

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層之討論及分析

03

INTERIM REPORT 中期報告  
2005

### BUSINESS HIGHLIGHTS

- The Group's turnover for the first six months of fiscal 2005/2006 was HK\$1,262 million, an increase of 2.3% over the same period last year (2004/2005 interim: HK\$1,234 million). Profit attributable to shareholders for the period was HK\$91 million, up 35.8% (2004/2005 interim: HK\$67 million).
- In view of the Group's strong balance sheet, the Board of Directors has declared an interim dividend of HK2.8 cents per share (2004/2005 interim: HK2.8 cents per share), payable on 12th January, 2006.
- The Group sustained its growth momentum in the interim period. The operating results of all its operations worldwide improved year-on-year. Hong Kong posted a rise in profit despite a slight drop in sales in the domestic market. The Mainland China Operation continued to register growth in revenue and profitability. Both the North American and Australian Operations achieved significant improvement. The performance of the Australian Operation was particularly outstanding in terms of both sales and profit. In North America, the Group's operating loss narrowed substantially from the same period last year, paving the way for further improvement.
- The Group continued to supply its various markets worldwide with nutritious and tasty products noted for their high quality and value through product development and innovation. The growth in the interim period was attributable to the successful launches of new products as well as products with new flavours and packaging in different markets. Our product development and innovation efforts were supported by aggressive and effective advertising and promotion, which also helped further strengthen our brands and expand our market share at the same time. We also stepped up our effort in expanding our new distribution network and exploring new markets. Internally, we continued to enhance our operational efficiency and productivity. Our initiatives in this regard helped in offsetting higher commodity and energy costs. Cost management measures in other areas were also implemented where appropriate.
- The Group's gross profit for the interim period totalled HK\$742 million, representing an increase of 1.8% (2004/2005 interim: HK\$729 million). The gross profit margin was 58.8% of sales (2004/2005 interim: 59.1%).

### 業務摘要

- 本集團於二零零五／二零零六財政年度首六個月的營業額為港幣1,262,000,000元，較去年同期增加2.3%（二零零四／二零零五年度中期：港幣1,234,000,000元）。同期股東應佔溢利為港幣91,000,000元，上升35.8%（二零零四／二零零五年度中期：港幣67,000,000元）。
- 鑑於本集團資產負債狀況穩健，董事會宣布派發中期股息每股港幣2.8仙（二零零四／二零零五年度中期：每股港幣2.8仙），將於二零零六年一月十二日派發。
- 本集團於上半年維持增長動力，分佈全球各地的業務均錄得比去年同期較佳的營運業績。儘管本地市場銷量輕微下跌，香港業務的盈利仍能維持增長。中國大陸業務在收入和盈利方面均持續錄得增長。北美洲及澳洲的業務皆取得重大進展。在銷售額和盈利方面，澳洲業務的表現尤其突出。本集團於北美洲的營運虧損較去年同期大幅減少，並可望持續改善。
- 本集團憑著不斷的產品研究和創新，繼續向全球各地市場供應以高質素和高價值見稱的營養美味產品。上半年的增長主要有賴各地市場成功推出多種新產品與及在現有產品增添新口味和新包裝。本集團在產品研究和創新方面的工作配合著積極進取和有效的廣告宣傳和產品推廣活動，亦同時有助進一步鞏固本集團的品牌和拓展本集團的市場佔有率。本集團亦致力擴大分銷網絡和開拓新市場。在內部運作方面，本集團繼續加強營運效率和生產力，此舉有助抵銷物料和能源價格的上漲。本集團亦於適當的情況下在其他方面採取成本管理措施。
- 本集團上半年毛利共為港幣742,000,000元，增長1.8%（二零零四／二零零五年度中期：港幣729,000,000元），毛利率為銷售額的58.8%（二零零四／二零零五年度中期：59.1%）。

MANAGEMENT DISCUSSION  
AND ANALYSIS

## 管理層之討論及分析

- Marketing, selling and distribution expenses were HK\$491 million in the first six months of fiscal 2005/2006, compared to HK\$498 million for the same period last year. Administrative expenses increased slightly to HK\$82 million, from HK\$77 million last year. Other operating expenses were HK\$78 million, compared to HK\$64 million last year. Total operating expenses amounted to 51.6% of sales (2004/2005 interim: 51.8%).
- 二零零五／二零零六財政年度首六個月的推廣、銷售及分銷費用為港幣491,000,000元，去年同期則為港幣498,000,000元；行政費用由去年同期的港幣77,000,000元，微升至港幣82,000,000元。其他經營費用為港幣78,000,000元，去年同期則為港幣64,000,000元。營運費用總額佔銷售額的51.6%（二零零四／二零零五年度中期：51.8%）。

## HONG KONG

## 香港

## Production Efficiency

## 生產效率

By Location of Assets (Production Plants) 按資產（生產廠房）所在地	Six months ended 30th September, 2005 截至二零零五年 九月三十日止六個月	Six months ended 30th September, 2004 截至二零零四年 九月三十日止六個月	Movement 變動
Revenue (HK\$) 收入(港幣元)	696 million 696,000,000元	688 million 688,000,000元	1.2%
Segment Result (HK\$) 分部業績(港幣元)	101 million 101,000,000元	100 million 100,000,000元	1.0%

The Group's production plant in Tuen Mun supports both domestic sales and exports to markets in Europe, Macau, Southeast Asia and the Americas.

本集團位於屯門的生產廠房供應本地市場，以及分佈在歐洲、澳門、東南亞及美洲的出口市場。

In the period under review, revenue generated from the plant and the Group's tuck shop business was HK\$696 million, an increase of 1.2% from the corresponding period last year. The segment result for the period was HK\$101 million (2004/2005 interim: HK\$100 million).

於回顧期內，該廠房與及本集團食物部業務的總收入為港幣696,000,000元，較去年同期上升1.2%。期間分部業績為港幣101,000,000元（二零零四／二零零五年度中期：港幣100,000,000元）。

## Market Performance

## 市場表現

By Location of Customers 按客戶所在地	Six months ended 30th September, 2005 截至二零零五年 九月三十日止六個月	Six months ended 30th September, 2004 截至二零零四年 九月三十日止六個月	Movement 變動
Revenue (HK\$) – Hong Kong Domestic Market 收入(港幣元) – 香港本銷市場	798 million 798,000,000元	810 million 810,000,000元	(1.5%)
Revenue (HK\$) – Export Markets 收入(港幣元) – 出口市場	47 million 47,000,000元	39 million 39,000,000元	20.5%

## HONG KONG (continued)

### Market Performance (continued)

#### (1) Hong Kong Domestic Market

Price competition persisted in the Hong Kong's non-alcoholic beverage market in the first half of fiscal 2005/2006, though retail sales in general and the Consumer Price Indices continued with their respective upward trends. Growth in both the sales and prices of non-alcoholic drinks was lagging behind the economy due to severe price competition in the Hong Kong market, which relied basically on domestic consumption and therefore benefit from inbound tourism was relatively insignificant.

In the first quarter of the fiscal year, we attempted a modest price increase. However, this did not set a trend in the market and price competition remained intense, which affected sales growth. After a relatively slow first quarter also partly due to the rainy weather which impeded outdoor activities, sales picked up considerably in the second quarter as we stepped up our promotional effort to drive consumption, and we have resumed our growth momentum since.

To sustain the growth of sales and profit in Hong Kong, we continued to develop new products and add new elements and values to existing products. Riding on the successful re-launch of CALCI-PLUS Soymilk last year, we have introduced the Oat/Heart Health variant this year with a TV advertising campaign. The range has grown significantly in sales so far. Following the successful launch of TSING SUM ZHAN range of easy-to-drink wellness drinks last year, we have added a Grapefruit Lemon variant and PET (plastic bottle) package this year. Supported by TV advertising and additional listings in convenience stores where most of the on-the-go consumption occurs, sales increased substantially. Aseptic Milk has also out-performed last year with the introduction of Hi-Cal Low Fat Aseptic at the beginning of the year, resulting in a double digit growth. SUPERICY Lemon Tea was launched in July. Its performance so far this year has been well ahead of target, given our integrated marketing campaign and the perfect timing for its launch just before the peak beverage season actually began.

Despite the emergence of more market players, the business of Vitaland Services Limited and Hong Kong Gourmet Limited grew by a healthy 13% over the same period last year as a result of aggressive marketing as well as product and service diversification. Vitaland Services Limited continued to be the market leader in the school tuck shop sector. In view of the development of school meal services, the central kitchen capacity of Hong Kong Gourmet Limited has significantly expanded during the interim period.

## 香港(續)

### 市場表現(續)

#### (1) 香港本銷市場

在二零零五／二零零六財政年度上半年，儘管整體零售業的收入和消費者物價指數分別持續上升，本港的非酒精類飲品市場的價格競爭依然劇烈。由於非酒精類飲品業主要依賴本地市場內銷，故受惠於旅遊業相對輕微，加上本港市場價格競爭激烈，因此無論在銷售或價格上的增長均落後於整體經濟表現。

於本財政年度首季，本集團曾經嘗試輕微調高價格，可惜未能在市場起牽頭作用，價格競爭仍然激烈，並影響了銷售增長。首季相對淡靜，部份原因亦由於多雨的天氣令戶外活動減少。然而，隨著本集團加強推廣活動以帶動消費，銷售額於第二季已顯著上揚，繼後亦重拾增長動力。

本集團繼續發展新產品與及在現有產品添加新元素和價值，以維持香港市場的銷售和盈利增長。憑藉去年鈣思寶荳奶重新推出市場的成功經驗，今年本集團再透過電視廣告推出另一款有益心臟健康的鈣思寶燕麥荳奶。到目前為止，這系列的產品銷量已大幅上升。同時，繼去年成功推出一系列以健康為本的清心棧消閒飲品後，本集團今年加推了柚子檸檬味和PET塑膠瓶裝的同系列產品。藉著電視廣告與及於即買即用消費模式的便利店增加銷售點，這系列產品的銷量增長強勁。維他保鮮牛奶類產品的表現亦比去年為佳，加上今年年初推出高鈣低脂保鮮牛奶，令該系列產品的銷售額錄得雙位數字增長。SUPERICY檸檬茶在今年七月推出，憑著綜合市場推廣活動，並配合時機在飲品旺季前推出，其表現到目前為止已超越預期目標。

儘管市場內有不少競爭者湧現，維他天地服務有限公司和香港美食有限公司的業務依然錄得較去年同期上升13%的穩健增長，這實有賴本集團進取的市場推廣與及產品服務愈趨多元化所致。維他天地服務有限公司仍為學校食物部市場的領導者。為配合學校膳食服務發展，香港美食有限公司於期內亦大幅擴充中央廚房設施。

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層之討論及分析

### HONG KONG (continued)

#### Market Performance (continued)

##### (2) Export Markets

Export sales recorded a 20.5% growth following the appointment of more new distributors. Sales in Macau were up 20% due to the booming economy driven by the gambling industry. We continued to explore new markets around the world. Our Hong Kong Operation now exports to countries in Europe, the Asia Pacific region and Central and South America.

### 香港 (續)

#### 市場表現 (續)

##### (2) 出口市場

本集團的出口銷售額在期內上升20.5%，主要是由於委聘了更多新的分銷商。在澳門，博彩業帶動經濟蓬勃發展，令本集團在該市場的銷售額增長了20%。另一方面，本集團繼續開拓世界各地的新市場，現時出口產品至歐洲、亞太區與及中南美洲等多個國家。

### NORTH AMERICA

#### Production Efficiency

By Location of Assets (Production Plant) 按資產(生產廠房)所在地	Six months ended 30th September, 2005 截至二零零五年 九月三十日止六個月	Six months ended 30th September, 2004 截至二零零四年 九月三十日止六個月	Movement 變動
Revenue (HK\$) 收入(港幣元)	193 million 193,000,000元	213 million 213,000,000元	(9.4%)
Segment Result (HK\$) 分部業績(港幣元)	(9 million) (9,000,000元)	(17 million) (17,000,000元)	47.1%

### 北美洲

#### 生產效率

The performance of our North American Operation in the interim period continued to be in line with our expectation. In addition to narrowing its operating loss, it succeeded in developing and launching innovative new products. After our exit from Refrigerated Soymilk and the closure of the Burke facility, we have achieved a more profitable revenue base and improved the production efficiency of the Ayer Plant in Massachusetts.

The Group's production plant in Ayer, Massachusetts supports the North American market. In the first half of fiscal 2005/2006, the plant generated HK\$193 million in revenue, a decrease of 9.4% from the same period last year. Despite this sales decline, our gross and operating margins improved. The segment result was a loss of HK\$9 million, a considerable improvement over the HK\$17 million loss for the same period last year.

本集團北美洲業務於期內的表現持續符合預期，除了大幅收窄經營虧損外，更成功發展並推出具創意的新產品。在退出鮮凍豆奶市場與及關閉 Burke 廠房後，本集團於北美洲的業務基礎更具盈利效益，亦提升了麻省艾爾市廠房的生產效率。

本集團設於麻省艾爾市的廠房供應北美洲市場。在二零零五／二零零六財政年度上半年，該廠房的收入為港幣193,000,000元，較去年同期下跌9.4%。雖然收入減少，但毛利率與經營溢利率均有所提升。分部業績為虧損港幣9,000,000元，較去年同期的虧損港幣17,000,000元大幅改善。

**NORTH AMERICA** (continued)

## 北美洲(續)

**Market Performance**

## 市場表現

By Location of Customers 按客戶所在地	Six months ended 30th September, 2005 截至二零零五年 九月三十日止六個月	Six months ended 30th September, 2004 截至二零零四年 九月三十日止六個月	Movement 變動
Revenue (HK\$) – North American Market 收入(港幣元) – 北美洲市場	<b>221 million</b> <b>221,000,000元</b>	244 million 244,000,000元	(9.4%)

The soy foods market in the US continued to grow, albeit at a slower pace. The Tofu market has grown by about 4% whereas the Aseptic Soymilk category has continued to decline.

美國的大豆食品市場持續增長，惟增長放緩。豆腐市場增長約4%，而無菌紙包裝豆奶市場則繼續萎縮。

For the six months to 30th September, 2005, the Group's sales revenue in North America was HK\$221 million, down 9.4% from the same period last year. Excluding the sales of exited products, revenue increased by 2% year-on-year. In the Tofu category, we continued to increase our market share and maintain our market leadership. We have created several new products. Although demand for Aseptic Soymilk continued to decline in the US market, we enjoyed encouraging growth in both the distribution and sales for our newest Aseptic Soymilk – VITASOY COMPLETE. In addition, we conducted a three-month market test of NUTRIFULL, a fresh weight management meal replacement. The test results were encouraging with very good trial rates and re-purchase rates, though we had no trade promotional activity. This product will be released into broader distribution in January 2006.

在截至二零零五年九月三十日止的六個月，本集團在北美洲的銷售收入為港幣221,000,000元，較去年同期減少9.4%。撇除本集團已停止生產銷售的產品銷售額，收入比去年同期增長2%。本集團在豆腐產品市場的佔有率持續上升，並保持著市場領導地位。本集團亦成功發展多種新產品。雖然美國市場對無菌紙包裝豆奶的需求持續減少，本集團最新的無菌紙包裝豆奶 – VITASOY COMPLETE，無論在分銷或銷量上，均錄得令人鼓舞的增長。此外，本集團亦為其最新的體重控制代餐NUTRIFULL進行了為期三個月的市場測試，結果顯示雖然在缺乏任何市場推廣活動下，其試用率與及重購率均非常理想。這產品將於二零零六年一月更廣泛地在市場分銷。

Upon the closure of the Burke facility, a new line for Tofu manufacturing has been installed in our Ayer Plant to increase our production capacity and efficiency. The marketing department has also been restructured to create a number of new product initiatives. We have also re-staffed our sales force, which continues to drive sales performance.

在關閉Burke廠房後，本集團在艾爾市廠房新增了一條豆腐生產線，以增加生產能力和效率。本集團更重組市場推廣部門，協助新產品的推出；同時，亦強化推銷隊伍的陣容，繼續促進產品銷量。

MANAGEMENT DISCUSSION  
AND ANALYSIS

## 管理層之討論及分析

## MAINLAND CHINA

## 中國大陸

## Production Efficiency

## 生產效率

By Location of Assets (Production Plants) 按資產(生產廠房)所在地	Six months ended 30th September, 2005 截至二零零五年 九月三十日止六個月	Six months ended 30th September, 2004 截至二零零四年 九月三十日止六個月	Movement 變動
Revenue (HK\$) 收入(港幣元)	270 million 270,000,000元	266 million 266,000,000元	1.5%
Segment Result (HK\$) 分部業績(港幣元)	40 million 40,000,000元	38 million 38,000,000元	5.3%

The Group's production plants in Shanghai and Shenzhen support both the markets of Mainland China and Hong Kong. In the first six months of fiscal 2005/2006, the Mainland China plants contributed HK\$270 million to the Group's total revenue, an increase of 1.5% over the same period last year. The segment result for the period was HK\$40 million, up 5.3%.

本集團分別設於上海和深圳的廠房供應中國大陸和香港市場。在二零零五／二零零六財政年度首六個月，該兩間廠房為本集團的總收入帶來港幣270,000,000元，較去年同期上升1.5%。期間分部業績為港幣40,000,000元，上升5.3%。

## Market Performance

## 市場表現

By Location of Customers 按客戶所在地	Six months ended 30th September, 2005 截至二零零五年 九月三十日止六個月	Six months ended 30th September, 2004 截至二零零四年 九月三十日止六個月	Movement 變動
Revenue (HK\$) – Mainland China Market 收入(港幣元) – 中國大陸市場	90 million 90,000,000元	71 million 71,000,000元	26.8%

The continuous growth of the mainland's economy and household income helped boost the non-alcoholic ready-to-drink beverage market. However, the Soymilk market remained soft, facing strong price pressure from the dairy milk industry. By implementing the focused strategy of "core business, core brand and core competency", Vitasoy China continued to deliver strong revenue growth and improved profitability. Revenue generated from the Mainland China market was HK\$90 million, an increase of 26.8% over the same period last year.

國內經濟與及家庭入息持續增長，有利非酒精類飲品市場的發展。然而，面對奶類業的強勁價格競爭，豆奶市場仍然疲弱。藉推行「核心業務、核心品牌及核心強項」這重心發展策略，維他奶中國的收入增長持續強勁，而利潤亦見改善。中國大陸市場的收入為港幣90,000,000元，較去年同期上升26.8%。

The Soymilk category has remained our core product in Mainland China. To drive its growth, we continued with various branding initiatives and advertising campaigns to promote local consumption. In the core cities, we carried out a high-profile consumer display campaign that combined above-the-line brand communication with below-the-line merchandising. Our marketing effort gave rise to a strong growth of 29% in overall Soymilk sales.

豆奶類飲品仍然是本集團在中國大陸的主要產品。為推動增長，本集團繼續進行各種強化品牌和廣告宣傳活動，以增加地方銷量。在主要城市，本集團展開廣泛的消費者推廣活動，包括媒體廣告的品牌宣傳和市場產品的推廣活動。本集團憑著市場推廣方面的努力，令豆奶產品的銷量整體增長29%。

## MAINLAND CHINA (continued)

### Market Performance (continued)

We have continued to pursue co-pack opportunities for improving capacity utilisation and for better return on assets. The Shanghai plant's co-pack contract with a leading dairy manufacturer in Mainland China has ensured our closer cooperation and contributed to both capacity utilisation and earnings. At the same time, the Shenzhen plant has also entered into a new co-pack contract with a major local herbal drink producer.

## AUSTRALIA & NEW ZEALAND

### Production Efficiency

By Location of Assets (Production Plant) 按資產(生產廠房)所在地	Six months ended 30th September, 2005 截至二零零五年 九月三十日止六個月	Six months ended 30th September, 2004 截至二零零四年 九月三十日止六個月	Movement 變動
Revenue (HK\$) 收入(港幣元)	103 million 103,000,000元	67million 67,000,000元	53.7%
Segment Result (HK\$) 分部業績(港幣元)	13 million 13,000,000元	6 million 6,000,000元	116.7%

The Group's joint-venture plant in Wodonga, Victoria supports the Australian and New Zealand markets. In the first half of fiscal 2005/2006, the plant generated HK\$103 million in revenue, an increase of 53.7% from the same period a year ago. With continuous improvement in productivity and sales, profit derived from the Australian Operation was HK\$13 million, representing a very robust growth of 116.7% year-on-year.

## 中國大陸(續)

### 市場表現(續)

本集團繼續開拓包裝加工業務的商機，以改善廠房使用率及提升本集團的資產回報。上海廠房與中國大陸某大奶品製造商所簽訂的包裝加工合約，確保雙方之間的緊密合作關係，亦對生產使用率和盈利作出貢獻。與此同時，深圳廠房亦與當地某大涼茶類飲品製造商訂立了新的包裝加工合約。

## 澳洲及新西蘭

### 生產效率

本集團位於維多利亞省烏東加市的合營廠房供應澳洲及新西蘭市場。在二零零五／二零零六財政年度上半年，該廠房的收入為港幣103,000,000元，較去年同期上升53.7%。由於生產力和銷售持續改善，期內澳洲業務的盈利為港幣13,000,000元，按年大幅增長116.7%。

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層之討論及分析

### AUSTRALIA & NEW ZEALAND (continued)

### 澳洲及新西蘭 (續)

#### Market Performance

#### 市場表現

By Location of Customers 按客戶所在地	Six months ended 30th September, 2005 截至二零零五年 九月三十日止六個月	Six months ended 30th September, 2004 截至二零零四年 九月三十日止六個月	Movement 變動
Revenue (HK\$) – Australian and New Zealand Markets 收入(港幣元) – 澳洲及新西蘭市場	106 million 106,000,000元	70 million 70,000,000元	51.4%

The soymilk markets of Australia and New Zealand continued to grow steadily, expanding by 5% and 10% in value respectively. The growth was primarily driven by the VITASOY brand of products, which grew by 44% in Australia and 57% in New Zealand in terms of sales volume. Competition in price remained intense. However, with the support of successful promotional initiatives, our product development efforts have continued to yield good results. The Group's share in these markets also continued to rise, reaching 22% in Australia and 39% in New Zealand.

VITASOY remains the fastest growing brand in the Soymilk category. This growth has been the result of the Group's effective strategy to extend product range and develop new products. Since its first launch earlier this year, the gluten-free VITASOY SO MILKY Soymilk has been welcomed by the market and growing steadily. To drive sales growth and market share, we have been working closely with naturopaths, dieticians and physicians to educate consumers about the benefits of soymilk. A brochure developed for the purpose has attracted much attention and enquiries from consumers who are concerned about the effect of gluten in their diet and are looking for alternative food and beverages.

VITASOY Rice Milk continued to be a popular choice for consumers. The VITASOY Protein Enriched Rice Milk was recently launched as the Rice Milk with the highest protein that is naturally sourced. The initial response was very positive. By September this year, VITASOY has become the market leader in the Rice Milk category. Products with new flavours like Vanilla and Caramel were also performing well, contributing to the Group's strong growth in this market.

澳洲及新西蘭的豆奶市場持續穩步發展，以銷售額計算分別增長5%和10%。增長主要由VITASOY品牌的產品帶動，其在澳洲及新西蘭的銷量分別上升44%和57%。雖然價格競爭持續激烈，但本集團仍可透過有效的產品推動活動，令產品發展方面的努力持續獲得佳績。本集團在這兩個市場的佔有率亦繼續上升，在澳洲及新西蘭分別達22%和39%。

VITASOY仍是豆奶類產品中增長最快的品牌。主要是由於本集團推行有效的策略以擴大產品系列與發展新產品。不含麩質的VITASOY SO MILKY豆奶自今年年初推出以來一直為市場所歡迎，並穩步增長。為了進一步刺激銷量及擴大市場佔有率，本集團正與自然醫療師、營養師和醫生緊密合作，灌輸消費者關於豆奶的益處。本集團為此而製作的小冊子，吸引不少消費者的注意和查詢，他們均關注麩質在日常餐食的影響，並尋求其他可代替的食物和飲品。

VITASOY米奶依然是消費者熱愛的選擇。本集團最近推出含有最豐富天然蛋白質的VITASOY高蛋白質米奶，初步反應十分理想。至今年九月，VITASOY已成為米奶類產品的市場領導者。新口味如「雲呢拿」和「焦糖」豆奶亦表現甚佳，有助本集團在澳洲市場的強勁增長。



## GENERAL OUTLOOK

In anticipation of greater inflationary pressure, higher fuel and commodity costs and intense competition in both domestic and overseas markets, we would expect the operating environment in the rest of the year to remain challenging. In order to generate higher shareholder value, we will continue to strengthen and leverage our core brands, develop new products and flavours to drive sales and profit growth, and seek for new business opportunities that are potentially profitable. At the same time, we are conscious of the need to continue to streamline production and distribution costs to achieve margin improvement. Aggressive and innovative marketing and promotion being a key part of our business strategy, we will ensure that the campaigns we carry out are really cost-effective. Needless to say, we will continue to maintain the superior quality and value of our products.

In Hong Kong, fierce competition in pricing to gain market share in the low-growth non-alcoholic beverage sector is expected to remain unabated. With the support of innovative advertising and promotion initiatives, we will continue to pursue our consumer-oriented product development programme and capitalise on our brand portfolio to expand our market share. Having regained our growth momentum in the second quarter, we are well placed to sustain growth in the remaining quarters, though the overall profitability of this market is likely to be eroded by higher energy and raw material costs and price competition. The progress we have achieved so far with our tuck shop business is well within our target. After going through years of rapid expansion, our tuck shop business should now enter a phase of consolidation. We will be taking a strategic review to ensure that our business plan will be geared towards sustaining higher profitability and maintaining our market leadership in the long run.

The market environment of the US should remain tough in view of the ongoing interest rate hike that signals higher inflation and more cautious consumer spending. In addition, with the extensive damage caused by the two hurricanes in the south, manufacturers will experience higher cost of doing business with little opportunity to pass it on to consumers. Despite these challenges, we are encouraged by the satisfactory outcome of the consolidation exercise last year, we are now a more market-oriented company with improved production efficiency. Although our exit from Refrigerated Soymilk temporarily lowered our sales, we are optimistic that the operating loss will continue to narrow, paving the way for breakeven and further improvement. Our focus for the remainder of the year and beyond is to drive sales with profitability: we intend to expand our market share in the Aseptic Soymilk and Tofu categories by rolling out new products with higher value for consumers, supported by effective advertising and promotion. We believe the higher sales and marketing costs to be spent in this regard will be well justified.

## 整體展望

預料通脹壓力加強，燃料及商品價格上漲，加上本地及海外市場的激烈競爭，本集團預期下半年的營商環境仍具挑戰性。為了給股東帶來更高回報，本集團會繼續鞏固及善用本集團的核心品牌，發展新產品和新口味以帶動銷量與利潤增長，並尋求具盈利潛力的新商機。同時，本集團深切明白到持續控制生產及分銷成本以改善邊際利潤的重要性。進取及創新的市場推廣與產品推動活動仍為本集團業務策略的重要一環，本集團將確保有關活動均具成本效益。一如以往，本集團將繼續保持產品一貫的優良品質及高價值。

相信在香港的低增長非酒精類飲品市場，以減價來爭奪市場佔有率的現象仍會持續。在創新的廣告宣傳及產品推動活動配合下，本集團將繼續推行以客為尊的產品發展計劃，並善用本身的品牌組合以擴大市場佔有率。雖然市場的整體盈利很有可能受能源和原材料價格上漲與及價格競爭所影響，但本集團在第二季度重拾的增長動力可望於餘下季度持續。直至今日，本集團的食物部業務發展持續符合預期，而經過多年來的快速擴展後，現應進入整固期。本集團會就其發展作策略性評估，以確保食物部業務在未來能持續獲取更高盈利與及保持市場領導地位。

基於利率上揚反映通脹加劇，而一般消費亦將傾向審慎，美國的市場環境預計仍會相當困難。另一方面，南部經過兩次風暴帶來的嚴重損害後，製造商的經營成本料必上升，且很難轉嫁到消費者身上。儘管如此，本集團很高興去年進行的整固計劃效果理想，美國業務現時已更趨向市場主導，且具更高生產效率。雖然在退出鮮凍豆奶市場後銷量暫時下降，本集團有信心經營虧損會持續收窄，從而達至收支平衡，及進一步改善業績。為達到在今年下半年及以後增加銷量及盈利能力的目標，本集團會藉有效的廣告宣傳和產品推廣活動，在無菌紙包裝豆奶與及豆腐類產品市場推出對消費者更具價值的新產品，以擴大市場佔有率。本集團相信即使在銷售及市場推廣方面的開支有所增加亦為值得。

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層之討論及分析

In Mainland China, the growth of soymilk consumption is expected to be affected by the price war in the dairy milk sector on a nation-wide basis. At the same time, much education and promotion is still needed to change consumers' perception and drinking habit of packaged soymilk. We are therefore committed to pursuing a profitable and sustainable growth strategy by investing in our brand, expanding our product portfolio by developing new sub-segments, and targeting more major cities as our markets. We believe there is tremendous potential for encouraging consumers to upgrade from traditional bulk home-grind to ready-to-drink soymilk that we excel in. Improvement in capacity utilisation remains our focus for better return on assets. The CEPA (Closer Economic Partnership Arrangement) II application, under which the Hong Kong companies enjoy zero import tariff in Mainland China, is proceeding smoothly and we are ready to profit from this opportunity to increase our product offerings in the Mainland China market by importing from Hong Kong.

The Group's Australian and New Zealand Operation is expected to see healthy growth in both sales and profitability, driven by the good performance of both Soymilk and Rice Milk and our successful market positioning. To reinforce the VITASOY brand's position as "the soy expert", we will continue to focus on the development and introduction of new products in the "value soy beverage" area as well as flavour innovation. We have been making remarkable achievement in terms of capturing larger market shares for both Soymilk and Rice Milk. We will continue to leverage our brand superiority to drive sales and profit growth as well as to capture new business opportunities. Regarding San Miguel Corporation's successful move to acquire National Foods Limited, our joint venture partner in Australia, we expect to see positive impact on the Group because the joint-venture's business complements that of San Miguel in the Asia Pacific region.

在中國大陸市場，豆奶的消費增長預計會受到奶類業全國性的減價戰影響。同時，為改變國內消費者對包裝豆奶的看法和飲用習慣，仍需要加強教育與宣傳。本集團將繼續投資於建立品牌，發展其他豆類產品以擴大品牌組合，與及開發更多主要城市為市場，從而貫徹達到爭取盈利及持續增長策略的目的。本集團相信，鼓勵消費者由傳統式家庭磨製的豆漿轉至飲用本集團的優質包裝豆奶，其發展潛力實為優厚。此外，改善廠房使用率以提升資產回報仍會是本集團的發展策略之一。本集團就豁免香港公司進口關稅的第二輪更緊密經貿關係安排的申請進展順利，並作好準備，藉這個機會從香港輸入更多產品，增加本集團在中國大陸的產品出售種類。

本集團的澳洲及新西蘭業務在豆奶及米奶的良好表現及成功的市場定位帶動下，預期在銷售額和盈利方面均會有可觀增長。為了鞏固VITASOY品牌作為「豆奶專家」的地位，本集團將繼續致力於「高價值豆類飲品」方面發展，推出新產品及創新口味。本集團於擴大豆奶及米奶類產品的市場佔有率方面表現卓越。本集團將繼續利用本身品牌的優勢，增加銷量和盈利增長，並同時開拓新商機。San Miguel Corporation (生力集團) 成功收購本集團在澳洲的合營夥伴National Foods Limited，預期對本集團帶來的影響正面，由於有關合營公司的業務與生力集團在亞太區的業務是互相配合的。

## EMPLOYMENT, TRAINING & DEVELOPMENT

The Group's workforce increased slightly by 1.1% during the interim period and, at 30th September, 2005, the number of full-time staff stood at 2,328. Our manpower management policy remains to maximise the contribution of staff resources for productivity gains and to equip the staff with the appropriate skill sets in order to cope with the Group's business plans. There were no material changes in remuneration policies and packages in the period under review.

## FINANCIAL REVIEW

With the generation of healthy cash flow, we are constantly assessing effective means for deploying our cash. After the payment of the special dividend in September 2005, the Group still maintained a healthy net cash position of HK\$289 million. Undrawn facilities available to the Group totalled HK\$357 million.

The total bank borrowings as at 30th September, 2005 amounted to HK\$134 million (31st March 2005: HK\$169 million). The amount of borrowings denominated in US dollar, Renminbi and Australian dollar were the equivalents of HK\$17 million, HK\$10 million and HK\$107 million respectively and are repayable within the first year. At interim balance sheet date, the Group's gearing ratio remained low at 11.2% (31st March, 2005: 13.5%), calculated on the basis of the Group's total borrowings over shareholders' funds.

With sufficient cash in hand and the available banking facilities, the Group's liquidity position remained strong. Capital expenditure during the period amounted to HK\$23 million (2004/2005 interim: HK\$24 million), which was primarily funded by cash from the various operations. There were no material changes in contingent liabilities, charges on assets and exposure to fluctuations in interest and exchange rates.

## 僱員、培訓及發展

於二零零五年九月三十日，本集團的全職僱員人數為 2,328人，期內微升1.1%。本集團貫徹原有的人力資源管理政策，盡力發揮人力資源的最大潛質以提升生產力，並給予員工發展適當技能以配合本集團業務計劃。期內，本集團的薪酬政策及福利組合並無重大變動。

## 財務回顧

由於現金流量穩健，因此本集團會不時評估運用現金的有效方式。於二零零五年九月派發特別股息後，本集團的現金淨額仍維持在港幣 289,000,000元的穩健水平。可供本集團動用惟仍未提取的信貸額共達港幣357,000,000元。

於二零零五年九月三十日，銀行借貸總額為港幣 134,000,000元(二零零五年三月三十一日：港幣169,000,000元)。以美元、人民幣及澳元結算的借貸分別相等於港幣17,000,000元、港幣10,000,000元及港幣107,000,000元，並須於首年償還。於中期結算日，按本集團借貸總額與股東資金比率計算的借貸比率維持11.2%的低水平(二零零五年三月三十一日：13.5%)。

由於資金充裕及尚有未動用銀行信貸，本集團流動資金狀況仍然雄厚。期內資本支出為港幣 23,000,000元(二零零四／二零零五年度中期：港幣24,000,000元)，主要以營業所得現金支付。或然負債、資產抵押及利率和匯率波動風險概無重大變動。