



Press Release

Vitasoy reports growth of 6.9% in turnover to HK\$2,693 million for FY2006/07

Through Growth and Development Strategies and

Continuous Effort to Develop and Introduce New Value Added Products

Hong Kong, 9 July 2007 — Vitasoy International Holdings Limited (VIHL, or "the Group") (SEHK Code: 0345), a Hong Kong-based manufacturer and distributor of non-carbonated beverage and food, today announced that the turnover of the Group for the year ended 31 March 2007 was HK\$2,693 million, up 6.9% from the previous year. The profit attributable to shareholders was HK\$174 million, representing a moderate increase of 1.2% from the preceding year. Basic earnings per share were HK17.3 cents (FY2005/06: HK17.2 cents).

Mr. Winston Yau-lai Lo, Executive Chairman of VIHL said, "With the successful implementation of our growth and development strategies in operating markets, and with a strong focus on the development and introduction of new value added products, complemented by our aggressive marketing and brand building initiatives, we achieved better financial performance as a whole, with particularly strong growth in the Mainland China, Australian and New Zealand markets. Back in our local core market, our Hong Kong operation reported steady sales growth. This was stimulated by an improved overall economy and enhanced product portfolio. Meanwhile, we have continued our long-term efforts in stringent cost control."

The Board of Directors of VIHL proposed the payment of a final dividend of HK6.7 cents per share, which together with the interim dividend of HK2.8 cents per share made a total dividend of HK9.5 cents per share (FY2005/06: HK9.5 cents per share) for the year ended 31 March 2007.

In view of the Group's business performance and strong cash position, the Board of Directors recommended the payment of a special dividend of HK10.0 cents per share (FY2005/06 special dividend: HK10.0 cents per share).

VIHL posted an increase in gross profit of 5.5% to HK\$1,563 million during the year, compared to HK\$1,481 million for the previous year.

During the review year, the Group reported a jump of 3.8% in sales from Hong Kong domestic market, stimulated by the revived economy and stronger product demand. In the second half of FY2006/07, the turnover showed a healthy improvement of 5.6% over the same period of the previous year after a modest year-on-year growth of 2.0% in the first half. The growth in sales of the market was driven by the successful launch of a wide array of new products and flavors for existing product lines. The product portfolio was further broadened with the addition of a new PET format of VITA Lemon Tea. During the year, Vitasoy became the sole vending sales distributor in Hong Kong and Macau for POCARI SWEAT. Export sales also showed an encouraging improvement of 5.7%, led by the significant growth in exports to Macau, and improved sales in Singapore after the change of distributors.

VIHL's tuck shop business, Vitaland Services Limited, maintained its upward momentum and garnered a significant share of the market. The number of shops in schools across Hong Kong grew by 11 to 303. The catering business arm of the Group, Hong Kong Gourmet Limited, continuously focused on market penetration.

"We see a positive outlook for the local beverage industry, resulting from an improving economy and increasing domestic consumption. However, price competition and product innovation will remain key challenges for us. In view of the looming pressure from fluctuating raw material costs, increasing expenditures on human resources and imported inflation from Mainland China, we will continue to proactively manage operating costs," Mr. Lo commented.

VIHL's recent efforts in product innovation were exemplified by the launch of tofu products under the VITASOY SAN SUI brand in Hong Kong in May 2007. The new category targets young to middle-aged consumers who are more health-and-quality conscious. Mr. Lo added, "We will continue to focus on



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product innovation and development of high-growth products so as to address the stronger demand for non-carbonated and healthier beverages and increasingly sophisticated customer needs ."

In North America , there was a slight drop of 0.2% in overall sales. This was the result of the softening of aseptic soymilk and tofu sales, which was primarily offset by the increase in revenue from new products, imported goods and pasta. During the review year, the operating loss was widened by two under-performing new product lines, refrigerated sauces and salad dressings. These two product lines were subsequently discontinued.

"Looking ahead, the market environment in North America will remain challenging, and the overall soy food market may be expected to post a slight growth. In order to substantially narrow our operating loss, we will adopt a three-pronged strategy: we will consolidate the market position of NASOYA as the dominant tofu/pasta brand; we will expand emerging growth channels, introducing more variants of seasonal soymilk and developing private label programmes for tofu; and we will enhance the image of VITASOY as a healthy beverage innovator to increase sales revenue. Also, we will reduce overheads to strengthen our cost base, and undertake a price revision of NASOYA and AZUMAYA product lines in July 2007. All of these, together with stringent cost control, will help us focus more heavily on core products and competencies, and develop our business in the current challenging market situation. " Mr. Lo commented on the North American business.

The "core business, core brand and core city" strategy to expand in Mainland China continued to boost sales. VIHL reported a robust domestic sales growth of 38.6% in the market. During the review year, six Vitasoy products were introduced to Mainland China under Closer Economic Partnership Arrangement ("CEPA"). The positive market response to these new products was one of the key factors to drive domestic sales. As in past years, the co-packing business continued to enhance the capacity utilization of the production plants in Shenzhen and Shanghai . With these combined factors, the segment profit for our Mainland China operation jumped 37.5%.

"Our remarkable results in Mainland China illustrate our successful focused strategy of "core business, core brand and core city". The successful implementation of the strategy in major Southern cities, such as Guangzhou , Dongguan and Shenzhen, will be adopted for the expansion in Eastern and Northern China , particularly in Shanghai and the provinces of Jiangsu and Zhejiang ," said Mr. Lo.

"Looking forward, the continuing prosperous economy and higher health awareness is creating stronger demand for quality products and intensifying market competition. Our investment in brand building will be maintained to solidify our market position and consolidate our corporate image as 'the soy expert'. We will also continue to maximize our capacity utilization through our co-packing business for a better return on assets, and we will ride on the opportunities provided by CEPA to roll out more products."

In Australia and New Zealand , Vitasoy maintained a strong growth in business by posting 20.1% and 53.8% growth in sales revenue and operating profit respectively, which were largely attributed to the track records in our product innovation, marketing, pricing and branding. Due to robust market demand, the production focus of the reviewed year was on fulfilling the market demand for existing products, and this led to a deferment of new product launches. Sales and profit of the operation would have been more impressive without this factor. Promotion activities were re-scheduled for the second half of the year, and led to an upsurge of sales in the period by 25.9% which was almost double that of the first half. The expansion plan of the Wodonga plant was completed on schedule to fulfill the robust market demand.

"In the coming year, we expect our Australian and New Zealand markets to remain high-growth market for Vitasoy to further explore, in spite of intensified competition, particularly on pricing. By aggressive marketing and effective pricing strategies, we aim to maintain the healthy growth momentum. At the same time, our operation will re-focus on the development and launch of new products, followed by the expansion of our production plant," Mr. Lo remarked.

"Looking ahead, despite the challenges brought by divergent situations in different markets, we will continue to maintain VIHL's advantages in areas we excel in, including innovation in product diversity and marketing initiatives, so as to further enhance market positions and growth in various markets. Furthermore, we will refine the business focus where necessary to ensure viability and long-term



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development, and strive to maintain growth in the markets where we operate. By maintaining a stringent cost control to achieve greater cost efficiency, we are well positioned to capture opportunities arising ahead, and create a better value to shareholders," Mr. Lo concluded.

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Vitasoy International Holdings Limited is one of the leading manufacturers and distributors of non-carbonated drinks with a base in Hong Kong . Founded in 1940 and with production facilities in Hong Kong , Mainland China , the United States and Australia , Vitasoy currently provides consumers in 40 markets worldwide with over 1,000 stock keeping units. Over the years, Vitasoy has successfully established a corporate image as "the soy expert". Vitasoy is a constituent of the Morgan Stanley Capital International ("MSCI") Hong Kong Small Cap Index.

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