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, 2014

HIGHLIGHTS

- In the first half of FY2014/2015, Vitasoy group continued to accelerate its core which drives the overall business growth in sales and profitability. The growth was broad based across core geographies and categories, driven by strong execution, expansion and innovation. At the same time, we continued to invest in our business growth and have embarked on a second wave of investment to expand our production capacity.
- Key business performances
    - Hong Kong Operation (Hong Kong, Macau and Exports) – Double digit top line growth behind disciplined execution and innovation.
    - Mainland China – Strongly accelerating growth in both top and bottom line.
    - Australia and New Zealand – Modest top line growth, very strong bottom line.
    - North America – Strong Asian business, disappointing Mainstream Tofu.
    - Singapore – Strong local sales growth, offset by loss in Export sales.
- The Group's half year turnover reached HK$2,729 million, up 17%.
- Gross profit was HK$1,353 million, up 21%. Gross profit margin was 50%.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation) for the period was HK$412 million, up HK$48 million or 13%.
- EBITDA margin to turnover was 15%.
- Profit before taxation was HK$313 million, an increase of 18%.
- Profit attributable to equity shareholders increased by 22% to HK$222 million.
- The Board of Directors has declared an interim dividend of HK3.2 cents per ordinary share to be payable on 30th December, 2014.

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, 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Six months ended 30th September, 2014 HK$'000 (Unaudited)**	2013 HK$'000 (Unaudited)
Turnover	3, 4	**2,728,986**	2,326,359
Cost of sales		**(1,376,093)**	(1,208,732)
Gross profit		**1,352,893**	1,117,627
Other revenue		**29,677**	31,650
Marketing, selling and distribution expenses		**(711,909)**	(576,969)
Administrative expenses		**(208,876)**	(175,708)
Other operating expenses		**(145,493)**	(124,109)
Profit from operations		**316,292**	272,491
Finance costs	5(a)	**(3,201)**	(7,193)
Profit before taxation	5	**313,091**	265,298
Income tax	6	**(68,207)**	(63,256)
Profit for the period		**244,884**	202,042
Attributable to:			
Equity shareholders of the Company		**221,808**	182,410
Non-controlling interests		**23,076**	19,632
Profit for the period		**244,884**	202,042
Earnings per share	8		
Basic		**HK21.4 cents**	HK17.7 cents
Diluted		**HK21.2 cents**	HK17.5 cents

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30th September,	
	2014	2013
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**244,884**	202,042
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	**(5,926)**	(18,487)
Cash flow hedge: net movement in the hedging reserve	**1,582**	(290)
Other comprehensive income for the period	**(4,344)**	(18,777)
Total comprehensive income for the period	**240,540**	183,265
Attributable to:		
Equity shareholders of the Company	**223,357**	174,395
Non-controlling interests	**17,183**	8,870
Total comprehensive income for the period	**240,540**	183,265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30th September, 2014 HK$'000	At 30th September, 2014 HK$'000	At 31st March, 2014 HK$'000	At 31st March, 2014 HK$'000
		(Unaudited)		(Audited)	
Non-current assets					
Fixed assets					
- Property, plant and equipment			**1,590,650**		1,526,574
- Investment properties			**5,929**		6,192
- Interests in leasehold land held for own use under operating leases			**33,945**		33,922
			1,630,524		1,566,688
Deposits for the acquisition of fixed assets			**61,905**		21,412
Intangible assets			**6,235**		7,359
Goodwill			**38,653**		39,076
Deferred tax assets			**21,354**		26,457
			1,758,671		1,660,992
Current assets					
Inventories		**562,511**		533,328	
Trade and other receivables	9	**901,530**		725,801	
Current tax recoverable		**688**		654	
Bank deposits		**513**		518	
Cash and cash equivalents		**335,125**		320,425	
		1,800,367		1,580,726	
Current liabilities					
Trade and other payables	10	**1,257,606**		1,062,406	
Bank loans	11	**104,075**		51,790	
Obligations under finance leases		**1,155**		1,176	
Current tax payable		**47,300**		22,157	
		1,410,136		1,137,529	
Net current assets			**390,231**		443,197
Total assets less current liabilities			**2,148,902**		2,104,189
Non-current liabilities					
Bank loans	11	**46,993**		68,068	
Obligations under finance leases		**4,334**		5,203	
Employee retirement benefit liabilities		**11,420**		9,836	
Deferred tax liabilities		**63,302**		63,770	
			126,049		146,877
NET ASSETS			**2,022,853**		1,957,312
CAPITAL AND RESERVES					
Share capital			**671,550**		655,299
Reserves			**1,143,946**		1,094,362
Total equity attributable to equity shareholders of the Company			**1,815,496**		1,749,661
Non-controlling interests			**207,357**		207,651
TOTAL EQUITY			**2,022,853**		1,957,312

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 2013/2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014/2015 annual financial statements.

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

2. Basis of preparation (continued)

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report as the Group's non-financial assets have not been materially impaired in the current or prior periods.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group does not hold any derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

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**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	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
Six months ended 30th September,												
Revenue from external customers	**1,038,274**	937,323	**1,141,537**	849,058	**252,949**	255,294	**253,496**	242,666	**42,730**	42,018	**2,728,986**	2,326,359
Inter-segment revenue	**85,496**	49,579	**84,994**	61,118	**342**	234	**-**	-	**-**	-	**170,832**	110,931
Reportable segment revenue	**1,123,770**	986,902	**1,226,531**	910,176	**253,291**	255,528	**253,496**	242,666	**42,730**	42,018	**2,899,818**	2,437,290
Reportable segment profit/(loss) from operations	**174,002**	164,644	**155,185**	115,728	**46,596**	39,874	**(5,386)**	(1,551)	**3,947**	4,288	**374,344**	322,983
Additions to non-current segment assets during the period	**43,002**	34,713	**134,191**	31,579	**5,342**	1,026	**20,024**	17,508	**3,132**	1,671	**205,691**	86,497
	At 30th September, 2014	At 31st March, 2014	**At 30th September, 2014**	At 31st March, 2014	**At 30th September, 2014**	At 31st March, 2014	**At 30th September, 2014**	At 31st March, 2014	**At 30th September, 2014**	At 31st March, 2014	**At 30th September, 2014**	At 31st March, 2014
	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	**1,996,270**	1,764,284	**1,259,868**	1,128,957	**398,118**	402,452	**245,230**	240,154	**104,205**	102,717	**4,003,691**	3,638,564
Reportable segment liabilities	**626,923**	458,496	**759,893**	671,048	**170,153**	161,966	**96,382**	85,265	**10,112**	11,171	**1,663,463**	1,387,946

4. Segment reporting (continued)

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

	Six months ended 30th September, 2014 HK$'000	2013 HK$'000
Revenue		
Reportable segment revenue	**2,899,818**	2,437,290
Elimination of inter-segment revenue	**(170,832)**	(110,931)
Consolidated turnover	**2,728,986**	2,326,359

	Six months ended 30th September, 2014 HK$'000	2013 HK$'000
Profit or loss		
Reportable segment profit/(loss) from operations	**374,344**	322,983
Finance costs	**(3,201)**	(7,193)
Unallocated head office and corporate expenses	**(58,052)**	(50,492)
Consolidated profit before taxation	**313,091**	265,298

	At 30th September, 2014 HK$'000	At 31st March, 2014 HK$'000
Assets		
Reportable segment assets	**4,003,691**	3,638,564
Elimination of inter-segment receivables	**(536,211)**	(429,752)
	3,467,480	3,208,812
Deferred tax assets	**21,354**	26,457
Current tax recoverable	**688**	654
Unallocated head office and corporate assets	**69,516**	5,795
Consolidated total assets	**3,559,038**	3,241,718

	At 30th September, 2014 HK$'000	At 31st March, 2014 HK$'000
Liabilities		
Reportable segment liabilities	**1,663,463**	1,387,946
Elimination of inter-segment payables	**(275,264)**	(225,576)
	1,388,199	1,162,370
Employee retirement benefit liabilities	**11,420**	9,836
Deferred tax liabilities	**63,302**	63,770
Current tax payable	**47,300**	22,157
Unallocated head office and corporate liabilities	**25,964**	26,273
Consolidated total liabilities	**1,536,185**	1,284,406

5. Profit before taxation

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

	Six months ended 30th September, 2014 HK$'000	2013 HK$'000
(a) Finance costs:		
Interest on bank loans	**2,971**	6,916
Finance charges on obligations under finance leases	**230**	277
	3,201	7,193
(b) Other items:		
Interest income	**(1,436)**	(957)
Depreciation of property, plant and equipment	**95,091**	91,093
Depreciation of investment properties	**263**	263
Amortisation of interests in leasehold land held for own use under operating leases	**436**	440
Amortisation of intangible assets	**1,060**	1,055
Cost of inventories	**1,410,072**	1,237,933

6. Income tax

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30th September, 2014 HK$'000	2013 HK$'000
Current tax – Hong Kong Profits Tax	**23,735**	22,725
Current tax – Outside Hong Kong	**39,918**	44,652
Deferred tax	**4,554**	(4,121)
	68,207	63,256

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th September, 2013: 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,	
	2014	2013
	HK$'000	HK$'000
Interim dividend declared after the interim period of HK3.2 cents per ordinary share (2013: HK3.2 cents per ordinary share)	**33,245**	33,009

The interim dividend proposed after the end of the reporting period is based on 1,038,895,500 ordinary shares (six months ended 30th September, 2013: 1,031,523,500 ordinary shares), being the total number of issued shares at the date of approval of the interim financial report.

The interim dividend declared has not been recognised as a liability at the end of the reporting period.

(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,	
	2014	2013
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK17.0 cents per ordinary share (six months ended 30th September, 2013: HK16.6 cents per ordinary share)	**176,527**	171,188

The final dividend approved and paid during the interim period is based on the total number of issued shares on 16th September, 2014.

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$221,808,000 (six months ended 30th September, 2013: HK$182,410,000) and the weighted average number of 1,036,188,000 ordinary shares (six months ended 30th September, 2013: 1,028,755,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30th September,	
	2014	2013
	Number of shares '000	Number of shares '000
Issued ordinary shares at 1st April	**1,033,976**	1,026,984
Effect of share options exercised	**2,212**	1,771
Weighted average number of ordinary shares at 30th September	**1,036,188**	1,028,755

8. Earnings per share (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$221,808,000 (six months ended 30th September, 2013: HK$182,410,000) and the weighted average number of 1,045,199,000 ordinary shares (six months ended 30th September, 2013: 1,041,267,000 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,	
	2014	2013
	Number of shares	Number of shares
	’000	’000
Weighted average number of ordinary shares at 30th September	**1,036,188**	1,028,755
Effect of deemed issue of ordinary shares under the Company’s share option scheme for nil consideration	**9,011**	12,512
Weighted average number of ordinary shares (diluted) at 30th September	**1,045,199**	1,041,267

9. Trade and other receivables

	At 30th September,	At 31st March,
	2014	2014
	HK$’000	HK$’000
Trade debtors and bills receivable	**785,052**	584,769
Less: Allowance for doubtful debts	**(1,215)**	(1,107)
	783,837	583,662
Other debtors, deposits and prepayments	**117,693**	142,139
	901,530	725,801

As of the end of the reporting period, 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,	At 31st March,
	2014	2014
	HK$’000	HK$’000
Within three months	**778,484**	577,537
Three to six months	**5,255**	6,046
Over six months	**98**	79
	783,837	583,662

9. Trade and other receivables (continued)

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, 2014 HK$'000	At 31st March, 2014 HK$'000
Trade creditors and bills payable	**508,505**	406,001
Accrued expenses and other payables	**749,101**	656,405
	1,257,606	1,062,406

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable, based on the invoice date, is as follows:

	At 30th September, 2014 HK$'000	At 31st March, 2014 HK$'000
Within three months	**488,566**	395,018
Three to six months	**19,178**	9,594
Over six months	**761**	1,389
	508,505	406,001

11. Bank loans

As of the end of the reporting period, the bank loans were repayable as follows:

	At 30th September, 2014 HK$'000	At 31st March, 2014 HK$'000
Within one year or on demand	**104,075**	51,790
After one year but within two years	**27,490**	34,392
After two years but within five years	**19,503**	33,676
	46,993	68,068
	151,068	119,858

11. Bank loans (continued)

As of the end of the reporting period, the bank loans were secured as follows:

	At 30th September, 2014 HK$'000	At 31st March, 2014 HK$'000
Bank loans		
- Secured	**66,985**	82,522
- Unsecured	**84,083**	37,336
	151,068	119,858

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.

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, 2014 (six months ended 30th September, 2013: HK3.2 cents per ordinary share), to shareholders whose names appear on the Register of Members at the close of business on Monday, 15th December, 2014. Dividend warrants will be sent to shareholders on or about Tuesday, 30th December, 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Tuesday, 16th December, 2014, 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, 15th December, 2014.

MANAGEMENT REPORT

Business Highlights

In the first half of FY2014/2015, Vitasoy Group delivered a strong performance, ahead of our target growth trajectory on both top and bottom line, whilst securing increased capital expenditure and marketing/commercial expenditure to secure sustained expansion. Group net sales grew 17%, ahead of the growth in previous two years (+9% for 2013/2014 interim and +10% for 2012/2013 interim). We recorded a strong increase of 22% in profit attributable to equity shareholders of the Company, far exceeded the performance of the previous two years (+6% for 2013/2014 interim and +15% for 2012/2013 interim).

Our core business is driving our faster growth overall. Growth is broad based, across core geographies and categories. The Group stay focused on implementing our Group 2020 vision and strategies. "Execution, Expansion and Innovation" are delivering results. Each of the five geographical markets will launch and execute brand new innovation on their core business this year.

Besides strong sales and marketing efforts to drive top-line growth, we continued to improve manufacturing efficiency and product mix, as well as carefully managed our operating costs to deliver profitable bottom-line performance.

Mainland China registered a strong +35% growth, and became the biggest market in the first six months of this Fiscal Year ahead of Hong Kong. To secure manufacturing support to growth, we have entered into a Memorandum of Understanding with the local government on the construction of our fourth Mainland China plant in Wuhan in September 2014. The new plant is scheduled to commence commercial production by 2016.

Net Sales Revenue

- The Group's net sales revenue for the six months ended 30th September, 2014 reached HK$2,729 million, showing a solid year-on-year growth of 17% (2013/2014 interim: HK$2,326 million).

  - ***Hong Kong Operation (Hong Kong, Macau and Exports) +11%***
    Hong Kong Operation achieved strong sales momentum across product categories and distribution channels, supported by marketing initiatives behind the core brands. New product launch including PET plastic bottled VITASOY soymilk and VITA Milk Tea received very good consumer responses. Exports and Macau continued to perform well.

  - ***Mainland China +35%***
    Our Mainland China business reported strong growth in both sales and profit during the period. The encouraging business performance was driven by the continued and disciplined implementation of the "Go Deep Go Wide" strategy for the core portfolio.

  - ***Australia and New Zealand -1% (+1% in local currency)***
    We registered positive growth of our newly relaunched Organic Soy range, and our winning CAFÉ FOR BARISTAS range, increasing our share of the soy segment. We also launched the first Coconut Milk and the new Almond Blends line to start competing in the plant-based segments beyond Soy, in addition to our existing leadership in Rice and Oats.

- ***North America +4%***
  Vitasoy's North American operation experienced a modest sales growth which was below internal objectives, thus aggravating first half profitability affect by new initiatives' launch investment and higher transportation costs. Asian channel led the growth, enhanced by the successful launch of a new VITASOY Refrigerated Soymilk. However, the Mainstream business has performed under expectation with flat sales revenue, despite introducing a new ready-to-eat NASOYA BakedTofu.

- ***Singapore +2%***
  Strong domestic sales were registered but it was partly offset by the weaker performance in the Export channels.

Gross Profit and Gross Profit Margin

- The Group's gross profit for the interim period was HK$1,353 million, up 21% year-on-year (2013/2014 interim: HK$1,118 million), mainly driven by the strong sales performance.
- Gross profit margin has improved further to 50% (2013/2014 interim: 48%), due to multiple positive factors combined: improved manufacturing efficiency with increased volume, better and more profitable sales mix as well as favorable trend for commodity prices particularly for milk powder, sugar and packaging paper when compared to the same period last year.

Operating Expenses

- Total operating expenses increased 22% to HK$1,066 million due to higher investment in brand programs, as well as overall higher operating costs in staff expenses, transportation and warehousing costs.
- Marketing, selling and distribution expenses were HK$712 million, up 23%, with increased investment in strengthening our brand equity and promotion support for new product launches, increased staff expenses and sales commission due to volume increase and the expansion of the sales team in Mainland China, as well as higher volume-driven transportation and delivery costs.
- Administrative expenses increased by 19% to HK$209 million, reflecting higher headcount costs, higher depreciation charges, and higher warehousing expenses.
- Other operating expenses were HK$145 million, versus HK$124 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$412 million, up 13%, driven by higher gross profit being partly offset by increased marketing investment as well as higher operating costs in staff expenses, volume-driven commission, transportation and warehousing costs.

Profit Before Taxation

- With a moderate growth in depreciation and amortisation charges and reduction of finance costs, profit before taxation improved by 18% to HK$313 million (2013/2014 interim: HK$265 million).

Taxation

- Income tax charged for the interim period was HK$68 million, as compared to HK$63 million in the last interim period. The increase was mainly attributed to the increase in operating profit. However, the effective tax rate dropped to 22%, as compared to 24% in last interim period with the benefit from streamlining the tax structure.

Profit Attributable to Equity Shareholders

- With the improved operating profit and the benefit from streamlining the tax structure, profit attributable to equity shareholders of the Company was HK$222 million, an increase of 22% compared to the last interim period (2013/2014 interim: HK$182 million).

Financial Position

- As at 30th September, 2014, the Group had a net cash balance of HK$179 million (31st March, 2014: net cash balance of HK$195 million) and available banking facilities of HK$545 million (31st March, 2014: HK$700 million).
- The Group's borrowings (including obligations under finance leases) amounted to HK$157 million (31st March, 2014: HK$126 million). The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) was 9% (31st March, 2014: 7%). These all reflected the Company's plan to finance its second wave of capital investment for expansion through internally generated cash and bank borrowings.
- Capital expenditure incurred during the period was HK$166 million (2013/2014 interim: HK$86 million), which was mainly used in the expansion of our production capacity, including the installation of higher speed lines in both Hong Kong and Mainland China plants, addition of new packaging lines, upgrade of existing production machineries, as well as enhancement of our sales facilities and infrastructure.

General Review

Hong Kong Operation (Hong Kong, Macau and Exports)

- **Hong Kong domestic market**
  - In the first half of FY2014/2015, Vitasoy Hong Kong recorded an encouraging net sales growth of 11%, outperformed the growth of local non-alcoholic beverage industry in both value and volume.
  - Solid sales growth was registered across all product categories and channels, driven by core innovation and core execution.
  - In the Soy category, Aseptic PET plastic bottled VITASOY Soymilk was introduced to further capture the on-the-go opportunity. SAN SUI maintained its leading position in the Fresh segment with its strong organic soya bean proposition. New SAN SUI Hard Tofu was launched in September 2014 to provide consumers with more choices for cooking.
  - In the Tea category, VITA maintained its No.1 position in the ready-to-drink tea segment spearheaded by VITA Lemon Tea (VLT). In June, the brand new Hong Kong Style VITA Milk Tea was successfully launched. It offers a unique milk tea taste to local consumers and soon gained popularity in the local market.

- **Vitaland Group**
  - Our tuck shop business operation achieved a steady sales improvement of 8% ahead of last year. This was achieved through an increase in the number of tuck shops with a better and more profitable school mix, improving school renewal rate and quality services.

- **Macau**
  - Macau continued to deliver an encouraging performance with sales increase of 17% over the same period of last year due to strong market execution.

- **Export Business**
  - Our export business has demonstrated good growth with sales revenue exceeded last year by 9% due to new market opening such as Myanmar.

Mainland China

- Mainland China business has grown 35%, driven by the strong execution of our "Go Deep Go Wide" strategy, VITASOY core range communication, and enhancements made to our VITA Lemon Tea business.
- We have recorded strong sales with deeper penetration in the Southern and Eastern China markets, as well as territorial expansion into Fujian and Hubei.
- In the Soy category, we have accelerated our VITASOY brand equity with strong execution of its fundamentals, driving growth across channels and packages.
- In the Tea category, our VITA Lemon Tea was well-received as it was expanded into more stores.
- With the rapid growth in Mainland China, especially in the central region, it has posed challenges to our existing production capacity and transportation costs. In September 2014, we have entered into a Memorandum of Understanding with the Wuhan government to construct the Group's fourth plant in Mainland China. The new plant is expected to commence production by 2016.

Australia and New Zealand

- We had a solid first half in Australia and New Zealand because of share gains in the plant milk segment and improved manufacturing efficiency brought feasible by our previous capital investments in plant infrastructure and equipment.
- Vitasoy has maintained its market leadership position with enlarged shares in the Soy segment. Consumers have responded particularly well to our VITASOY Core range restaging and TV-led integrated campaign.
- Meanwhile, we continued to invest in execution to strengthen our presence in the Grocery stores to drive category growth.
- Our VITASOY CAFÉ FOR BARISTAS Soymilk continued to grow strongly in the Coffee Store Channel. In addition, we have recently added a new Organic range in the premium soymilk section in one of the major grocery chains.
- The plant milk market, especially the nut milk segment, continued to grow behind the ever increasing consumer interest in functional health propositions and relevant product innovation. To tap into this market, we also launched the first Coconut Milk and the new Almond Blends line to start competing in the plant-based segments beyond Soy, in addition to our existing leadership in Rice and Oats.
- Our direct distribution to New Zealand continued to show strong sales performance with an even broader product category.
- However, the weakened Australian dollar (versus the same period last year) has adversely impacted both sales and profit when reported in Hong Kong dollar terms.

North America

- Vitasoy's North American operation recorded a modest sales growth of 4% which was below internal objectives, thus aggravating first half profitability affected by new initiatives' launch investment and higher transportation costs.
- Asian channel business led the growth, behind the positive performance of all brands and categories. This was further enhanced by the successful launch of a new Refrigerated VITASOY Soymilk. This new product is made with whole harvested, non-GMO soybeans from North American farms. The product launch has gained positive feedback from retailers and consumers and has already contributed net incremental to our business.

- However, the Mainstream Tofu business was below our expectations. Our new ready-to-eat NASOYA TofuBaked experienced delays in listing and was unable to deliver the targeted volumes at target price.
- Whilst on the manufacturing side, we have registered encouraging progress in improving our production efficiency. However, the increasing transportation and utility costs impacted the profitability.
- We will stay focused on the Mainstream to ensure a profitable second half.

Singapore

- Unicurd, our Singaporean tofu business, recorded moderate sales increase in the first half of FY2014/2015 as the strong domestic sales was dampened by the loss in Export business.
- Sales growth in supermarkets and restaurants were key growth drivers, and UNICURD has become the No.1 brand in the local Tofu category.
- In the first half of FY2014/2015, we have launched VITASOY Premium Tofu, a fortified tofu with 25% higher calcium content, to provide consumers with healthier choice.
- During the period, the operation has also launched new VITASOY Chilled Soymilk for on premise customers.
- Sales of major product categories such as Silken Tofu, Egg Tofu, Pasta and Baiye all performed well.
- Operating profit dropped 9% due to the impact of the weaker Export business and the increased investment in marketing activities. Despite improved cost control and manufacturing efficiency in local business, the reduction in export business has impacted profitability.

General Outlook

Looking ahead to the Fiscal Year second half, we will continue to stay focused on executing our strategies. We are confident that market “tailwinds” of health trends and demand for nutritious products, our Group’s unique competitive strengths and our focus on accelerating our cores via “Execution, Expansion and Innovation” will continue to drive our growth in line with our internal target trajectory.

Hong Kong Operation (Hong Kong, Macau and Exports)

- We will continue our strong execution and distribution expansion to consolidate leadership position in the local Soy and Tea business segments. We will also further strengthen brand equities through product innovations. Our sales and marketing efforts will focus on core brands and we will continue to nurture VITA Milk Tea to build penetration.
- Labour shortage and wage increase are still concerns for our Hong Kong operation. We will continue to enhance operational efficiency to protect margin, and deliver profitable growth for the remainder of the year.

Mainland China

- We expect our Mainland China business to remain strong for the balance of the year, driven by our “Go Deep Go Wide” strategy. We will continue to drive organic growth through expanding territorial coverage to neighbouring provinces and cities.
- We are launching a brand new VITASOY Premium line called VITALITY. This one will complement VITASOY Classic and will offer higher protein and calcium with lower sugar and no cholesterol. We are confident this innovation will encounter consumer acceptance and enable us to successfully expand our presence in this new important consumer space. We will also leverage on the Tea platform to enhance brand visibility and availability in the highly competitive market.
- To support our growth, we will keep on expanding the operational capabilities of our production bases in Mainland China.

Australia and New Zealand

- We have a positive outlook on our potential, given the strong and growing market position in existing segments coupled with product innovation in emerging segments of the Plant Milk category.
- We are committed to driving category and providing our consumers with broad offering of products.
- We will maintain a stable manufacturing environment to deliver efficiency and benefits that will help drive profitability.

North America

- We expect a difficult year for our USA business.
- We will focus on the Mainstream bottom line to secure profitability this year whilst in Asian Channel, we will continue to drive both our core and the new Refrigerated VITASOY Soymilk.
- The missed revenue of the first half, together with the increasing transportation and utility costs, will impact the business, resulting in lower profitability versus last fiscal year.

Singapore

- We will continue to scale up and expand the VITASOY franchise, and drive domestic sales by combining base products with new VITASOY Premium Tofu and VITASOY Chilled Soymilk.
- We will capitalise on facility enhancements and continue our efforts in plant efficiency. We will continue to manage manufacturing costs to drive profitability.

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, 2014, complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

REVIEW OF INTERIM RESULTS BY AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Audit and Corporate Governance Committee comprises three Independent Non-executive Directors, namely, Mr. Valiant Kin-piu CHEUNG (Chairman), Dr. the Hon. Sir David Kwok-po LI and Mr. Jan P. S. ERLUND.

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, 2014.

The Audit and Corporate Governance Committee also reviews regularly the corporate governance structure and practices within the Company and monitors compliance fulfilment 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, 2014.

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, 2014 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, 26th November, 2014

As at the date of this announcement, Mr. Winston Yau-lai LO and Mr. Roberto GUIDETTI 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. Jan P. S. ERLUND and Mr. Valiant Kin-piu CHEUNG are independent non-executive directors.