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 YEAR ENDED 31ST MARCH, 2013

HIGHLIGHTS

- Solid business growth despite challenging operating environments.
- Key business performances
  - Hong Kong and Macau – Sustainable growth in volume and value, driven by brand and packaging innovation.
  - Mainland China – Robust sales and profit growth under a challenging environment, with enhanced brand awareness and a new plant running smooth.
  - Australia and New Zealand – Completion of plant expansion provided a strong platform for future growth.
  - North America – Sales growth driven by higher value items, profitability affected by manufacturing difficulties.
  - Singapore – Strong sales and profit growth driven by improved sales mix and effective channel strategy.
- The Group's net sales revenue in FY2012/2013 was HK$4,051 million, up 9% from HK$3,717 million in FY2011/2012.
- Gross profit for the year was HK$1,925 million, up HK$166 million or 9%. Gross profit margin was 48%.
- EBITDA (Earnings before interest income, finance costs, income tax, and depreciation and amortisation) for the year was HK$620 million, up HK$66 million or 12%.
- EBITDA margin to net sales was 15%.
- Profit before taxation was HK$426 million, increased by HK$17 million or 4%.
- Profit attributable to equity shareholders of the Company was HK$303 million, increased by 8%.

RESULTS

The Board of Directors (the "Board") of Vitasoy International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2013, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Turnover	3 & 4	**4,051,248**	3,716,539
Cost of sales		**(2,125,885)**	(1,956,695)
Gross profit		**1,925,363**	1,759,844
Other revenue	5	**51,067**	40,838
Marketing, selling and distribution expenses		**(986,218)**	(878,301)
Administrative expenses		**(309,141)**	(276,717)
Other operating expenses		**(234,395)**	(220,328)
Profit from operations		**446,676**	425,336
Finance costs	6(a)	**(21,102)**	(17,243)
Profit before taxation	6	**425,574**	408,093
Income tax	7	**(89,158)**	(85,691)
Profit for the year		**336,416**	322,402
Attributable to:			
Equity shareholders of the Company		**303,204**	281,003
Non-controlling interests		**33,212**	41,399
Profit for the year		**336,416**	322,402
Earnings per share	9		
Basic		**HK29.6 cents**	HK27.5 cents
Diluted		**HK29.3 cents**	HK27.3 cents

Details of dividends payable to equity shareholders of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2013

	2013	2012
	HK$'000	HK$'000
Profit for the year	**336,416**	322,402
Other comprehensive income for the year (after tax and reclassification adjustment)		
Exchange differences: net movement in the exchange reserve	**8,772**	18,884
Cash flow hedge: net movement in the hedging reserve	**(19)**	(1,739)
Total comprehensive income for the year	**345,169**	339,547
Attributable to:		
Equity shareholders of the Company	**310,773**	295,405
Non-controlling interests	**34,396**	44,142
Total comprehensive income for the year	**345,169**	339,547

CONSOLIDATED BALANCE SHEET

At 31st March, 2013

	Note	2013 HK$'000	2013 HK$'000	2012 HK$'000	2012 HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**1,491,519**		1,524,520
- Investment properties			**6,719**		7,246
- Interests in leasehold land held for own use under operating leases			**34,878**		35,244
			1,533,116		1,567,010
Deposits for the acquisition of fixed assets			**1,784**		1,156
Intangible assets			**9,622**		11,622
Goodwill			**39,700**		39,206
Deferred tax assets			**16,452**		17,957
			1,600,674		1,636,951
Current assets					
Inventories		**436,492**		423,339	
Trade and other receivables	10	**683,397**		668,528	
Current tax recoverable		**1,974**		430	
Bank deposits		**446**		438	
Cash and cash equivalents		**222,602**		205,856	
		1,344,911		1,298,591	
Current liabilities					
Trade and other payables	11	**766,054**		771,918	
Bank loans		**150,046**		305,358	
Obligations under finance leases		**1,557**		3,784	
Current tax payable		**43,158**		26,256	
		960,815		1,107,316	
Net current assets			**384,096**		191,275
Total assets less current liabilities			**1,984,770**		1,828,226
Non-current liabilities					
Bank loans		**93,123**		79,824	
Obligations under finance leases		**7,199**		8,750	
Employee retirement benefit liabilities		**3,282**		2,228	
Deferred tax liabilities		**57,455**		59,084	
			161,059		149,886
NET ASSETS			**1,823,711**		1,678,340
CAPITAL AND RESERVES					
Share capital			**256,746**		255,437
Reserves			**1,371,995**		1,238,918
Total equity attributable to equity shareholders of the Company			**1,628,741**		1,494,355
Non-controlling interests			**194,970**		183,985
TOTAL EQUITY			**1,823,711**		1,678,340

Notes:

1. Basis of preparation

The consolidated results set out in this announcement do not constitute the Group's statutory financial statements for the year ended 31st March, 2013 but are extracted from those financial statements.

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

2. Changes in accounting policies

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 these financial statements 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, assets and liabilities

The Group manages its businesses by entities, which are organised by geography. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31st March, 2013 and 2012 is set as below:

	Hong Kong and Macau		Mainland China		Australia and New Zealand		North America		Singapore		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	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
Revenue from external customers	**1,796,588**	1,671,834	**1,174,228**	1,014,070	**515,685**	499,343	**481,616**	455,185	**83,131**	76,107	**4,051,248**	3,716,539
Inter-segment revenue	**80,410**	75,860	**112,932**	64,115	**392**	443	**212**	225	**-**	-	**193,946**	140,643
Reportable segment revenue	**1,876,998**	1,747,694	**1,287,160**	1,078,185	**516,077**	499,786	**481,828**	455,410	**83,131**	76,107	**4,245,194**	3,857,182
Reportable segment profit from operations	**320,012**	316,082	**122,426**	89,604	**87,914**	87,298	**35**	35	**7,128**	5,115	**537,515**	498,134
Interest income from bank deposits	**609**	79	**545**	1,026	**788**	675	**-**	-	**2**	2	**1,944**	1,782
Finance costs	**(208)**	(1,431)	**(10,548)**	(6,108)	**(10,315)**	(9,702)	**(31)**	(2)	**-**	-	**(21,102)**	(17,243)
Depreciation and amortisation for the year	**(75,626)**	(61,070)	**(55,352)**	(32,254)	**(27,488)**	(19,722)	**(12,882)**	(12,595)	**(4,323)**	(4,594)	**(175,671)**	(130,235)
Other material non-cash items:												
- Equity settled share-based payment expenses	**(778)**	(657)	**(241)**	(225)	**-**	-	**-**	-	**-**	-	**(1,019)**	(882)
Reportable segment assets	**1,756,571**	1,729,230	**896,372**	1,024,575	**490,799**	471,875	**208,057**	188,980	**100,989**	101,864	**3,452,788**	3,516,524
Reportable segment liabilities	**370,117**	437,401	**523,340**	590,631	**243,012**	240,170	**217,640**	202,391	**10,609**	7,914	**1,364,718**	1,478,507
Additions to non-current segment assets during the year	**64,292**	125,029	**25,987**	167,818	**23,553**	104,769	**18,601**	9,486	**2,443**	6,033	**134,876**	413,135

4. Segment reporting (continued)

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

	2013 HK$'000	2012 HK$'000
Revenue		
Reportable segment revenue	**4,245,194**	3,857,182
Elimination of inter-segment revenue	**(193,946)**	(140,643)
Consolidated turnover	**4,051,248**	3,716,539

	2013 HK$'000	2012 HK$'000
Profit		
Reportable segment profit from operations	**537,515**	498,134
Finance costs	**(21,102)**	(17,243)
Unallocated head office and corporate expenses	**(90,839)**	(72,798)
Consolidated profit before taxation	**425,574**	408,093

	2013 HK$'000	2012 HK$'000
Interest income		
Reportable segment interest income	**1,944**	1,782
Unallocated head office and corporate interest income	**21**	24
Consolidated interest income	**1,965**	1,806

	2013 HK$'000	2012 HK$'000
Equity settled share-based payment expenses		
Reportable segment expenses	**1,019**	882
Unallocated head office and corporate expenses	**3,747**	3,539
Consolidated equity settled share-based payment expenses	**4,766**	4,421

4. Segment reporting (continued)

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

	2013 HK$'000	2012 HK$'000
Assets		
Reportable segment assets	**3,452,788**	3,516,524
Elimination of inter-segment receivables	**(529,788)**	(601,501)
	2,923,000	2,915,023
Deferred tax assets	**16,452**	17,957
Current tax recoverable	**1,974**	430
Unallocated head office and corporate assets	**4,159**	2,132
Consolidated total assets	**2,945,585**	2,935,542

	2013 HK$'000	2012 HK$'000
Liabilities		
Reportable segment liabilities	**1,364,718**	1,478,507
Elimination of inter-segment payables	**(348,007)**	(310,145)
	1,016,711	1,168,362
Employee retirement benefit liabilities	**3,282**	2,228
Deferred tax liabilities	**57,455**	59,084
Current tax payable	**43,158**	26,256
Unallocated head office and corporate liabilities	**1,268**	1,272
Consolidated total liabilities	**1,121,874**	1,257,202

5. Other revenue

	2013 HK$'000	2012 HK$'000
Interest income	**1,965**	1,806
Service fee income	**42,270**	32,240
Rental income	**2,316**	2,310
Sundry income	**4,516**	4,482
	51,067	40,838

6. Profit before taxation

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

	2013 HK$'000	2012 HK$'000
(a) Finance costs:		
Interest on bank loans	**20,294**	22,584
Finance charges on obligations under finance leases	**808**	1,270
	21,102	23,854
Less: interest expense capitalised into property, plant and equipment*	**-**	(6,611)
	21,102	17,243

* The borrowing costs had been capitalised at a rate of 1.43 % - 7.32% per annum for the year ended 31st March, 2012.

	2013 HK$'000	2012 HK$'000
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**860**	891
Amortisation of intangible assets	**2,144**	2,136
Depreciation		
- Investment properties	**527**	526
- Assets acquired under finance leases	**3,852**	4,439
- Other assets	**168,288**	122,243
(Reversal)/recognition of impairment losses on trade and other receivables	**(68)**	51
Reversal of impairment losses on property, plant and equipment	**(72)**	(132)
Cost of inventories	**2,175,362**	1,995,203

7. Income tax

Income tax in the consolidated income statement represents:

	2013 HK$'000	2012 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**44,158**	32,190
(Over)/under-provision in respect of prior years	**(139)**	525
	44,019	32,715
Current tax – Outside Hong Kong		
Provision for the year	**49,465**	50,525
Over-provision in respect of prior years	**(4,388)**	(1,210)
	45,077	49,315
Deferred tax		
Origination and reversal of temporary differences	**62**	3,661
	89,158	85,691

Notes: The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

8. Dividends

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

	2013	2012
	HK$'000	HK$'000
Interim dividend declared and paid of HK3.2 cents per ordinary share (2012: HK3.2 cents per ordinary share)	**32,797**	32,695
Final dividend proposed after the balance sheet date of HK16.6 cents per ordinary share (2012: HK15.1 cents per ordinary share)	**170,597**	154,389
	203,394	187,084

The final dividend proposed after the balance sheet date is based on 1,027,691,500 ordinary shares (2012: 1,022,441,500 ordinary shares), being the total number of issued shares at the date of approval of the financial statements.

The final dividend proposed after the 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 year

	2013	2012
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK15.1 cents per ordinary share (2012: HK15.1 cents per ordinary share)	**154,416**	154,267

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

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$303,204,000 (2012: HK$281,003,000) and the weighted average number of 1,023,812,000 ordinary shares (2012: 1,021,192,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013 Number of shares ’000	2012 Number of shares ’000
Issued ordinary shares at 1st April	**1,021,748**	1,019,852
Effect of share options exercised	**2,064**	1,340
Weighted average number of ordinary shares for the year	**1,023,812**	1,021,192

(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$303,204,000 (2012: HK$281,003,000) and the weighted average number of 1,033,438,000 ordinary shares (2012: 1,028,691,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2013 Number of shares ’000	2012 Number of shares ’000
Weighted average number of ordinary shares for the year	**1,023,812**	1,021,192
Effect of deemed issue of ordinary shares under the Company’s share option scheme for nil consideration	**9,626**	7,499
Weighted average number of ordinary shares (diluted) for the year	**1,033,438**	1,028,691

10. Trade and other receivables

	2013 **HK$'000**	2012 HK$'000
Trade debtors and bills receivable	**601,125**	556,154
Less: Allowance for doubtful debts	**(1,409)**	(1,533)
	599,716	554,621
Other debtors, deposits and prepayments	**83,681**	113,907
	683,397	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:

	2013 **HK$'000**	2012 HK$'000
Current	**479,465**	437,836
Less than one month past due	**105,958**	110,233
One to three months past due	**12,476**	4,968
More than three months but less than twelve months past due	**1,718**	1,372
More than twelve months past due	**99**	212
Amounts past due	**120,251**	116,785
	599,716	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 generally due within one to three months from the date of billing. Normally, the Group does not obtain collateral from customers.

The credit period is generally payment within one to three months from the date of billing. Therefore, the current balances above are mostly within one to three months from the invoice date.

11. Trade and other payables

	2013	2012
	HK$'000	HK$'000
Trade creditors and bills payable	**346,911**	395,230
Accrued expenses and other payables	**394,426**	376,688
Dividend payable on non-controlling interests	**24,717**	-
	766,054	771,918

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

	2013	2012
	HK$'000	HK$'000
By due date		
Due within one month or on demand	**274,512**	325,786
Due after one month but within three months	**72,394**	66,969
Due after three months but within six months	**5**	2,472
Due over six months	**-**	3
	346,911	395,230

The Group's general payment terms are one to two months from the invoice date. Therefore, the due within one month or on demand balances above are mostly within three months from the invoice date.

12. Comparative figures

Certain expenses of reportable segments as disclosed in note 4 have been reallocated to conform with the current year's presentation to reflect more appropriately the performance of the reportable segments. As a result, head office or corporate administrative costs decreased by HK$6,411,000 and reportable segment profit from operations were adjusted accordingly.

13. Review of results

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March, 2013 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated accounts for the year and the amounts were found to be in an agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by KPMG on this announcement.

DIVIDEND

In view of the Group's business growth and solid financial position, the Board of Directors is recommending a final dividend of HK16.6 cents per ordinary share at the Annual General Meeting on 5th September, 2013 (the "AGM"). This, coupled with the interim dividend of HK3.2 cents per ordinary share, means that the Company's total dividend for FY2012/2013 will be HK19.8 cents per ordinary share (FY2011/2012 total dividend: HK18.3 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 2nd September, 2013 to Thursday, 5th September, 2013, both days inclusive. In order to qualify for the right to attend and vote at the AGM, 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 no later than 4:30 p.m. on Friday, 30th August, 2013.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Thursday, 12th September, 2013 to Tuesday, 17th September, 2013, both days inclusive. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 11th September, 2013.

MANAGEMENT REPORT

Sales Performance

FY2012/2013 has been an encouraging year for Vitasoy while we were coping with the continuously challenging operating environment characterised by slowing economic growth, and escalating costs in labour and production. With the completion of the various capital investment projects, we have established a solid infrastructure for our manufacturing facilities in Hong Kong, Mainland China and Australia. This has provided a strong impetus for the Group's sustainable growth.

During the year, we focused on enhancing product quality, building brand equity, driving sales force effectiveness and improving manufacturing efficiency to achieve profitable growth and grow our market leadership position.

Net Sales Revenue

- The Group's net sales revenue grew 9% to HK$4,051 million (FY2011/2012: HK$3,717 million). During the year, we ramped up our sales teams and marketing programs to drive our brand growth ambitions in Hong Kong, Mainland China and Australia.

Gross Profit and Gross Profit Margin

- Gross profit for the year increased 9% to HK$1,925 million (FY2011/2012: HK$1,760 million), in line with the sales growth. Notwithstanding the rise in commodity prices and labor costs, we maintained our gross margin at 48%, similar to last year's level, by product and price optimisation as well as improving our productivity and operational efficiency.

Operating Expenses

- Total operating expenses increased 11% to HK$1,530 million (FY2011/2012: HK$1,375 million) as we continued to invest in brand equity and expand our plant operations.
- Marketing, selling and distribution expenses were HK$986 million, up 12%, primarily driven by increased marketing activities to strengthen our brands, expand market share and promote consumption.
- Administrative expenses increased 12% to HK$309 million as a result of the expanded plant operation in Foshan of Mainland China, Hong Kong and Australia.
- Other operating expenses amounted to HK$234 million, up 6%, mainly due to higher depreciation expenses and various operating costs associated with the new Foshan plant.

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

- EBITDA for the year was HK$620 million (FY2011/2012: HK$554 million), up 12%. Despite higher marketing and promotional expenses, we managed to maintain EBITDA margin at last year's level of 15% (FY2011/2012: 15%).

Profit Attributable to Equity Shareholders of the Company

- For the year ended 31st March, 2013, profit attributable to equity shareholders of the Company was HK$303 million, representing a year-on-year increase of 8% (FY2011/2012: HK$281 million). This growth in profit was attributable mainly to improvements in sales performance, operational efficiency, cost management, and reduced non-controlling interest for our Mainland China partner in the South China joint ventures.

General Review

FY2012/2013 was a year in which Vitasoy embarked on a new phase of sustainable growth following the completion of several capacity expansion projects. Although we experienced very challenging operating environments in most markets, we continued to grow our business, delivering the expected top and bottom line results. This drive for organic growth has been in line with our long term planning strategy.

We recorded solid growth in both sales revenue and profit. For the year ended 31st March, 2013, the Group's total net sales revenue increased 9% to HK$4,051 million, versus HK$3,717 million in FY2011/2012. The growth was broad based – across all operating markets and categories – in value and volume. We grew our leadership position, strengthened our core brands and distribution networks, and led the category growth in the markets we operate.

Despite rising labor and production costs, as well as continuous investment in brand equity and distribution reach, we registered profitable bottom-line growth. Profit attributable to equity shareholders of the Company increased 8% year-on-year to HK$303 million. We were also successful in sustaining our gross margin at 48%, similar to last year's level, through operating efficiencies, that is a significant achievement within the categories in which we operate.

Hong Kong remained our core market. During the year, we successfully commissioned our new PET (Polyethylene terephthalate) plastic bottle line and drove volume growth in this segment. Mainland China has been our growth engine, registering an impressive 16% increase in sales revenue and 37%

improvement in profit during the year. The increased production capacity from our new Foshan plant allowed our China team to implement the "Go Deep Go Wide" strategy more effectively and expand our territorial coverage. In Australia and New Zealand, we continued to lead the category growth in the alternate milk segment and enhance our distribution in New Zealand. In the US, in spite of the continuation of manufacturing breakdowns, we maintained our leadership position in the packaged tofu market and drove category growth. In Singapore, we expanded our business through an improved sales and channel mix.

The financial position of the Company is healthy and the Board of Directors is recommending a final dividend of HK16.6 cents per ordinary share at the Annual General Meeting on 5th September, 2013. Together with the interim dividend of HK$3.2 cents per ordinary share, this brings the Company's total dividend for FY2012/2013 to HK19.8 cents per ordinary share (FY2011/2012 total dividend: HK18.3 cents per ordinary share).

Hong Kong and Macau

- In FY2012/2013, the local non-alcoholic beverage segment maintained a similar volume growth rate against FY2011/2012 while the value growth rate was lower due to increased industry price competition. Consumers were cautious in spending, especially on discretionary items, other than core household necessities and daily food items.
- In line with a growing "healthy" consumer lifestyle, products with perceived "healthy" and "feel good" characteristics were able to attract greater purchasing intention, hence stronger growth. Most drinks segments such as ready-to-drink teas, soya and packaged water enjoyed healthy growth.
- Hong Kong and Macau recorded 6% volume growth and 7% net sales growth in FY2012/2013, both outperformed the industry average.
- Product and packaging innovation are crucial factors for the operation's sustainable growth. Our low sugar series that cater to consumer's demand for healthy products and the 10 special festive packaging design products were all well-received.
- During the year, we have enhanced our brand equity through stronger advertising efforts and trade promotions. Five impactful advertising campaigns and one print campaign were launched for our flag-ship products. The overall VITASOY and VITA brand franchise continued to grow from strength to strength reinforcing our leadership position in the market.
- We leveraged the new PET (Polyethylene terephthalate) plastic bottle production line and launched 4 new PET drink products with full listing in all retail channels.
- Export sales grew 8% year-on-year while Macau continued to deliver an outstanding growth of 12%.
- Vitaland group, our school tuck shop services and catering business, achieved net sales growth of 4% to HK$316 million. The number of school tuck shops also increased to over 310.Vitaland was able to deliver steady profit contribution to the Group.
- While we had 7% growth in net sales, profit only increased by 1%, as we continued to invest in brand promotion, marketing and the sales force organisation to expand distribution reach.

Mainland China

- FY2012/2013 was a tough year, with intense competition.
- Despite slowing economic conditions, we recorded an impressive double-digit growth in both top line and bottom line.
- Gross margin was protected through improved sales mix and a balanced pricing strategy to counteract the rising costs.
- We launched a new VITASOY soy drink with added lactic acid especially good for children in their growing stage.
- Our new Foshan plant has been running smoothly in the first full year of operation. Its excellent location helped lower our transportation costs and allowed improved customer services.
- The increased production capacity also enabled us to further pursue our "Go Deep Go Wide" strategy by deepening our penetration in existing cities and widening our territorial foothold.
- We continued the large-scale marketing campaign behind VITASOY brand to drive awareness and promote consumer education.

Australia and New Zealand

- The plant expansion project was completed successfully in the year under review. However some operational difficulties took place during the transition period.
- As a result, net sales improved by 3% year-on-year, affected by shortages and partially by adverse exchange rates. In the second half of the year, we recovered the lost sales by stepping up marketing and channel activities to regain category leadership position.
- In the year, Vitasoy Australia decided to further cooperate with our joint venture partner, Lion, to include New Zealand.
- We improved our product offerings in the areas of Café for Baristas and Oatmilk.
- Our launch of VITAGO continued to build a "dairy free" position in the fast growing Liquid Breakfast segment which has been affected by headwind created by significant added competitions in the Liquid Breakfast segment.
- Our growth momentum was partially impacted by the mild decline in Australian dollar which had unfavourably impacted our sales and profit when reported in Hong Kong dollar term.
- We would like to note here the significant contribution of our joint venture partner, Lion, and their executive team, toward the continued success of Vitasoy Australia.

North America

- During the year, Vitasoy USA recorded a net sales growth of 6%, with higher-value items being the main driver.
- Recent launches of the Black Soybean TOFUPLUS into both mainstream and Asian channels along with PASTA ZERO low calorie noodles helped drive both category and brand sales.
- New product launches were supported by cost-effective social media campaign to engage consumers, print editorial program to educate them about the health benefits of soy products.
- During the year, the operation experienced manufacturing difficulties compounded by severe cold weather conditions which interrupted supply during the peak season. The cost of these rectifying measures impacted the operating profit. By year end, the manufacturing capability of the plant has now been significantly improved with full market supply resumed.

Singapore

- Unicurd Food Co. (Private) Limited ("Unicurd") recorded strong top line and remarkable bottom line improvement.
- We have successfully expanded our market share and maintained our leadership position in the Tofu category through effective channel promotion, improvement in shelf merchandising and proactive consumer sampling activities.
- On the channel front, key accounts, restaurants and export all recorded promising growth.
- Operating profit registered a robust growth of 39% driven by improved sales and channel mix, promotions and strengthened cost control.

Outlook

Our strategic focus is to leverage on our brand equity and product innovation capability to drive business growth and category expansion. We recognise that, in the long run, our brand equity and the people who contribute to this are the most valuable assets for the whole Vitasoy Group. We have, therefore, been pursuing a strategy of innovative marketing to reinforce our brands on a continuous basis so as to enhance our market leadership position. At the same time we will build the right structures as well as source and groom the people who will drive the business. We will further enhance our operational efficiency and effectiveness to protect margin so as to maintain a healthy financial position to capitalise on future growth opportunities and to create sustainable shareholder value.

Hong Kong

- Concern over the economy, job security and inflation on utility and food prices will continue to affect the consumption and purchasing sentiment in Hong Kong. Looming inflationary pressure on production costs and the volatile labor market will remain our operational challenges.

- We will continue to grow market share via growing our most complete portfolio of brands, packages, across different channels, consumer clusters and geographical areas.
- We are determined to sustain winning performance via reinforcing our superior portfolio offering via strong execution fundamentals, and relevant holistic innovation (not only marketing, but also concept, packaging, product), supported by our strength in distribution.

Mainland China

- The year ahead will remain challenging with the slowing economic environment and intense market competition.
- Vitasoy is extremely well positioned to take advantage of shoppers' accelerating motivation towards healthy, nutritious and tasty products for enjoyment in the different consumption occasions throughout the day.
- We will continue to grow VITASOY brand equity.
- We will continue our "Go Deep Go Wide" growth strategy to drive increased per capita consumption where we present and expand our distribution through channels and geographies, while continue to build capability and competency to drive future growth.
- The primary focus is Southern China while in Eastern China we will continue to grow critical mass through building our brand strength there.
- It is our goal to protect profit margin through cautious pricing strategy and driving productivity in our processes.

Australia and New Zealand

- Stronger competition in the alternate milk category and an ever more assertive retail environment are expected as more well-known brands are entering the category.
- Our innovative portfolio offering, the superior distribution infrastructure of our joint venture with Lion Group and the successful completion of the Wodonga plant expansion put us into an advantageous position to grow our business and keep expanding category relevance and growth.
- We will continue to do also through "complementary occasion based products" like our CAFÉ FOR BARISTAS line specifically designed to provide Baristas in Coffee Channels with the most tailored product partner to great coffee.
- We will continue to invest in consumer understanding and reflect that into relevant programs to deliver via both traditional media and innovative social digital programs.

North America

- The slow recovery of the US economy will continue to affect consumers' purchasing power.
- We will continue to drive product innovation, strengthen our manufacturing efficiency and capacity to counteract the rising costs in raw materials, transportation and tailored consumer marketing.
- We expect a much normalised production to provide the basis for an improvement of our profit in the coming year.

Singapore

- Operating environment will remain challenging as labor supply continues to be tight and trading costs in major chain store channels to be high.
- Our Tofu business has shown the ability to deliver growth and increased stability in this environment, continuing to build on the equity strength and 34 years' heritage of Unicurd.
- We will focus on innovation, consumer trial activities to convert local high category consumption into our brands, with relentless focus on our execution with quality and consistency.
- Meanwhile, we will continue our efforts in improving the overall plant efficiency and managing manufacturing cost to drive profitable growth.

Financial Position

- As at 31st March, 2013, the Group had reduced its borrowings by HK$146 million as we continued to repay the bank loan through internally generated cash. Total borrowings (including obligations under finance leases) dropped to HK$252 million (31st March, 2012: HK$398 million), with net borrowing balance at HK$29 million (31st March, 2012: HK$191 million). Available banking facilities amounted to HK$815 million (31st March, 2012: HK$1,099 million).

- Accordingly, the gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) has reduced to 15% (31st March, 2012: 27%) by using our cash generated from business to repay debt.
- Capital expenditure incurred in the year dropped by 69% to HK$134 million (FY2011/2012: HK$426 million), with the gradual completion of various major capacity expansion projects.
- Assets with a carrying value of HK$138 million (FY2011/2012: HK$15 million) were pledged under certain loans and lease arrangements.

Financial Risk Management

- Our overall financial management focuses on controlling and managing risks, with transactions being directly related to the underlying businesses of the Group. For synergy, efficiency and control, we operate a central cash and treasury management system for all our subsidiaries. Borrowings are normally taken out in local currencies by operating subsidiaries to fund and partially hedge their investments.
- The financial risks faced by the Group are mainly connected with the fluctuation of interest rates and exchange rates. At the close of FY2012/2013, we had no exposure under foreign exchange contracts or financial derivatives.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March, 2013, complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

REVIEW OF ANNUAL RESULTS BY AUDIT 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 scope of corporate governance duties set out in D.3.1 of the Corporate Governance Code. 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 interim and annual financial statements.

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

The Group’s annual results for the year ended 31st March, 2013 have been reviewed by the Audit and Corporate Governance Committee.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

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

The Company's annual report for FY2012/2013 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 June, 2013

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.