Press Release

Vitasoy reports healthy growth of 9.9% in interim net profit
Brand building and product innovation will be key strategies

Hong Kong, 4 December 2006 — Vitasoy International Holdings Limited (VIHL, Vitasoy or "the Group") (SEHK Code: 0345), a Hong Kong-based manufacturer and distributor of non-carbonated beverage and food, today announced its profit attributable to shareholders for the six months ended 30 September 2006 amounted to HK$100 million, representing a growth of 9.9% from the same period last year. The Group recorded a consolidated turnover of HK$1,326 million, up 5.1% from the same period of the preceding year.

Mr. Winston Yau-lai Lo, Executive Chairman of VIHL said, "Our focused business development strategy has been successfully implemented and has had obvious results. With our clear focus on product innovation, the brand portfolio was strengthened by addition of new products, new tastes and new packaging. This was also complemented by our proactive and innovative marketing initiatives, which has reinforced our brand and position in major markets."

The Group's basic earnings per share were HK9.9 cents, representing 8.8% growth over the same period of the preceding year. The Board of Directors has declared an interim dividend of HK2.8 cents per share (2005/2006 interim: HK2.8 cents per share).

Vitasoy reported a moderate growth of 5.0% in gross profit, amounting to HK$779 million, during the interim period. Despite the rise in production costs, especially sugar and energy costs, the Group was able to maintain its gross profit margin at 58.7%.

In the first half of the financial year, Vitasoy has launched a wide array of new products and flavors, in conjunction with effective and innovative marketing campaigns, in Hong Kong. This integrated approach has successfully created additional product demand and driven sales. In spite of the intensifying market competition and the negative influence of very wet weather, Vitasoy managed to initiate net price increases by reducing discount, thanks to the improving economic condition. The Group recorded a 2.0% growth in revenue in the domestic market. An encouraging growth was recorded in export sales growth to individual markets such as Macau, although the total export sales slightly dropped due to the change in distributorships.

Vitasoy's tuck shop business, which is operated by Vitaland Services Limited, maintained its market leadership position and achieved steady business growth. The other business arm, Hong Kong Gourmet Limited, continued to expand and supply high-quality products.

Mr. Lo said, "Our focus on product innovation and quality enhancement has established us a strong brand with a good market position in Hong Kong. With the prevailing economic condition, we believe our business will continue to grow. Investment in reinforcing our brand and innovation will be continued in the second half of the year. The approach of expanding distribution network and improving productivity will be our strategies."

The Group continuously focused on reinforcing its products towards a "healthy eating made delicious and convenient" brand positioning to ensure long-term gains in its North American market. However, due to a category-wide volume decline in the Tofu category, together with obsolete charges brought about by discontinued products, along with start-up costs incurred by newly launched products, an operating loss of HK$17 million was recorded during the interim period.

"Despite the challenges in the market, we managed to record a mild growth of 0.5% in sales. New complimentary tofu products including sauces and dressings have been launched to attract customers. In the future, we will continuously focus on improving the profit margins of our Tofu and Aseptic Soymilk products, and develop new business in the alternate and food service channels. Development of new Aseptic Soymilk products addressing different needs of customers is also under way," Mr. Lo commented on the North American business operation.

The focused strategy of "core business, core brand and core city" in developing the Mainland China business has successfully boosted Vitasoy's revenue and profitability in the market. In the first half of the financial year, the Group achieved a 37.8% jump in revenue. "Despite keen market competition, the ready-to-drink soymilk market in Mainland China, especially the southern part, is flourishing with growth potential. We are now seeing Mainland Chinese consumers become more aware of the nutritional value and superior packaging of our products, a result that stems from our continuous efforts in brand building initiatives." Mr. Lo noted.

The core city strategy enabled Vitasoy to achieve strong growth in Southern China, notably in the sub-regions of Guangzhou, Dongguan and Shenzhen. Mr. Lo added, "In the coming months, we plan to develop our business in several adjacent cities in Pearl River Delta Region. We will also explore the potential of major cities in Jiangsu and Zhejiang provinces, while Shanghai remains the core market in our Eastern China segment."

The Group has actively capitalized on opportunities arising from CEPA (Closer Economic Partnership Arrangement). During the interim period, three Vitasoy products began to be imported to Mainland China from Hong Kong. A wider range of products is currently in the pipeline, and will be introduced to Mainland China under CEPA. The co-packing business continued to contribute to the Group's earnings and capacity utilization of the Shanghai and Shenzhen production plants.
Turnover in the Australian and New Zealand markets recorded a robust growth of 14.2% compared to the interim period of the previous year. These encouraging results were attributed to Vitasoy's successful brand building and market development strategies. Vitasoy's market share in the Australian market also increased during the period.

The successful expansion of the Wodonga production plant in Victoria, completed in September 2006, has doubled its production capacity. Promotion activities have been re-scheduled to the second half of the financial year in order to achieve a higher sales growth. "Despite growing competition from branded competitors and major retailers, we are optimistic about the growth of the Australian and New Zealand markets. To sustain healthy development in the two markets, we will roll out more aggressive marketing and sales campaigns, supplemented by an effective retail pricing policy, and we will continuously enrich our product offerings in the 'value soy beverage' category, in order to further strengthen our position as ‘the soy expert’," Mr. Lo remarked.

Looking ahead, Mr. Lo said, "Vitasoy will maintain its status as a preferred choice for consumers by enhancing our competitiveness with our market-oriented and customer-oriented strategy. Despite challenges such as inflationary pressures, market competition, and rising oil costs, we will put a strong focus on brand building, and enhance the vitality of our brands by investing in promotion initiatives. In addition, we will maintain disciplined cost controls to achieve greater cost efficiency and explore new business opportunities in order to bring about greater shareholder value."

# # #

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 has successfully developed and launched nearly 300 products in different forms and sizes. Vitasoy products are consumed in over 30 markets throughout the world. Vitasoy is currently a constituent of the Morgan Stanley Capital International ("MSCI") Hong Kong Small Cap Index, Hang Seng Composite Index, Hang Seng HK SmallCap Index, and Hang Seng Composite Industry Indexes - Consumer Goods.

- END -

For more information, please contact:
Stella Lung
Public Relations Manager
Vitasoy International Holdings Limited
Tel: 2468 9644

Fax: 2465 1008
E-mail: pubrel@vitasoy.com

Winnie Lo / Angela Hui
Ketchum Newscan
Tel: 3141 8028 / 3141 8091
Fax: 2510 8199
E-mail: winnie.lo@knprhk.com/ angela.hui@knprhk.com