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*(Incorporated in Hong Kong with limited liability)*

(Stock code: 345)

## **CONTINUING CONNECTED TRANSACTION**

Reference is made to the announcements of the Company dated 22nd March, 2007 and 4th August, 2008, respectively, in respect of the execution of the Original Services and Distribution Agreement and the Supplementary Agreement, respectively. The Board announces that on 25th March, 2010, VAP, an indirect 51% owned subsidiary of the Company, and NFML, a connected person of the Company, entered into the Agreement to renew the Original Services and Distribution Agreement.

In accordance with Rules 14A.33 and 14A.34 of the Listing Rules, each of the relevant percentage ratios applicable to the aggregate Management Fee expected to be paid by the Company for each of the years ending 31st March 2011, 2012 and 2013 will exceed 0.1% but is less than 2.5%. Accordingly, the Transaction will continue to be a continuing connected transaction of the Company subject to the announcement and reporting requirements under the Listing Rules, and will continue to be exempt from the independent shareholders' approval requirement. Details of the Transaction will be disclosed in the Company's published annual report and accounts for the financial years during which the Company undertakes the Transaction under the Agreement.

## **INTRODUCTION**

Reference is made to the announcements of the Company dated 22nd March, 2007 and 4th August, 2008, respectively, in respect of the execution of the Original Services and Distribution Agreement and the Supplementary Agreement, respectively. The Board announces that on 25th March, 2010, VAP, an indirect 51% owned subsidiary of the Company, and NFML, a connected person of the Company, entered into the Agreement to renew the Original Services and Distribution Agreement.

## **DETAILS OF THE TRANSACTION**

Details of the Transaction, which are required to be disclosed to the Company's shareholders under the Listing Rules are set out below:

- Date : 25th March, 2010
- Parties : VAP and NFML
- Services and distribution : NFML will provide the Services to VAP in relation to the VAP Products. As part of the Services provided, NFML will be the exclusive distributor in Australia of the VAP Products. In consideration of the provision of the Services, VAP will pay NFML the Management Fee.
- Term : The Agreement shall commence on 1st April, 2010 and shall continue until 31st March, 2013 unless terminated earlier in accordance with the terms of the Agreement.
- Management Fee : Equivalent to 5% of the Gross Sales and shall be paid monthly in arrears. Estimate aggregate amounts of the Management Fee are approximately AUD3 million (equivalent to approximately HK\$21.5 million), AUD3.4 million (equivalent to approximately HK\$24.2 million) and AUD3.8 million (equivalent to approximately HK\$26.8 million) for the three years ending 31st March 2011, 2012 and 2013 respectively.

The Management Fee was determined by the parties to the Transaction by reference to fees being charged by other providers for comparable Services in the Australian market.

The above annual Management Fees are estimated based on the current financial projections and the information on the value of VAP Products to be distributed by NFML pursuant to the Agreement. The Directors (including the independent non-executive Directors) consider that such annual Management Fees are fair and reasonable.

## **BENEFITS OF THE TRANSACTION**

The Transaction is conducted in the ordinary and usual course of business of the Group and is on normal commercial terms. The Directors, including the independent non-executive Directors, consider that the terms of the Transaction are fair and reasonable so far as the shareholders of the Company are concerned and that they are in the best interests of the Company and its shareholders as a whole as it will help increase the market share of the Group's soy food and beverage products in Australia through NFML's strong nationwide distribution network.

## **RELATIONSHIP BETWEEN THE PARTIES TO THE TRANSACTION**

VAP is an indirect 51% owned subsidiary of the Company. NFML is a fellow subsidiary of National Foods Holdings Limited, which is a substantial shareholder holding 49% of the entire issued share capital of VAP. NFML is therefore a connected person of the Company under the Listing Rules and because of the continuing nature of the Transaction, the Transaction therefore constitutes a continuing connected transaction of the Company under the Listing Rules.

## **ANNUAL CAPS AND LISTING RULES IMPLICATIONS**

The Annual Caps are set based on the amount of the Management Fee payable in each of the three years ending on 31st March 2011, 2012 and 2013 and with reference to the historical transacted amounts under the Original Services and Distribution Agreement and the Supplementary Agreement, which are expected not to exceed approximately AUD3 million (equivalent to approximately HK\$21.5 million), AUD3.4 million (equivalent to approximately HK\$24.2 million) and AUD3.8 million (equivalent to approximately HK\$26.8 million), respectively.

As disclosed in the announcements of the Company dated 22nd March, 2007 and 7th August, 2008, the historical amounts of annual caps in respect of the Original Services and Distribution Agreement and the Supplementary Agreement were based on the then management fee paid to NFML for the two years ended 31st March 2008 and 2009 and for the year ending 31st March, 2010, which were AUD2.0 million (approximately HK\$14.3 million), AUD2.7 million (approximately HK\$19.3 million) and AUD3.6 million (approximately HK\$25.7 million), respectively. The actual aggregate amounts of management fee paid for the two years ended 31st March 2008 and 2009 were AUD1.3 million (approximately HK\$9.0 million) and AUD2.2 million (approximately HK\$16.0 million) respectively and for the year ending 31st March, 2010, it is estimated to be approximately AUD2.7 million (approximately HK\$19.4 million).

Based on the amount of the Annual Caps, each of the relevant percentage ratios (according to Rules 14A.33 and 14A.34 of the Listing Rules) applicable to the aggregate Management Fee expected to be paid for each of the years ending 31st March 2011, 2012 and 2013 will exceed 0.1% but is less than 2.5%. Accordingly, the Transaction will continue to be a continuing connected transaction for the Company subject to the announcement and reporting requirements under the Listing Rules, and will continue to be exempt from the independent shareholders' approval requirement.

The Transaction is subject to the annual review requirement under Chapter 14A of the Listing Rules and details of the Transaction will be disclosed in the Company's published annual report and accounts for the financial years during which the Company undertakes the Transaction under the Agreement.

## **PRINCIPAL ACTIVITIES OF THE GROUP AND NFML**

The principal activities of the Group are the manufacture and distribution of food and beverages.

NFML is engaged in the manufacturing and distribution of dairy and associated food and beverage products.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Agreement”	the services and distribution agreement dated 25th March, 2010 between VAP and NFML in respect of the provision of the Services by NFML to VAP;
“Annual Caps”	the maximum amount payable under the Transaction during each of three years ending 31st March 2011, 2012, 2013;
“AUD”	Australian dollars, the lawful currency of Australia;
“Board”	the board of Directors;
“Company”	Vitasoy International Holdings Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange (Stock Code: 345);
“Directors”	the directors (including the independent non-executive directors) of the Company;
"Gross Sales"	the gross sales of the VAP Products distributed by NFML in Australia pursuant to the Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;

“Management Fee”	the management fee calculated based on 5% of the Gross Sales and payable by VAP to NFML pursuant to the Agreement;
“NFML”	National Foods Milk Ltd, a company incorporated in Australia and a fellow subsidiary of National Foods Holdings Ltd, a substantial shareholder holding 49% of the entire issued share capital of VAP;
“Original Services and Distribution Agreement”	the original services and distribution agreement dated 22nd March, 2007 between VAP and NFML;
“percentage ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules;
“Services”	the human resources support, sales and distribution services, office accommodation services, information technology support, finance and administration support, company secretarial services, research, development and technical services support and provision of consumer services centre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplementary Agreement”	the supplementary agreement dated 4th August, 2008 to the Original Services and Distribution Agreement dated 22nd March, 2007, both between VAP and NFML;
“Transaction”	the transaction contemplated under the Agreement;
“VAP”	Vitasoy Australia Products Pty. Ltd., a company incorporated in Australia and an indirect 51% owned subsidiary of the Company;
“VAP Products”	soy food and beverage products manufactured, imported and/or distributed by VAP targeted for mainstream market; and
“%”	per cent.

*Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of AUD 1 = HK\$7.1473. Percentages and figures expressed in millions have been rounded.*

By Order of the Board  
**Vitasoy International Holdings Limited**  
Winston Yau-lai LO  
*Executive Chairman*

Hong Kong, 25th March, 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.*