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**ANNOUNCEMENT OF RESULTS  
FOR THE YEAR ENDED 31ST MARCH, 2010**

**HIGHLIGHTS**

- Solid business growth through uncertain times
- Key business performances
  - ◆ Hong Kong and Macau – Satisfactory Performance under a Challenging Environment.
  - ◆ Mainland China – Main Growth Driver of the Group.
  - ◆ Australia and New Zealand – Strong Sales and Category Growth.
  - ◆ North America – First Operating Profit Recorded in Over a Decade.
  - ◆ Singapore – Driving Category Growth.
- The Group's net sales revenue in Fiscal 2009/2010 was HK\$3,012 million, up 7% from HK\$2,809 million in Fiscal 2008/2009.
- Gross profit for the year was HK\$1,498 million, up HK\$193 million or 15%. At 50% gross profit margin improved by 3 percentage points, driven by effective cost management and lower prices of raw materials in the first half of the year.
- Profit before taxation was HK\$375 million, increased by HK\$74 million or 25%. If the one-off provision in last year amounted to HK\$25 million was to be excluded, the improvement in profit before taxation would be HK\$49 million or 15%.
- EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation and impairment losses on property, plant and equipment) for the year was HK\$483 million, up HK\$77 million or 19%. If the one-off provision in last year amounted to HK\$25 million was to be excluded, the improvement in EBITDA would be HK\$52 million or 12%.
- EBITDA margin to turnover was 16%.
- Profit attributable to equity shareholders was HK\$260 million, increased by 20%.

## RESULTS

The Board of Directors (the “Board”) of Vitasoy International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st March, 2010, together with the comparative figures for the previous financial year, as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31st March, 2010*

	Note	2010 HK\$'000	2009 HK\$'000
<b>Turnover</b>	3 & 4	<b>3,012,312</b>	2,809,294
Cost of sales		<b>(1,514,173)</b>	(1,504,001)
<b>Gross profit</b>		<b>1,498,139</b>	1,305,293
Other revenue	5	<b>45,015</b>	61,874
Marketing, selling and distribution expenses		<b>(763,715)</b>	(664,344)
Administrative expenses		<b>(227,617)</b>	(215,212)
Other operating expenses		<b>(171,641)</b>	(180,122)
<b>Profit from operations</b>		<b>380,181</b>	307,489
Finance costs	6(a)	<b>(5,222)</b>	(6,602)
<b>Profit before taxation</b>	6	<b>374,959</b>	300,887
Income tax	7	<b>(74,375)</b>	(56,510)
<b>Profit for the year</b>		<b>300,584</b>	244,377
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>260,459</b>	217,419
Minority interests		<b>40,125</b>	26,958
<b>Profit for the year</b>		<b>300,584</b>	244,377
<b>Earnings per share</b>	9		
Basic		<b>HK25.6 cents</b>	HK21.4 cents
Diluted		<b>HK25.4 cents</b>	HK21.3 cents

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2010

	2010 HK\$'000	2009 HK\$'000
<b>Profit for the year</b>	<b>300,584</b>	244,377
<b>Other comprehensive income for the year:</b>		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	47,587	(45,280)
<b>Total comprehensive income for the year</b>	<b>348,171</b>	199,097
<b>Attributable to:</b>		
Equity shareholders of the Company	288,441	190,897
Minority interests	59,730	8,200
<b>Total comprehensive income for the year</b>	<b>348,171</b>	199,097

# CONSOLIDATED BALANCE SHEET

At 31st March, 2010

		2010		2009	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets					
- Property, plant and equipment			805,720		781,952
- Investment property			8,299		8,825
- Interests in leasehold land held for own use under operating leases			7,056		7,367
			<u>821,075</u>		<u>798,144</u>
Deposits for the acquisition of fixed assets			15,808		-
Intangible assets			14,238		14,879
Goodwill			35,197		32,446
Employee retirement benefit assets			-		2,478
Deferred tax assets			7,996		6,895
			<u>894,314</u>		<u>854,842</u>
<b>Current assets</b>					
Inventories		303,584		298,983	
Trade and other receivables	10	544,601		468,559	
Current tax recoverable		1,160		6,011	
Bank deposits		15,500		103,855	
Cash and cash equivalents		463,245		379,298	
		<u>1,328,090</u>		<u>1,256,706</u>	
<b>Current liabilities</b>					
Trade and other payables	11	577,745		595,439	
Bank loans		64,456		51,915	
Obligations under finance leases		6,307		5,878	
Current tax payable		22,985		11,882	
		<u>671,493</u>		<u>665,114</u>	
<b>Net current assets</b>			<u>656,597</u>		<u>591,592</u>
<b>Total assets less current liabilities</b>			<u>1,550,911</u>		<u>1,446,434</u>
<b>Non-current liabilities</b>					
Obligations under finance leases		16,468		19,120	
Employee retirement benefit liabilities		1,851		1,635	
Deferred tax liabilities		33,714		28,682	
			<u>52,033</u>		<u>49,437</u>
<b>NET ASSETS</b>			<u>1,498,878</u>		<u>1,396,997</u>
<b>CAPITAL AND RESERVES</b>					
Share capital			254,422		253,805
Reserves			1,104,075		1,033,213
<b>Total equity attributable to equity shareholders of the Company</b>			<u>1,358,497</u>		<u>1,287,018</u>
<b>Minority interests</b>			<u>140,381</u>		<u>109,979</u>
<b>TOTAL EQUITY</b>			<u>1,498,878</u>		<u>1,396,997</u>

## Notes:

### 1. Basis of preparation

The consolidated results set out in this announcement do not constitute the Group's statutory financial statements for the year ended 31st March, 2010 but are extracted from those financial statements.

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

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

### 2. Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations 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:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment - vesting conditions and cancellations*

The Group early adopted HKFRS 8 in its 2008/2009 annual financial statements. The amendments to HKFRS 2 and Improvements to HKFRSs (2008) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the Group's financial statements. The impact of the remainder of these developments is as follows:

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

## **2. Changes in accounting policies (continued)**

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1st April, 2009, all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.
  
- The HKAS 23 (revised 2007) eliminates the option in HKAS 23 (2004 version) of recognising all borrowing costs immediately as an expense. Consequently the Group is required to adopt a policy of capitalising borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As a result, borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred. Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowings costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st April, 2009.

## **3. Turnover**

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

## 4. Segment reporting

### (a) Segment results, assets and liabilities

The Group manages its businesses by entities, which are organised by geography. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31st March, 2010 and 2009 is set as below:

	Hong Kong and Macau		Mainland China		Australia and New Zealand		North America		Singapore		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue from external customers	1,469,933	1,457,123	728,554	564,411	347,230	285,061	403,866	441,709	62,729	60,990	3,012,312	2,809,294
Inter-segment revenue	66,191	61,476	127,413	120,205	-	144	264	280	-	157	193,868	182,262
Reportable segment revenue	<b>1,536,124</b>	1,518,599	<b>855,967</b>	684,616	<b>347,230</b>	285,205	<b>404,130</b>	441,989	<b>62,729</b>	61,147	<b>3,206,180</b>	2,991,556
Reportable segment profit/(loss) from operations	<b>277,753</b>	242,883	<b>103,545</b>	77,663	<b>56,212</b>	52,086	<b>8,167</b>	(6,235)	<b>9,047</b>	8,235	<b>454,724</b>	374,632
Interest income from bank deposits	721	4,721	718	805	468	750	5	128	5	5	1,917	6,409
Finance costs	(349)	(445)	(1,167)	(1,444)	(3,640)	(4,589)	(66)	(124)	-	-	(5,222)	(6,602)
Depreciation and amortisation for the year	(47,260)	(49,705)	(18,110)	(20,028)	(19,479)	(17,820)	(14,132)	(13,097)	(3,984)	(4,138)	(102,965)	(104,788)
Other material non-cash items:												
- Impairment losses on trade and other receivables	(124)	(80)	(99)	(179)	(453)	(92)	(248)	-	-	-	(924)	(351)
- Impairment losses on property, plant and equipment	-	-	-	-	(1,744)	-	-	-	-	-	(1,744)	-
- Equity settled share-based payment expenses	(269)	(265)	(78)	(45)	-	-	-	-	-	-	(347)	(310)
Reportable segment assets	<b>1,521,773</b>	1,509,946	<b>495,324</b>	455,968	<b>283,192</b>	217,296	<b>206,896</b>	215,647	<b>99,441</b>	89,654	<b>2,606,626</b>	2,488,511
Reportable segment liabilities	<b>305,143</b>	328,531	<b>267,975</b>	247,195	<b>127,551</b>	91,818	<b>230,332</b>	246,529	<b>5,618</b>	4,980	<b>936,619</b>	919,053
Additions to non-current segment assets during the year	<b>63,885</b>	112,522	<b>31,629</b>	18,063	<b>2,668</b>	2,019	<b>7,423</b>	11,375	<b>1,183</b>	56,570	<b>106,788</b>	200,549

#### 4. Segment reporting (continued)

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

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<i>Revenue</i>		
Reportable segment revenue	<b>3,206,180</b>	2,991,556
Elimination of inter-segment revenue	<b>(193,868)</b>	(182,262)
Consolidated turnover	<b>3,012,312</b>	2,809,294

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<i>Profit</i>		
Reportable segment profit from operations	<b>454,724</b>	374,632
Finance costs	<b>(5,222)</b>	(6,602)
Unallocated head office and corporate expenses	<b>(74,543)</b>	(67,143)
Consolidated profit before taxation	<b>374,959</b>	300,887

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<i>Interest income</i>		
Reportable segment interest income	<b>1,917</b>	6,409
Unallocated head office and corporate interest income	<b>31</b>	36
Consolidated interest income	<b>1,948</b>	6,445

#### 4. Segment reporting (continued)

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

	2010 HK\$'000	2009 HK\$'000
<i>Assets</i>		
Reportable segment assets	2,606,626	2,488,511
Elimination of inter-segment receivables	(416,039)	(410,090)
	<u>2,190,587</u>	<u>2,078,421</u>
Employee retirement benefit assets	-	2,478
Deferred tax assets	7,996	6,895
Current tax recoverable	1,160	6,011
Unallocated head office and corporate assets	22,661	17,743
Consolidated total assets	<u>2,222,404</u>	<u>2,111,548</u>

	2010 HK\$'000	2009 HK\$'000
<i>Liabilities</i>		
Reportable segment liabilities	936,619	919,053
Elimination of inter-segment payables	(297,161)	(260,657)
	<u>639,458</u>	<u>658,396</u>
Employee retirement benefit liabilities	1,851	1,635
Deferred tax liabilities	33,714	28,682
Current tax payable	22,985	11,882
Unallocated head office and corporate liabilities	25,518	13,956
Consolidated total liabilities	<u>723,526</u>	<u>714,551</u>

#### 5. Other revenue

	2010 HK\$'000	2009 HK\$'000
Interest income	1,948	6,445
Service fee income	33,561	47,209
Rental income	2,847	2,219
Sundry income	6,659	6,001
	<u>45,015</u>	<u>61,874</u>

## 6. Profit before taxation

Profit before taxation is arrived at after charging:

	2010 HK\$'000	2009 HK\$'000
(a) Finance costs:		
Interest on bank loans	3,208	4,152
Finance charges on obligations under finance leases	2,014	2,450
	<u>5,222</u>	<u>6,602</u>
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	299	300
Amortisation of intangible assets	1,873	1,944
Depreciation		
- Investment property	526	527
- Assets acquired under finance leases	5,342	3,464
- Other assets	94,925	98,553
Impairment losses on trade and other receivables	924	351
Impairment losses on property, plant and equipment	1,744	-
Cost of inventories	1,613,031	1,585,470
One-off provision for prior years' leave pay entitlements of Hong Kong employees (Note)	-	25,344
	<u>-</u>	<u>25,344</u>

Note: Last year, the Group reviewed the basis of calculating leave pay entitlements for Hong Kong employees and a one-off provision was made for the previous five-and-a-half years up to March 2008.

## 7. Income tax

Income tax in the consolidated income statement represents:

	2010 HK\$'000	2009 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	30,736	22,965
Over-provision in respect of prior years	(222)	(530)
	<u>30,514</u>	<u>22,435</u>
<b>Current tax – Outside Hong Kong</b>		
Provision for the year	41,403	27,287
Over-provision in respect of prior years	(1,260)	(2,051)
	<u>40,143</u>	<u>25,236</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	3,718	8,839
	<u>74,375</u>	<u>56,510</u>

Notes: The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

## 8. Dividends

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

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Interim dividend declared and paid of HK3.2 cents per ordinary share (2009: HK2.8 cents per ordinary share)	<b>32,537</b>	28,424
Final dividend proposed after the balance sheet date of HK13.4 cents per ordinary share (2009: HK9.0 cents per ordinary share)	<b>136,407</b>	91,388
Special dividend proposed after the balance sheet date of HK10.0 cents per ordinary share (2009: HK10.0 cents per ordinary share)	<b>101,797</b>	101,543
	<b>270,741</b>	221,355

The final and special dividends proposed after the balance sheet date are based on 1,017,966,000 ordinary shares (2009: 1,015,425,000 ordinary shares), being the total number of issued shares at the date of approval of the financial statements.

The final and special dividends proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

- (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK9.0 cents per ordinary share (2009: HK8.7 cents per ordinary share)	<b>91,489</b>	88,278
Special dividend in respect of the previous financial year, approved and paid during the year, of HK10.0 cents per ordinary share (2009: HK10.0 cents per ordinary share)	<b>101,656</b>	101,469
	<b>193,145</b>	189,747

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

## 9. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$260,459,000 (2009: HK\$217,419,000) and the weighted average number of 1,016,343,000 ordinary shares (2009: 1,014,411,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<b>2010</b>	2009
	<b>Number of</b>	Number of
	<b>shares</b>	shares
	<b>'000</b>	<b>'000</b>
Issued ordinary shares at 1st April	<b>1,015,222</b>	1,011,576
Effect of share options exercised	<b>1,121</b>	2,835
Weighted average number of ordinary shares for the year	<b>1,016,343</b>	1,014,411

### (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\$260,459,000 (2009: HK\$217,419,000) and the weighted average number of 1,024,063,000 ordinary shares (2009: 1,018,957,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	<b>2010</b>	2009
	<b>Number of</b>	Number of
	<b>shares</b>	shares
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the year	<b>1,016,343</b>	1,014,411
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	<b>7,720</b>	4,546
Weighted average number of ordinary shares (diluted) for the year	<b>1,024,063</b>	1,018,957

## 10. Trade and other receivables

	2010 HK\$'000	2009 HK\$'000
Trade debtors and bills receivable	482,539	438,583
Less: Allowance for doubtful debts	(2,187)	(1,685)
	<u>480,352</u>	436,898
Other debtors, deposits and prepayments	64,249	31,661
	<u>544,601</u>	468,559

The aging of trade debtors and bills receivable (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	2010 HK\$'000	2009 HK\$'000
Current	<u>392,900</u>	344,064
Less than one month past due	77,503	82,020
One to three months past due	7,490	8,802
More than three months but less than twelve months past due	2,445	1,891
More than twelve months past due	14	121
Amounts past due	<u>87,452</u>	92,834
	<u>480,352</u>	436,898

Management had a credit policy in place and the exposure to the credit risk is monitored on an ongoing basis. The credit terms given to the customers vary and are generally based on the financial strength of the individual customer. In order to effectively manage the credit risks associated with customers, credit evaluations of customers are performed periodically. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

## 11. Trade and other payables

	2010 HK\$'000	2009 HK\$'000
Trade creditors and bills payable	275,499	242,562
Accrued expenses and other payables	302,246	352,877
	<u>577,745</u>	<u>595,439</u>

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

### *By due date*

	2010 HK\$'000	2009 HK\$'000
Due within one month or on demand	231,808	196,160
Due after one month but within three months	29,236	35,522
Due after three months but within six months	2,917	7,285
Due over six months	11,538	3,595
	<u>275,499</u>	<u>242,562</u>

## DIVIDENDS

The Board of the Company is recommending a final dividend of HK13.4 cents per ordinary share at the Annual General Meeting on 31st August, 2010. This, together with the interim dividend of HK3.2 cents per ordinary share, will mean that the Group's total dividend for the fiscal year of 2009/2010 will be HK16.6 cents per ordinary share (2008/2009 total dividend: HK11.8 cents per ordinary share). In addition, the Board is recommending a special dividend of HK10.0 cents per ordinary share (2008/2009 special dividend: HK10.0 cents per ordinary share).

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 26th August, 2010 to Tuesday, 31st August, 2010, both days inclusive, during which period no transfer of shares will be effected. To determine entitlement of shareholders to the recommended final and special dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 25th August, 2010.

## MANAGEMENT REPORT

### Sales performance

The Group's net sales revenue for the twelve months to 31st March, 2010 was HK\$3,012 million, representing an increase of 7% year-on-year (2008/2009 net sales revenue: HK\$2,809 million). The steady performance of all our operations contributed to this growth.

In Hong Kong and Macau, where the economy continued to recover, net sales increased by 1%. This was driven primarily by efforts in product innovation and promotion as well as brand rejuvenation. This effort in driving growth in beverages was dampened by a severe drop in sales in our tuck shop business (Vitaland Services Limited ("Vitaland")) due primarily to the swine flu pandemic. In Mainland China, we continued to invest in our brands, develop new distribution channels and launch new products. As a result, net sales grew strongly by 29%. Our Australia/New Zealand operation delivered a year-on-year growth of 22% in sales revenue by maximising brand equity, product development capability and positive movements in foreign exchange. After exiting from the aseptic soymilk category, our North American operation focused on driving the growth of core and profitable products as well as operational efficiencies. While overall sales dropped by 9% due to the business restructuring, solid growth was recorded in the remaining core products. Our Singapore operation was able to achieve a 3% year-on-year growth in net sales in the midst of a slowed economy.

### Gross Profit

The Group's gross profit for the year was HK\$1,498 million, up HK\$193 million or 15%. The gross profit margin stood at 50% (2008/2009: 47%) due to the relatively lower raw material costs (particularly in the first half) as well as more effective cost management.

### Operating Expenses

Total operating expenses were up by 10% to HK\$1,163 million, representing 39% of net sales. Marketing, selling and distribution expenses were HK\$764 million, up 15%, representing the Group's commitment to brand strengthening and distribution expansion. Administrative expenses amounted to HK\$228 million, up 6%. Other operating expenses were HK\$171 million, compared with HK\$180 million last year.

### **EBITDA (Earnings before interest income, finance costs, income tax, depreciation and amortisation and impairment losses on property, plant and equipment)**

EBITDA for the year was HK\$483 million, up HK\$77 million or 19%. EBITDA margin to net sales was 16%.

### Profit Attributable to Equity Shareholders of the Company

For the year ended 31st March, 2010, profit attributable to equity shareholders of the Company was HK\$260 million, representing an increase of 20% from fiscal year of 2008/2009. A special provision of HK\$25 million (net of tax HK\$21 million) was made in the 2008/2009 financial statements for prior years' leave pay entitlements of Hong Kong employees. Excluding this provision, profit attributable to equity shareholders grew by 9% on a year-on-year basis.

## **General Review**

The business environment improved in the past year to some extent as the global economy in general was recovering from the trauma of the global financial turmoil in 2008. As the drastic measures taken by the governments of the leading economies began to take effect, the financial markets were gradually stabilising and investment confidence was restored. The improvement of the labour market helped fuel the revival of the retail market in general by lifting consumers' confidence and spending power. For the non-alcoholic beverage sector, in addition to the more positive market sentiments, there was also the added benefit of certain savings in raw material and shipment costs, especially in the first half of the year when the prices of oil and commodities stayed low. However, commodity prices were rising again in the second half of the year and retail competition in all major markets remained fierce throughout the year.

In the past year, we pursued a dynamic growth strategy in all our major markets. The building and reinforcement of our brands remained a major strategic focus for us. In terms of sales revenue, we saw robust growth in both Mainland China and Australia/New Zealand while the performances of both our Hong Kong and Macau and Singapore operations were also satisfactory. In North America, although overall sales dropped subsequent to our exit from the declining mainstream soymilk market in early 2009, sales in our core profitable categories showed impressive growth, which enabled us to record profitability in the North American market for the first time in a decade.

### ***Hong Kong and Macau***

During the year under review, the Hong Kong economy continued to recover from the economic downturn caused by the financial crisis. For the non-alcoholic beverage sector, competition remained very intense and costs increased with the return of inflation, partly led by the increase in wages and partly due to the rise of raw material prices after the first two quarters on the back of the worldwide economic recovery.

The local retail market, however, did not see a major rebound in consumer spending. In general consumers are still very cautious in their household buying and are heavily driven by promotional activities. We also noticed a shift of buying habit from convenience stores (on-the-go) back to the conventional channels of super-markets (in-home consumption).

Against this backdrop, we have revitalised two of our flagship products during the year, namely VITA Lemon Tea and VITASOY Soymilk. We have invested in the long term brand building in thematic advertising and packaging revamping. These campaigns were successful as they were widely accepted by the young consumers with whom we have once again re-established a strong emotional connection. The "Stand by Me" campaign for VITASOY Soymilk was particularly successful. It has generated a wave of very positive response and interaction among the youngsters on the social media in the internet. The "Stand by Me" television commercial has won the most popular TVC in the food and beverage category and the most popular theme song across all categories in the 2010 TVB Commercial Awards.

While the two product campaigns were targeting the younger generation, the 70th anniversary campaigns were for the wider consumer group of all ages. Through various promotional activities, such as the special limited edition aseptic pack designs, the VITASOY brand had once again caught the attention of people of Hong Kong and captured their hearts as one of the most trusted beverage brands that had literally grown up with them over the past decades.

Vitaland's school tuck shop business was a victim of the swine flu pandemic in 2009. Substantial revenue was lost in those few months from May to July when primary and secondary schools were shut down under the directives of the Hong Kong Government. Moreover, there is a new initiative that involves on-site meal portioning that could have a cost impact to the operation. Having said that, Vitaland still maintained its market leadership position in terms of sales and school numbers. On the

other hand, the catering arm - Hong Kong Gourmet Limited, was able to mitigate some of the revenue loss from the pandemic by participating the 2009 East Asian Games and Hong Kong Rugby Sevens Tournament held in the second half of the financial year as one of the official venue caterers. The East Asian Games experience also gave us valuable exposure and credentials in serving large scale public events.

### ***Mainland China***

The Mainland China milk market was on its way to healing from the melamine-related crisis in 2008 as the Central Government and dairy operators were active in rebuilding the public's confidence in dairy products. The soymilk market continued to experience solid growth as the soy benefit message became more widely accepted. The main challenge in this market was fast-inflating raw material and labour costs.

Through our persistent effort in brand building, product innovation, distribution channel expansion, consumer education and marketing, we maintained our market leadership in the soymilk market, particularly in Southern China. In the midst of aggressive price cuts and promotional spending of the dairy counterparts, we grew our net sales revenue by a strong 29% to HK\$729 million. Our operating profit in this market grew by 33% to HK\$104 million. This rise in profit was partly offset by the increase in tax charge as a result of the government's profits tax unification policy, which in turn had an impact on the Group's overall net profit.

Last year was a significant milestone for us in Shanghai, for launching heavy marketing campaigns for the VITASOY brand to drive towards achieving critical mass. This has enlarged our investments in Shanghai but we saw it as a necessary pain as we have learnt from the South. The results were encouraging while we would continue with our co-packing activities to contribute towards overheads recovery.

As regards product performance, our newly-launched VITASOY Black Bean Soymilk was gaining a stronger presence in our existing market as well as extending it to the eastern provinces. Last year we also launched a brand new high-end VITASOY High-Fibre Slim Pack series. We were also actively exploring the market potential of provinces like Hunan, Fujian and Guangxi in order to pave the way for further expansion in the Mainland China market. The rapid business growth is now putting pressure on our production capacity in Mainland China and we have embarked on building a new plant in Nanhai, Foshan which is scheduled to be in commercial production in fiscal year of 2011/2012. At full swing, the new plant, which is our third in Mainland China, will eventually double our existing production capacity in Southern China.

### ***Australia and New Zealand***

The Australian soymilk and rice milk markets rebounded and experienced the best growth in years. Vitasoy Australia was the main growth driver in the respective categories. The New Zealand market also witnessed comparable performance.

We recorded a very robust 22% increase in our net sales revenue which came to HK\$347 million, partly thanks to the positive currency movement during the year. The operating profit was HK\$56 million, up 8% from the preceding year. This year we saw the full year impact of the increase in royalty and management fees payable to the respective joint venture partners that was initiated in the middle of prior year.

We owed our strong performance in the Australia/New Zealand market to our premium brand equity, product quality, selling system reach and product development capability. During the year we expanded our distribution network into a leading dairy manufacturer and also our presence in the convenience and grocery channels. To cope with the business growth in the forthcoming years, the board has decided to go

forward with an expansion plan to increase the production capacity by 50% by fiscal year of 2011/2012. The last time the plant had an expansion upgrade was in 2006.

### ***North America***

Vitasoy USA exceeded its financial targets and recorded a profit for the first time in over a decade. While sales revenue dropped by 9% after our exit from the domestic mainstream soymilk category, we posted an operating profit of HK\$8 million.

Our strategic focus was on the core profitable categories – Tofu and Refrigerated Asian Pasta where we grew significantly while the market is basically flat hence improving our market leadership position. We are restructuring our distribution system in the Asian beverage segment to enhance the efficiency of trade spend and promotional activities.

Apart from the strong performance of core products, our success in making a profit last year was also due to the improvement in production efficiency, favourable material pricing, effective control of overheads as well as significant savings in freight-related costs coordinated by a strong management team.

### ***Singapore***

Singapore came out of recession in the latter half of 2009. The consumption of tofu continued to grow but at a slower pace after an exceptionally strong 2008.

Unicur Food Co. (Private) Limited (“Unicur”), the Group’s wholly-owned subsidiary in Singapore, maintained its leading position by being the main driver for the growth in tofu sales in the domestic market. Unicur’s total sales revenue increased steadily by 3% to HK\$63 million while operating profit grew by a strong 10% to HK\$9 million.

To increase operational efficiency the management is currently looking for relocating the warehouse and truck logistics to an offsite distribution centre.

### **Outlook and Strategy**

Going forward, it seems likely that the economies of our major markets would continue to recover in the coming year and that the retail trade could benefit from the increase in jobs, wages and consumer spending. At the same time, we are alert to the challenges that could persist or emerge, including the further rise in raw material prices and other overheads as well as intensifying competition in these markets. We are also cautious of the instability that brought forward by the uncertain economic conditions in Europe and the consequential fluctuations in the associated currencies.

Our strategic focus this year is to leverage on our brand equity and product innovation capability to accelerate business growth and fortify our market position. We are also planning ahead and investing for growth. We will ensure that our production facilities worldwide will have enough capacity for meeting the increase in demand and capturing new business opportunities.

The Hong Kong market is expected to remain very competitive. We will further enhance our production capability by increasing our capacity and technical competence. Our main focus will be on our core VITASOY range, VITA Lemon Tea range, VITA Packaged Water as well as the SANSUI range of Tofu, Desserts and Soy Drinks. We expect our export business to yield satisfactory results, especially from the Macau market. As regards Vitaland, we have been coping well with the impact of the school reforms and the guidelines on “Green Lunch”. This year we will strive to maintain our market lead and drive profitable growth by concentrating on targeted accounts and improving our school contract bidding process to achieve better pricing.

The Mainland China retail market is forecast to see another strong year but perhaps at a slower pace due to the consolidation in the property and stock markets. While the soymilk market should maintain its growth momentum, we are also aware that the costs of raw materials and labour are dramatically increasing. The market is becoming more sophisticated and the emergence of new players would lead to more intense competition. We will carry on our aggressive marketing effort initiated last year in Eastern China to reach critical mass. As the market leader, we will continue to play a prominent role in consumer education as regards the health benefits of soy. From an operational point of view, the local management will strive to maximise production output from their existing plants in Shenzhen and Shanghai to meet market demand before the new plant in Nanhai could come into production in financial year of 2011/2012.

The Australian economy has rebounded strongly from the global financial crisis. The soymilk and rice milk markets as a whole are expected to see steady growth in the current year. Competition, especially in the pricing of products, remains fierce. The emergence of private label operators might also add to the intensity of the competition for market share. As we approach market leadership, our role in growing the category becomes more necessary. As regards product development, we will further expand the SOY MILKY range and introduce new items to grow the category and our market share.

The US economy is showing signs of slow recovery with certain increase in business investment and jobs. Given our strong core products, dominant market position, well-established distribution channels and efficient cost management, we aim to further improve our sales and profit. We will focus on our core domestic products under the NASOYA and AZUMAYA brands as well as our Asian imported beverages. We will seek to expand our customer base by enhancing our communication with different consumer groups through effective channels, and product reach through improved sales systems.

The Singaporean economy is forecast to see further improvement this year. Having maintained our growth in the past year, we will continue to drive our business by revamping our packaging design, stepping up our marketing effort and increasing our presence in certain product segments where we are still not in the dominant position.

### **Liquidity and Financial Resources**

The Group's financial position remained strong. As at 31st March, 2010, the Group was in a healthy net cash position of HK\$392 million (2008/2009: HK\$406 million). Banking facilities available to but not used by the Group amounted to HK\$497 million (2008/2009: HK\$300 million).

As at 31st March, 2010, the Group's borrowings (including obligations under finance leases) amounted to HK\$87 million (2008/2009: HK\$77 million). The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) was 6% (2008/2009: 6%).

The Group incurred capital expenditures totalling HK\$91 million in fiscal year of 2009/2010 (2008/2009: HK\$146 million), which was primarily funded by cash generated from various operations.

### **Charges on Group Assets**

As at 31st March, 2010, certain assets of the Group with an aggregate carrying value of HK\$49 million (2008/2009: HK\$53 million) were pledged under certain loans and lease agreements.

### **Financial Risk Management**

The Group's financial management focuses on controlled management of risks, with transactions being directly related to the underlying business of the Group. The Group operates a central cash and treasury management system for all its subsidiaries. Borrowings are normally taken out in local currencies by the

Group's operating subsidiaries to fund and partially hedge their investments.

The financial risks faced by the Group arise mainly from the fluctuation of interest rates and exchange rates. The Group makes use of financial instruments, where appropriate, to manage those risks. At the end of fiscal year of 2009/2010, the Group had no exposures under foreign exchange contracts or financial derivatives.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has, throughout the year ended 31st March, 2010, complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. Code Provision A.2.1 of the Listing Rules sets out that the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Laurence P. EISENTRAGER, the Group Chief Executive Officer had started to assume a supervisory role in Mainland China, the remaining operation to be transitioned, and effective 1st April, 2010 had fully assumed direct supervisory roles in all the Group's operations. Mr. Winston Yau-lai LO had completely relinquished his supervisory and executive roles in all the Group's operations but remains as the Executive Chairman of the Company. The roles of the Executive Chairman and Chief Executive Officer of the Company are now clearly defined and separately performed by different individuals.

## **REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE**

The Audit Committee was established in 1999. Its current members include three Independent Non-executive Directors, namely, Mr. Iain F. BRUCE (Chairman), Dr. The Hon. Sir David Kwok-po LI and Mr. Jan P. S. ERLUND.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's interim and annual financial statements.

The Group's annual results for the year ended 31st March, 2010 have been reviewed by the Audit Committee.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

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

The Company's annual report for Fiscal 2009/2010 will be published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.vitasoy.com](http://www.vitasoy.com) in due course.

By Order of the Board  
**Winston Yau-lai LO**  
*Executive Chairman*

Hong Kong, 8th June, 2010

*As at the date of this announcement, Mr. Winston Yau-lai LO, Mr. Laurence P. EISENTRAGER and Mr. Eric Fat YU are executive directors. Ms. Myrna Mo-ching LO and Ms. Yvonne Mo-ling LO are non-executive directors. Dr. The Hon. Sir David Kwok-po LI, Mr. Iain F. BRUCE and Mr. Jan P. S. ERLUND are independent non-executive directors.*