecting margin and the exercise of prudent cost management.

Profit Attributable to Equity Shareholders

- Profit attributable to equity shareholders of the Company was HK$173 million, significantly increased by 16% compared to last interim period (2011/2012 interim: HK$149 million). The increase was mainly driven by improved operating profit and reduced non-controlling interest for the PRC partner in South China (from 30% reduced to 15%) versus same period last year.

Financial Position

- As at 30th September, 2012, the Group had a net borrowings balance of HK$183 million (31st March, 2012: HK$191 million) and available banking facilities of HK$1,100 million (31st March, 2012: HK$1,099 million).
- The Group's borrowings (including obligations under finance leases) amounted to HK$362 million (31st March, 2012: HK$398 million). The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) reduced to 24% (31st March, 2012: 27%) as the Group gradually repaid down the bank loans from internally generated cash during the period.
- The Group incurred total capital expenditure of HK$64 million (2011/2012 interim: HK$216 million), dropped by 70%, with the completion of the various major production capacity expansion projects.

General Review

Hong Kong and Macau

- Hong Kong operation recorded solid sales growth of 9%, outperformed the beverage industry average.
- All major brands including VITASOY, VITA Lemon Tea, VITA SANSUI, and VITA Pure Distilled Water achieved strong year-on-year growth.
- Similar healthy growth trend was also recorded across all distribution channels.
- Three successful advertising campaigns launched during the summer for VITASOY Soymilk, VITA Lemon Tea and VITA Pure Distilled Water had effectively encouraged consumer off-takes while building brand equity at the same time.
- New product packaging in Tetra Brik carton and PET plastic bottles was received with great success. These included a new Honey range of 500mL PET products, a Smoothie in 350mL PET format, a Low Sugar Melon VITASOY Soymilk and the Orange Chocolate VITASOY Soymilk in Tetra Brik carton.
- Efforts in driving key account distribution for both in-home and out-of-home markets as well as the general trade segment had provided additional opportunities to further expand our business.
- Export sales grew healthily year-on-year while Macau recorded solid sales growth of 7%.
- School tuck shop business operated by Vitaland group also achieved positive sales growth of 6% to HK$117 million. This was achieved through growing the number of tuck shops, improving school renewal rate and focusing on quality customer service.

Mainland China

- With the Mainland China economy continued to slow down, the growth of the food and beverage industry was impacted negatively. Competition amongst all beverage players becomes more challenging.
- Despite these intensifying challenges, we achieved an impressive sales growth of 17% in Mainland China during this first half.
- The increased production capacity from the new Foshan plant allowed us to implement a "Go Deep Go Wide" strategy to deepen account penetration and gain territorial expansion. We have been successful in making early inroads into provinces of Fujian, Guangxi, and cities of Kunming and Wuhan in South China.
- In East China, we launched a large scale brand repositioning campaign with the theme "I am who I am" focusing on the unique brand character of VITASOY. The campaign was well received, resulting in increased brand awareness and market share in the Shanghai market. We continued to focus on building critical mass in volume to improve profitability for the business.
- With innovative marketing efforts, VITA Lemon Tea and VITA Lime Lemon Tea achieved significant growth in Guangdong province as a supplement to our VITASOY distribution.
- Gross margin was protected through a measured pricing strategy to counteract the enormous pressure from escalating raw material prices, higher labor, social welfare and fuel costs.
- As a result of these efforts, operating profit registered a robust improvement of 30% year on year. The increase in sales volume allowed better production and cost efficiency at the plant level. The operation of the Foshan plant also facilitated reduction in transportation cost. These all helped offset the increase in people, marketing and depreciation costs for the operations in Mainland China.

Australia and New Zealand

- Facing a tight economy, the retail sector in Australia and New Zealand remained sluggish with stagnant food prices. Yet, the alternate milk category that Vitasoy operates in showed steady value sales growth.
- We continued to support category growth in Australia with the launch of media and sampling campaigns to communicate with consumers on the health benefits of soymilk. These campaigns were run alongside with brand equity development which has helped us to regain market share leadership position in the soy and grains milk segments across Australian major distribution channels.
- The launch of VITAGO has made successful entry into the liquid breakfast category and the on-the-go market. VITAGO has now become the No.2 brand in this category and our "no artificial" proposition has positioned the brand well for future growth.
- Our strength in coffee sector continued to drive value and volume for the business with VITASOY CAFÉ FOR BARISTAS Soymilk registering a remarkable growth of 56% in the first half.
- The performance in net sales and operating profit for our Australian operation, however, were negatively impacted by the operational complexity amidst the plant expansion project, which has affected manufacturing efficiency and resulted in supply constraint. With the upgrade of the Wodonga plant being completed, the operation has already returned to its growth path since September.
- Last but not least, the weakened Australian dollar (versus same period last year) also unfavorably impacted sales and profit when reported in Hong Kong dollar term.

North America

- In a climate of soft economic trends in the US, our North American operation still delivered a positive sales growth of 7% in its core business segments – NASOYA Tofu and Pasta, as well as the Asian imported beverage sector.
- We continued to build on our highly successful premium NASOYA TOFUPLUS line while growing the vacuum packed tofu arena. These product launches were supported with extensive marketing campaigns which included print advertising, sampling programs and e-marketing with an emphasis on social media.
- During the first half of the fiscal year, we had a few innovative new products being launched -- NASOYA Black Soybean TOFUPLUS and NASOYA Pasta Zero Low Calorie Noodle series. They were well received by consumers and NASOYA Pasta Zero also helped capitalise on the growing Asian Pasta category.
- With last year's manufacturing difficulties being resolved, the Ayer plant was able to operate with normal production, resulting in better cost efficiency and improved margin. Together with prudent control over operating expenses, our North American operation successfully returned to break-even in this first half and will continue to enhance its profitability for the balance of the year.

Singapore

- While Singaporean economy was slowing down, Unicurd Food Co. (Private) Limited ("Unicurd") still registered a solid sales growth of 9%.
- Most sales channels recorded double digit growth, with restaurants and supermarkets performing the best. Export also performed well.
- All main product categories demonstrated positive growth, particularly Silken Box Tofu and Taukwa. Egg Tofu continued to be well received.
- To support category growth and build brand equity, Unicurd continued with sampling campaigns, cooking classes and store merchandising to promote consumer trials and build loyalty.
- Operating profit improved significantly by 16% with our conscientious efforts to drive core and profitable sales, improve workforce efficiency, and strengthen cost control to keep operating costs low.

General Outlook

Looking ahead into the second half of FY2012/2013, we expect the operating environment to be challenging. The global economic instability, volatile raw material prices particularly for soybeans, and subdued consumer confidence, would all have a significant impact on our businesses. We will further build brand strength and enhance operational efficiency to drive profitable growth from the balance of the year.

Hong Kong and Macau

- Concerns over the economy and increasing food and housing prices will continue to affect consumption and purchasing sentiment in Hong Kong.
- We will protect our leadership position in the Tetra Brik carton segment while rapidly expanding our market presence in the PET plastic bottle arena to expand consumer choice in the convenience store channels.
- School tuck shop business remains very competitive with cost increases being a major factor. We will stick to our strategy of profitable growth while offering the highest quality service in this sector.

Mainland China

- The Mainland China market is expected to remain competitive while rising raw material and labor costs will continue to be concerns.
- In South China, with Foshan plant being on stream, our energy will continue to focus on driving volume growth and gaining market share by going deeper into our distribution channels and going wider to expand our territorial foothold.
- In East China, we will build critical mass in volume to improve profitability for the business.

Australia and New Zealand

- With the completion of the Wodonga plant capacity expansion, the business has a strong platform for future growth as we strive to rebuild lost distribution while driving category growth.
- Outlook for the second half is positive with growth coming from the multiple sources of increased category participation, strengthening of distribution in New Zealand, and driving VITAGO in the liquid breakfast segment.

North America

- In view of the continuing slow recoveries of the US economy, spending sentiment remains soft. Rising commodity prices particularly soy beans and higher transportation costs are the main concerns for our US operation. We will explore various options to optimise the manufacturing capabilities to meet the market demand for our products and maintain profitability.
- Innovative new product development will remain a key element of the business strategy. We are in the process of expanding the Asian SANSUI Tofu line into the Korean market, as well as exploring additional value-added premium products to our NASOYA Tofu and Pasta lines with a focus on convenience.
- We will enhance our consumer e-marketing campaigns to meet the expectation of today’s technologically savvy consumers.

Singapore

- Operating environment in Singapore is not expected to improve significantly as commodity prices continue to rise and labor supply remains tight, resulting in higher operating costs.
- To drive profitable growth, Unicurd will continue to leverage its strength in distribution, raise the standard in store merchandising, and expand its profitable customer base.
- We will also rationalise those labor intensive product items to enhance overall plant and workforce efficiency.

CORPORATE GOVERNANCE

The Company is firmly committed to compliance of statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness.

The Company has, throughout the six months ended 30th September, 2012, complied with the code provisions set out in the Corporate Governance Code (effective from 1st April, 2012) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

REVIEW OF INTERIM RESULTS BY AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Audit Committee was established in 1999 and was renamed as "Audit and Corporate Governance Committee" on 9th February, 2012 with increased role of corporate governance functions set out in D.3.1 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The Board has delegated the corporate governance responsibilities to the Audit and Corporate Governance Committee. 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 and Corporate Governance 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, 2012.

The Audit and Corporate Governance Committee reviews regularly the corporate governance structure and practices within the Company and monitors compliance fulfillment on an ongoing basis.

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, 2012.

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, 2012 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, 27th November, 2012

As at the date of this announcement, Mr. Winston Yau-lai LO and Mr. Laurence P. EISENTRAGER 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.