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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, 2013

HIGHLIGHTS

- Consistent growth in both sales and profitability. The Group is starting to build foundations to accelerate its core business of Soy and Tea, behind both execution of its fundamentals and branded product innovation. Continued rising commodity prices and short term pricing constraints may impact the Group's margin for the balance of the year.

- Key business performances

  - Hong Kong and Macau – Steady growth driven by product innovation and strengthened brand equity.

  - Mainland China – Accelerated growth in sales under the "Go Deep Go Wide" strategy, increased brand availability and visibility. Escalating commodity costs will impact margin.

  - Australia and New Zealand – Solid growth with strong execution, yet adverse foreign exchange affected the reported results.

  - North America – Steady sales growth in most core products but increasing raw material and higher maintenance costs impacted profitability as expected.

  - Singapore – Reasonable growth in net sales, good control in operating costs helped improve profitability.

- The Group's half year turnover reached HK$2,326 million, up 9%.

- Gross profit was HK$1,118 million, up 11%. Gross profit margin was 48%.

- EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation) for the period was HK$364 million, up HK$22 million or 6%.

- EBITDA margin to turnover was 16%.

- Profit before taxation was HK$265 million, an increase of 9%.

- Profit attributable to equity shareholders increased by 6% to HK$182 million.

- The Board of Directors has declared an interim dividend of HK3.2 cents per ordinary share to be payable on 31st December, 2013.

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, 2013, together with the comparative figures for the previous financial period, as follows:

CONSOLIDATED INCOME STATEMENT - UNAUDITED

	Note	Six months ended 30th September, 2013 HK$'000	2012 HK$'000 (Restated)
Turnover	3, 4	**2,326,359**	2,135,146
Cost of sales		**(1,208,732)**	(1,125,350)
Gross profit		**1,117,627**	1,009,796
Other revenue		**31,650**	34,733
Marketing, selling and distribution expenses		**(576,969)**	(524,925)
Administrative expenses		**(175,708)**	(147,492)
Other operating expenses		**(124,109)**	(116,400)
Profit from operations		**272,491**	255,712
Finance costs	5(a)	**(7,193)**	(12,294)
Profit before taxation	5	**265,298**	243,418
Income tax	6	**(63,256)**	(54,696)
Profit for the period		**202,042**	188,722
Attributable to:			
Equity shareholders of the Company		**182,410**	171,646
Non-controlling interests		**19,632**	17,076
Profit for the period		**202,042**	188,722
Earnings per share	8		
Basic		**HK17.7 cents**	HK16.8 cents
Diluted		**HK17.5 cents**	HK16.7 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,	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Profit for the period	**202,042**	188,722
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences: net movement in the exchange reserve	**(18,487)**	2,945
Cash flow hedge: net movement in the hedging reserve	**(290)**	(19)
Other comprehensive income for the period	**(18,777)**	2,926
Total comprehensive income for the period	**183,265**	191,648
Attributable to:		
Equity shareholders of the Company	**174,395**	174,170
Non-controlling interests	**8,870**	17,478
Total comprehensive income for the period	**183,265**	191,648

CONSOLIDATED BALANCE SHEET – UNAUDITED

	Note	**At 30th September, 2013**		At 31st March, 2013	
		HK$'000	**HK$'000**	HK$'000	HK$'000
					(Restated)
Non-current assets					
Fixed assets					
- Property, plant and equipment			**1,461,925**		1,491,519
- Investment properties			**6,456**		6,719
- Interests in leasehold land held for own use under operating leases			**34,903**		34,878
			1,503,284		1,533,116
Deposits for the acquisition of fixed assets			**2,030**		1,784
Intangible assets			**8,439**		9,622
Goodwill			**39,186**		39,700
Deferred tax assets			**25,943**		17,611
			1,578,882		1,601,833
Current assets					
Inventories		**454,396**		436,492	
Trade and other receivables	9	**826,547**		683,397	
Current tax recoverable		**2,146**		1,974	
Bank deposits		**519**		446	
Cash and cash equivalents		**275,886**		222,602	
		1,559,494		1,344,911	
Current liabilities					
Trade and other payables	10	**935,873**		766,054	
Bank loans	11	**137,108**		150,046	
Obligations under finance leases		**1,144**		1,557	
Current tax payable		**62,326**		43,158	
		1,136,451		960,815	
Net current assets			**423,043**		384,096
Total assets less current liabilities			**2,001,925**		1,985,929
Non-current liabilities					
Bank loans	11	**71,462**		93,123	
Obligations under finance leases		**5,856**		7,199	
Employee retirement benefit liabilities		**11,916**		10,307	
Deferred tax liabilities		**61,395**		57,455	
			150,629		168,084
NET ASSETS			**1,851,296**		1,817,845
CAPITAL AND RESERVES					
Share capital			**257,881**		256,746
Reserves			**1,397,789**		1,366,129
Total equity attributable to equity shareholders of the Company			**1,655,670**		1,622,875
Non-controlling interests			**195,626**		194,970
TOTAL EQUITY			**1,851,296**		1,817,845

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"), whose unmodified review report 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 ("HKAS") 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 2012/2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013/2014 annual financial statements.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs 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:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair Value measurement*
- Revised HKAS 19, *Employee benefits*
- *Annual improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosure – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except for the amendments to HKAS 1, revised HKAS 19 and annual improvements to HKFRSs 2009-2011 Cycle, the above developments do not have a material impact on the disclosures in the interim financial report or on the Group's results and financial position.

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The group's presentation of other comprehensive income in the interim financial report has been modified accordingly.

2. Basis of preparation (continued)

Revised HKAS 19, Employee benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised HKAS 19, the group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. The change in accounting policy has been applied retrospectively by restating the balances at 31st March, 2013, and the result for the six months ended 30th September, 2012 as follows:

	As previously reported HK$'000	Effect of adopting revised HKAS 19 HK$'000	As restated HK$'000
Consolidated income statement for the six months ended 30th September, 2012:			
Defined benefit retirement plan expense	1,111	1,258	2,369
Income tax	54,904	(208)	54,696
Profit for the period	189,772	(1,050)	188,722
Consolidated statement of comprehensive income for the six months ended 30th September, 2012:			
Total comprehensive income for the period	192,698	(1,050)	191,648
Consolidated balance sheet as at 31st March, 2013:			
Deferred tax assets	16,452	1,159	17,611
Total non-current assets	1,600,674	1,159	1,601,833
Employee retirement benefit liabilities	3,282	7,025	10,307
Total non-current liabilities	161,059	7,025	168,084
Net assets/ Total equity	1,823,711	(5,866)	1,817,845
Retained profits	868,233	(5,866)	862,367

This change in the accounting policy does not have any material impact on earnings per share.

Annual improvements to HKFRSs 2009 – 2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the group has continued to disclose segment assets and now also discloses segment liabilities in the interim financial report.

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 discount.

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 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**	
	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
Six months ended 30th September		(Restated)										(Restated)
Revenue from external customers	**937,323**	903,518	**849,058**	700,256	**255,294**	259,202	**242,666**	231,221	**42,018**	40,949	**2,326,359**	2,135,146
Inter-segment revenue	**49,579**	45,313	**61,118**	53,674	**234**	210	**-**	142	**-**	-	**110,931**	99,339
Reportable segment revenue	**986,902**	948,831	**910,176**	753,930	**255,528**	259,412	**242,666**	231,363	**42,018**	40,949	**2,437,290**	2,234,485
Reportable segment profit/(loss) from operations	**164,644**	160,515	**115,728**	96,617	**39,874**	40,454	**(1,551)**	13	**4,288**	3,520	**322,983**	301,119
Additions to non-current segment assets during the period	**34,713**	26,382	**31,579**	16,777	**1,026**	17,232	**17,508**	8,837	**1,671**	1,272	**86,497**	70,500

	At 30th September, 2013	At 31st March, 2013	**At 30th September, 2013**	At 31st March, 2013	**At 30th September, 2013**	At 31st March, 2013	**At 30th September, 2013**	At 31st March, 2013	**At 30th September, 2013**	At 31st March, 2013	**At 30th September, 2013**	At 31st March, 2013
	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	**1,683,627**	1,756,571	**1,023,390**	896,372	**459,209**	490,799	**218,279**	208,057	**102,762**	100,989	**3,487,267**	3,452,788
Reportable segment liabilities	**455,423**	370,117	**542,828**	523,340	**238,895**	243,012	**72,307**	217,640	**9,247**	10,609	**1,318,700**	1,364,718

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

	Six months ended 30th September,	
	2013	2012
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**2,437,290**	2,234,485
Elimination of inter-segment revenue	**(110,931)**	(99,339)
Consolidated turnover	**2,326,359**	2,135,146

	Six months ended 30th September,	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Profit		
Reportable segment profit/(loss) from operations	**322,983**	301,119
Finance costs	**(7,193)**	(12,294)
Unallocated head office and corporate expenses	**(50,492)**	(45,407)
Consolidated profit before taxation	**265,298**	243,418

4. Segment reporting (continued)

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

	At 30th September, 2013 HK$'000	At 31st March, 2013 HK$'000 (Restated)
Assets		
Reportable segment assets	**3,487,267**	3,452,788
Elimination of inter-segment receivables	**(385,628)**	(529,788)
	3,101,639	2,923,000
Deferred tax assets	**25,943**	17,611
Current tax recoverable	**2,146**	1,974
Unallocated head office and corporate assets	**8,648**	4,159
Consolidated total assets	**3,138,376**	2,946,744

	At 30th September, 2013 HK$'000	At 31st March, 2013 HK$'000 (Restated)
Liabilities		
Reportable segment liabilities	**1,318,700**	1,364,718
Elimination of inter-segment payables	**(168,402)**	(348,007)
	1,150,298	1,016,711
Employee retirement benefits liabilities	**11,916**	10,307
Deferred tax liabilities	**61,395**	57,455
Current tax payable	**62,326**	43,158
Unallocated head office and corporate liabilities	**1,145**	1,268
Consolidated total liabilities	**1,287,080**	1,128,899

5. Profit before taxation

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

	Six months ended 30th September, 2013 HK$'000	2012 HK$'000
(a) Finance costs:		
Interest on bank loans	**6,916**	11,831
Finance charges on obligations under finance leases	**277**	463
	7,193	12,294
(b) Other items:		
Interest income	**(957)**	(1,001)
Depreciation of property, plant and equipment	**91,093**	85,225
Depreciation of investment properties	**263**	263
Amortisation of interests in leasehold land held for own use under operating leases	**440**	426
Amortisation of intangible assets	**1,055**	1,063
Cost of inventories	**1,237,933**	1,151,969

6. Income tax

Income tax in the consolidated income statement represents:

	Six months ended 30th September,	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Current tax – Hong Kong Profits Tax	**22,725**	23,575
Current tax – Outside Hong Kong	**44,652**	29,750
Deferred tax	**(4,121)**	1,371
	63,256	54,696

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September, 2012: 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,	
	2013	2012
	HK$'000	HK$'000
Interim dividend declared after the balance sheet date of HK3.2 cents per ordinary share (2012: HK3.2 cents per ordinary share)	**33,009**	32,797

The interim dividend proposed after the balance sheet date is based on 1,031,523,500 ordinary shares (2012: 1,024,891,500 ordinary shares), being the total number of issued shares at the date of approval of the interim 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,	
	2013	2012
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK16.6 cents per ordinary share (2012: HK15.1 cents per ordinary share)	**171,188**	154,416

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$182,410,000 (six months ended 30th September, 2012(restated): HK$171,646,000) and the weighted average number of 1,028,755,000 ordinary shares (2012: 1,022,321,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September,	
	2013	2012
	Number of shares	Number of shares
	’000	’000
Issued ordinary shares at 1st April	**1,026,984**	1,021,748
Effect of share options exercised	**1,771**	573
Weighted average number of ordinary shares for the period	**1,028,755**	1,022,321

(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$182,410,000 (six months ended 30th September, 2012(restated): HK$171,646,000) and the weighted average number of 1,041,267,000 ordinary shares (2012: 1,029,994,000 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,	
	2013	2012
	Number of shares	Number of shares
	’000	’000
Weighted average number of ordinary shares for the period	**1,028,755**	1,022,321
Effect of deemed issue of ordinary shares under the Company’s share option scheme for nil consideration	**12,512**	7,673
Weighted average number of ordinary shares (diluted) for the period	**1,041,267**	1,029,994

9. Trade and other receivables

	At 30th September, 2013 HK$'000	At 31st March, 2013 HK$'000
Trade debtors and bills receivable	**725,001**	601,125
Less: Allowance for doubtful debts	**(1,427)**	(1,409)
	723,574	599,716
Other debtors, deposits and prepayments	**102,973**	83,681
	826,547	683,397

As at the balance sheet date, the ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts), based on the invoice date, is as follows:

	At 30th September, 2013 HK$'000	At 31st March, 2013 HK$'000
Within three months	**717,300**	575,654
Three to six months	**6,120**	22,971
Over six months	**154**	1,091
	723,574	599,716

Trade receivables are due within one to three months from the date of billing. 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. Normally, the Group does not obtain collateral from customers.

10. Trade and other payables

	At 30th September, 2013 HK$'000	At 31st March, 2013 HK$'000
Trade creditors and bills payable	**437,386**	346,911
Accrued expenses and other payables	**498,487**	394,426
Dividend payable to non-controlling interests	**-**	24,717
	935,873	766,054

10. Trade and other payables (continued)

As at the balance sheet date, the ageing analysis of trade creditors and bills payable, based on the invoice date, is as follows:

	At 30th September, 2013 HK$'000	At 31st March, 2013 HK$'000
Within three months	**432,780**	342,904
Three to six months	**2,432**	2,565
Over six months	**2,174**	1,442
	437,386	346,911

11. Bank loans

At 30th September, 2013, the bank loans were repayable as follows:

	At 30th September, 2013 HK$'000	At 31st March, 2013 HK$'000
Within one year or on demand	**137,108**	150,046
After one year but within two years	**24,642**	26,815
After two years but within five years	**46,820**	66,308
	71,462	93,123
	208,570	243,169

At 30th September, 2013, the bank loans were secured as follows:

	At 30th September, 2013 HK$'000	At 31st March, 2013 HK$'000
Bank loans		
- Secured	**94,805**	117,416
- Unsecured	**113,765**	125,753
	208,570	243,169

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

As a result of the application of Revised HKAS 19, *Employee benefits*, certain comparative figures have been adjusted to conform to the current period's presentation. Further details of these developments are disclosed in note 2.

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, 2013 (2012: HK3.2 cents per ordinary share), to shareholders whose names appear on the Register of Members at the close of business on Monday, 16th December, 2013. Dividend warrants will be sent to shareholders on or about Tuesday, 31st December, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Tuesday, 17th December, 2013, 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, 16th December, 2013.

MANAGEMENT REPORT

Business Highlights

In the first half of FY2013/2014, we continued to deliver consistent growth in both sales and profitability, despite a sluggish economic environment and higher operating costs (especially in commodity and labour costs).

In terms of product sales, both soy and tea categories have performed solidly. The Group maintained a balanced approach in driving sales growth using a cautious pricing strategy to meet the expectations of today's more value conscious consumers; this was coupled with increased investment in core brands to maintain market leadership position. At the same time, the Group capitalised on the newly expanded plant facilities, focused on improving manufacturing efficiency to meet the increasing sales demand, and has implemented prudent cost measures to safeguard the operating margin.

Net Sales Revenue

- The Group's net sales revenue for the six months ended 30th September, 2013 reached HK$2,326 million, representing an encouraging year-on-year growth of 9% (2012/2013 interim: HK$2,135 million). During the period, the Group strengthened channel distribution and launched brand restage programs to drive growth across different geographies.

- ➢ Hong Kong and Macau

  While the domestic sales in Hong Kong had a sluggish start, primarily due to adverse weather conditions, the operation reported solid net sales growth across product categories driven by innovative product and marketing strategies, with an outstanding performance in PET bottle tea drinks during the pre-summer season. Both Exports and Macau sales performance were impressive.

- ➢ Mainland China

  Driven by the "Go Deep Go Wide" strategy, the growth momentum has remained strong. Our sales and distribution infrastructure continues to develop in both established and new territories. The VITASOY brand availability and visibility are increasing. VITA Lemon Tea is receiving strong acceptance in our established markets.

- ➢ Australia and New Zealand

  Both Australia and New Zealand grew solidly behind strong execution. However the weaker Australian dollar adversely impacted the results reported in Hong Kong dollar terms.

- ➢ North America

  Steady sales growth in most core products was registered, but escalating raw material and higher maintenance costs still impacted profitability.

- ➢ Singapore

  Reasonable growth in most sales channels was driven by a focus on the execution of business fundamentals and product innovation.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the interim period was HK$1,118 million, up 11% year-on-year (2012/2013 interim: HK$1,010 million), driving by the sales growth.
- Despite the increase in cost of some raw materials especially soya beans and milk powder, gross profit margin slightly improved to 48% (2012/2013 interim: 47%), primarily through the use of tactful pricing strategy and improved manufacturing efficiency. We expect the trend of the rising costs in raw materials will continue to put pressure on gross margin for the balance of the year.

Operating Expenses

- Total operating expenses increased by 11% to HK$877 million, driven by higher investment in brand strengthening programs and capabilities, as well as overall higher operating costs.
- Marketing, selling and distribution expenses were HK$577 million, up 10%, particularly led by the VITASOY core brand restage in Mainland China.
- Administrative expenses increased by 19% to HK$176 million reflecting inflationary adjustments on salary, increased headcount and one-off Group Chief Executive Officers transitioning. Other operating expenses were HK$124 million, versus HK$116 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$364 million, up 6%. EBITDA margin was 16% of net sales, maintained at the last interim period level.

Profit Before Taxation

- Despite rising operating costs and increased brand investment, profit before taxation still improved by 9% to HK$265 million (2012/2013 interim: HK$243 million). This was attributed to the solid sales growth in most operations, conscious 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$182 million, an increase of 6% compared to the last interim period (2012/2013 interim: HK$172 million). The increase was driven by improved operating profit but partly offset by the increase in income tax expense and the allocation of profits to non-controlling shareholders.

Financial Position

- As at 30th September, 2013, the Group had a net cash balance of HK$61 million (31st March, 2013: net borrowings balance of HK$29 million) and available banking facilities of HK$820 million (31st March, 2013: HK$815 million).
- The Group's borrowings (including obligations under finance leases) amounted to HK$216 million (31st March, 2013: HK$252 million). The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) was further reduced to 13% (31st March, 2013 (restated): 16%) as the Group gradually repaid down the bank loans from internally generated cash during the period.
- Following the completion of various major production capacity expansion projects, the Group incurred total capital expenditure of HK$86 million (2012/2013 interim: HK$64 million), mainly for upgrading the existing production equipment and facilities.

General Review

Hong Kong and Macau

- Hong Kong operation recorded steady net sales growth, despite adverse weather conditions in the first quarter. During the period, both Soy and Tea categories performed solidly well, driven by product innovation and strengthened brand equity.
- On Soy category, we introduced Plant Sterol CALCI-PLUS Soy Drink and VITASOY PURE Black Soya Bean Extract in the VITASOY and SAN SUI organic soy drink range with new TV commercials. As of July 2013, SAN SUI has become the market leader in the fresh soy drink category.
- On Tea category, No Sugar VITA Chrysanthemum Tea in PET bottle format and a whole range of various Tetra Brik carton products including Honey VITA Lemon Tea were launched.
- Despite the shortage in labour supply and the loss of two school days because of adverse weather, the tuck shop business operated through Vitaland Services Limited and Hong Kong Gourmet Limited ("Vitaland group"), recorded steady sales growth of 8%. This was achieved through an increased number of schools served and improved renewal rate and product mix.

- Macau continued its remarkable performance, reflecting increasing consumers' preference for our core products. This was also contributed by our renewed focus on execution and continued distribution expansion.
- Export Business
  - The export business continued to grow in value and volume with new product launches in the US, Singapore, Malaysia, United Kingdom and further market expansion into Ghana and Angola.
  - New Tetra Brik carton products, namely VITASOY PURE Black Soya Bean Extract and VITA Icy Lemon Tea were launched in the United States, Canada and Brunei with positive market responses.

Mainland China

- Mainland China has accelerated growth, delivering a remarkable 21% increase. Key drivers were the restage of VITASOY core range and communication, enhancements to VITA Lemon Tea business and consistent execution of our "Go Deep Go Wide" strategy.
- The smooth operation of Foshan plant has not only supported enhanced distribution in Guangdong, but also allowed further market expansion in new areas outside Guangdong.
- We recorded strong sales with further market penetration in Southern China. In Eastern China, we expanded our coverage to Hubei with deeper penetration into traditional channels and key accounts.
- The sales and distribution infrastructure development was on track with solid increase in same store sales, and strong response from pilot projects in the new territories.
- Gross margin was maintained with competitive pricing to counteract the enormous pressures caused by the escalating raw material prices, higher labour and social welfare costs.
- The whole range of core VITASOY brand was restaged with new packaging that is not only harmonizing with that of Hong Kong, but also inserting a clear educational message on the products' relevant functional benefits. At same time, we launched new marketing campaigns including the "Start Your Day Well with VITASOY" TV commercial which highlighted the products' benefits, nutrition features, their broad appeal to customers and usage occasion. The campaign also included in-store activations.
- On Tea category, VITA Lemon Tea was well accepted by consumers as it expanded into more stores and areas. VITA Lemon Tea has rapidly become one of the leading brands in the tea category in Guangzhou and Shenzhen markets.

Australia and New Zealand

- The plant milk market in Australia continued to grow behind an ever increasing consumer interest in functional healthy propositions and relevant product innovation.
- Our business in Australia is best positioned to gain from this relevance due to the strong brand equity, depth of product range and relentless focus on innovation. We have kept our focus on improving product range and promotion gains. This has resulted in strong net sales revenue growth of 8% in local currency and continued market share gains, however, the weakened Australian dollar (versus same period last year) adversely impacted sales and profit when reported in Hong Kong dollar term.
- In our ever stronger position in the Coffee Stores Channel, VITASOY CAFÉ FOR BARISTAS Soymilk continued to grow with the addition of a new soymilk product for the optimal soy coffee experience – CAFÉ FOR BARISTAS Organic which was launched in May.
- In New Zealand, distribution was shifted to our partner in Australia, making our operations there consistent with Australia. We are confident this will result in stronger growth with improved sales and profitability.

North America

- The North American operation continued to boost sales in the first half of FY2013/2014. However, escalating costs in raw material and higher maintenance costs have impacted profitability.
- During the period, the Company continued to expand its leadership position in both the US Tofu and Asian Pasta categories, as well as in the imported Asian beverage market.
- Our Tofu business outperformed the category with increased market share as we continued to build on the successful launch of the premium NASOYA TOFUPLUS line.
- With a commitment to driving growth in both category and brand sales, the Company restaged its core brand NASOYA and also recently launched the Black Soybean Tofu into both the mainstream and Asian channels. PASTA ZERO Low Calorie Shirataki Noodles were also relaunched into the mainstream channels.
- In Asian channels, we launched a new VITASOY Black Soymilk whose packaging design and provocative marketing campaign were well received.
- On the manufacturing side, the North American operation continued its efforts in normalizing production and streamlining the production schedule to increase the efficient use of resources.

Singapore

- Unicurd Food Co. (Private) Limited ("Unicurd Singapore"), the Group's wholly-owned subsidiary in Singapore, recorded a sales growth of 3%, whilst operating profit has significantly improved by 22% in this interim period.
- We have achieved market leadership position in the Tofu segment, with major Tofu product categories such as Egg Tofu, Tau Kwa, Silken Tofu and Press Tofu all performing well.
- Operating profit has improved significantly through efforts to drive the most profitable product and channel mix, innovations in higher priced products like Black Tofu, and higher manufacturing efficiency.

General Outlook

Looking forward to the next six months, ever changing global financial trend and price increases of raw materials will present headwinds for the Group to overcome. We remain focused to sustain strong net sales revenue growth and overcome the cost challenge. This will allow us to secure the necessary funds to sustainably expand our portfolio of brands over the long term in strategic markets, with a particular focus on Mainland China. The health and wellness market space in which the Group's product portfolio sits is ever more relevant and appealing to customers and shoppers in all its operations. We will further strengthen our fundamentals – QUALITY, INNOVATION, INFRASTRUCTURE and PEOPLE – to drive the business growth momentum. While commodities and economic conditions are evolving, staying steadfastly on track with our strategic plans will provide a strong base for our long term success.

Hong Kong and Macau

- The Hong Kong operation faces challenges from labor shortages and wage increases. It will continue to be prudent in cost management in order to protect the gross margin whilst continuing to drive growth and further enhance its leadership position in Soy and Tea categories across channels and packaging forms.

Mainland China

- Mainland China will uphold its growth rate ahead in the segment by focusing on the core lines of Soy and Tea, whilst the business will still be affected by escalating raw material costs.
- We will continue to increase support to our brands and maintain competitive pricing. At the same time, the "Go Deep Go Wide" strategy will continue to drive growth by expanding territorial coverage to neighboring provinces.

Australia and New Zealand

- The outlook for Australia and New Zealand markets is positive with a stable manufacturing environment to support existing and new product development.
- We will continue to drive category growth with product innovation.

North America

- The North American operation will continue to grow its net sales and offset the operating loss resulted in the first half with cyclical over-achievement in the second half due to category seasonality, and stronger product/channel mix.

Singapore

- Unicurd Singapore will continue to leverage its brand equity strength in the soy segment and channel development to expand market share. Improvements in profitability will follow product innovation, higher manufacturing efficiency and prudent cost management.

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, 2013, complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for code provision A.6.7 as explained below.

Under the code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 5th September, 2013 due to sickness.

REVIEW OF INTERIM RESULTS BY AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Audit and Corporate Governance Committee comprises 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, 2013.

The Audit and Corporate Governance Committee also 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, 2013.

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, 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 November, 2013

As at the date of this announcement, Mr. Winston Yau-lai LO is executive director. 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.