



Press Release

Vitasoy Maintains Continued Sales and Profit Growth by Successful Implementation of Focused Business Strategy

Hong Kong, 5 July 2005 — 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 its annual results for the year ended 31 March 2005. The Group recorded a consolidated turnover of HK\$2,380 million, representing a 4.9% increase over the preceding year. Profit attributable to shareholders amounted to HK\$124 million, up 6.9% over the same period last year.

During the year under review, the Group incurred restructuring and other exit costs totaling HK\$25 million due to the rationalization efforts in North America. Excluding this non-recurring item, the Group's profit attributable to shareholders grew by 28.4% to HK\$149 million.

Mr. Winston Yau-lai Lo, Executive Chairman of VIHL said, "In view of intensifying competition in domestic and overseas markets alike, challenges faced by the non-alcoholic beverage industry remained in the review year. However, driven by our successful implementation of customer-focused and market-oriented business strategies, we have been able to achieve healthy sales growth and rising productivity. Improvement in operating results was registered in all markets."

The Group reported a 6.2% increase in gross profit to HK\$1,368 million during the review period, compared to HK\$1,288 million for the same period last year. The gross profit margin increased to 57.5% against 56.8% in the same period one year ago.

The Group's basic earnings per share stood at HK12.5 cents, compared to HK11.8 cents a year ago. The Board of Directors has proposed a final dividend of HK5.7 cents per share (2003/04: HK5.7 cents per share), which together with the interim dividend of HK2.8 cents per share (2003/04: HK2.8 cents per share) makes a total dividend of HK8.5 cents per share (2003/04: HK8.5 cents per share) for the year ended 31 March 2005. In view of the Group's strong balance sheet and healthy cash flow, the Directors also recommend a special dividend of HK10.0 cents per share. (2003/04: HK5.0 cents per share)

When reviewing major markets of the Group, Mr. Lo said, "Our competitive edge in the Hong Kong market was highlighted by a 7.0% sales growth during the review period, outperforming the local non-alcoholic beverage average. The Group's revenue generated from this market totaled HK\$1,547 million. The growth was mainly fostered by launches of new products with added value and brand reinforcement efforts. "

Continued expansion of the Group's tuck shop business was another contributor to growth. The number of tuck shops managed by the Group's wholly owned subsidiary Vitaland Services Limited reached 298, representing a 15.1% increase over last year. Lunch box business registered a stable growth of 14.5% in revenue.

Mr. Lo said, "We will continue to implement our customer-oriented approach in the Hong Kong market. One of the key components of this strategy is to develop new products by adding new elements and value to existing products. We are determined to make further investment in the healthy soymilk category to take advantage of the current trend of health-conscious dieting. At the same time, we will also target at boosting the sales of tea and juice drinks that have already garnered wide support from customers."

For the North American market, the Group registered a 5.6% sales drop, which was mainly due to the Group's initiative to exit the refrigerated soymilk business and the decline in aseptic soymilk demand in the US market. Yet, the Group's tofu sales grew by 5.0%. In addition, rationalization efforts implemented in 2004/2005, comprising the closure of the worn-out West Coast tofu plant and the exit from the unprofitable refrigerated soymilk market, are expected to generate annual savings of more than HK\$10 million. It would also provide the Group with a high degree of flexibility to increase sales, narrow operating loss and achieve profitability.

"The review period was a year of change for our US operation, which have transformed into a more market-oriented structure with escalating productivity and operational efficiency. We have already



Press Release

achieved the original target of narrowing our operating loss in the US," said Mr. Lo. The Group will continue to focus on products with unique values and the health benefits of Vitasoy products to appeal to health-conscious customers in the North American market.

The Group's revenue generated from the China market totaled HK\$133 million, down by 10.1% from last year. The decrease was mainly due to the sales drop in the first half, the transitional period for the change in business strategy. "However, success of our newly implemented "core business, core brand and core competency" strategy was evidenced by a rebound in sales in the second half." Mr. Lo added.

Initiatives were taken to reinforce the core brand for soymilk and enhance the core competency in favor of a strengthened market leadership. The combined effect of brand building, streamlined product portfolios and improved margins contributed to a healthy sales growth of 10.7% year-on-year in the second half.

Mr. Lo added, "In the year ahead, we will continue to invest in our core soymilk business and allocate more resources for improving distribution efficiency and market presence in core cities in southern and eastern China. Furthermore, we will increase the utilization of our plant capacity through cooperative arrangements."

During the review period, performance in Australia and New Zealand was very encouraging due to rising domestic demand. The Group's revenue generated from the Australian and New Zealand markets amounted to HK\$156 million, up 35.7% year on year. The robust growth was mainly attributed to a successful product innovation programme, coupled with effective marketing and promotion activities.

"We believe these flourishing markets will map out a promising prospect for the VITASOY brand of products. We will continue to pursue growth by developing new products in the 'value soy beverage' area and continue our efforts on brand building in order to increase our market share." Mr. Lo remarked.

Looking ahead, Mr. Lo said, "In response to challenges such as price competition and consumers' changing preferences for non-alcoholic beverage market, we will strive to lower material costs through supply chain management and expanding our sourcing network. We will enhance the vitality of our brands by investing in promotion initiatives and continue to strengthen our manufacturing and distribution processes to ensure further improvement in efficiency. Leveraging on our solid financial resources, strong brand equity and quality management, the Group is well-poised to ride out the challenges ahead and continue our growth momentum."

#

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.

- END -

For more information, please contact:

Stella Lung
Public Relations Manager
Tel: 2468 9644
Fax: 2465 1008
E-mail: pubrel@vitasoy.com

Winnie Lo / Paul Sham
Ketchum Newscan
Tel: 3141 8028 / 3141 8068
Fax: 2510 8199



Press Release

E-mail: winnie.lo@knprhk.com/ paul.sham@knprhk.com