



Press Release

Vitasoy reports a strong growth in interim net profit Maintains market leadership with focused business strategy

Hong Kong, 12 December 2005 — Vitasoy International Holdings Limited ("VIHL", or "the Group") (SEHK Code: 0345), a Hong Kong-based manufacturer and distributor of non-carbonated beverages and food, today announced that its profit attributable to shareholders for the six months ended 30 September 2005 amounted to HK\$91 million, up 35.8% from the same period last year. The Group recorded a consolidated turnover of HK\$1,262 million, representing a 2.3% increase over the same period of the preceding year.

Mr. Winston Yau-lai Lo, Executive Chairman of VIHL said, "We were able to achieve improved profitability in all operations worldwide, despite the tough competition. The growth was fuelled by successful launches of new products and product innovation, increased efforts in expanding distribution network and exploring new markets, together with improved operational efficiency and productivity."

The Group's basic earnings per share stood at HK9.1 cents, compared to HK6.7 cents a year ago. The Board of Directors has proposed an interim dividend of HK2.8 cents per share (2004/2005 interim: HK2.8 cents per share).

When reviewing major markets of the Group, Mr. Lo said, "Sales in Hong Kong continuously picked up despite a relatively slow first quarter caused by the rainy weather and severe price competition. The growth was mainly driven by successful launches of new value-added products with effective promotional initiatives. Export sales recorded a 20.5% growth after the appointment of more new distributors."

Vitasoy's tuck shop business maintained market leadership. The business of Vitaland Services Limited and Hong Kong Gourmet Limited reported a 13% growth despite the entry of more market players.

Mr. Lo said, "We will continue to implement consumer-oriented product development program and capitalize on our brand portfolio to expand our market share in Hong Kong. The growth momentum in the second quarter shall remain throughout the fiscal year. However, price competition and rising costs of energy and raw material remain critical in determining our overall profitability in this market."

During the review period, revenue generated from the North American market increased by 2% year-on-year, excluding the sales of exited products. In the tofu category, Vitasoy's market leadership continued to prevail. A new line of tofu manufacturing has been installed in the Ayer Plant to boost the production capacity and efficiency.

"We have achieved a more profitable revenue base and improved the production efficiency of the Ayer Plant after a series of successful consolidation exercises. Operating loss narrowed and margin improved as a result. Our future goal is to drive sales and profitability and to expand our market share in the Aseptic Soymilk and Tofu categories, by introducing new products of higher value with effective advertising and promotion," Mr. Lo commented on the US operation.

The Mainland China market, driven by the focused strategy of "core business, core brand and core competency", generated revenue of HK\$90 million, up 26.8% over the same period last year. Mr. Lo said, "In core cities, we carried out a high-profile consumer display campaign that combined above-the-line brand communication with below-the-line merchandising. These efforts resulted in tremendous success." Sales of Vitasoy soymilk increased by 29% despite the strong price pressure from the dairy milk industry in Mainland China.

The Shanghai Plant's co-pack contract with a leading dairy manufacturer in the mainland continued to contribute to both capacity utilization and earnings during the review period. At the same time, the Shenzhen Plant also entered into a new co-pack contract with a major local herbal drink producer.

Mr. Lo added, "In the year ahead, we will adopt a profitable and sustainable growth strategy by investing in our brand. We will enrich product offerings in the Mainland market from Hong Kong imports through the CEPA II application and new sub-segments are expected to facilitate the development of our market



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presence in more major cities. Our capacity utilization will be continuously improved for better return on assets."

In Australia and New Zealand, Vitasoy, with a successful launch of new products, better brand management and effective promotion initiatives, sustained robust growth in terms of sales and profitability, as well as market share. Revenue and operating profit increased by 51.4% and 116.7% respectively. VITASOY remained the fastest growing brand in the soymilk category and has become the market leader in the Rice Milk category.

"We anticipate further growth in Australia and New Zealand. To drive sales growth and market share, Vitasoy has been working closely with naturopaths, dieticians and physicians and conducting effective educational programs. We will reinforce our brand position as "the soy expert" and continue to focus on the development and introduction of new products in the "value soy beverage" area, as well as flavor innovation" Mr. Lo remarked.

Looking ahead, Mr. Lo said, "Fierce competition in both domestic and overseas markets is set to intensify in the rest of fiscal year, aggravated by anticipated inflationary pressure, higher fuel and commodity costs. However, we will continue to secure our leadership by further strengthening our core brands under cost effective marketing campaigns, and the development of new products and flavors. We will also further enhance our manufacturing and distribution processes to ensure higher efficiency and identify new business opportunities in order to bring in higher shareholders' value."

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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 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 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.

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