



# Press Release

For Immediate Release

## **Vitasoy maintains sales growth despite challenging retail environment**

Product innovation and brand strengthening result in steady overall growth

**Hong Kong, 14 July 2004** — 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 its annual results for the year ended 31 March 2004.

The Group achieved a consolidated turnover of HK\$2,269 million, representing an increase of 1.8% over the previous year. Profit attributable to shareholders was HK\$116 million, a decrease of 16.5% from last year.

During the year under review, gross profit grew by 3.5% to HK\$1,288 million. The gross profit margin continued to expand to reach 56.8% (2002/03: 55.9%) as a result of improvements in the Group's supply capability and effective cost cutting.

VIHL Executive Chairman Winston Yau-lai Lo said, "Thanks to the concerted efforts of all our operating units, we managed to increase our turnover and gross profit and to regain our overall growth momentum especially in the second half despite the challenging operating environment in Hong Kong and around the world."

The Group successfully regained its growth momentum in the second half of the year when turnover reached HK\$1,126 million, a 5.2% increase over the same period in the previous year.

The Group's basic earnings per share were HK11.8 cents (2002/03: HK14.3 cents per share). The Group's board of directors has proposed a final dividend of HK5.7 cents per share (2002/03 final: HK5.7 cents per share). This, together with the interim dividend of HK2.8 cents per share (2002/03 interim: HK2.8 cents per share), amounts to a total dividend of HK8.5 cents per share for the year (2002/03 total dividend: HK8.5 cents per share). In view of the strong overall financial position, the Board of Directors is also recommending a special dividend of HK5.0 cents per share (2002/03 special dividend: HK5.0 cents per share).

The Group maintains a healthy balance sheet. As of 31 March 2004, the Group was in strong net cash position of HK\$270 million. "The Group strives to maintain a stable dividend payout policy. The special dividend is an extra reward to our shareholders, we believe that the continuous support from our shareholders should be rewarded when our business is profitable and at the same time when we are in a strong financial position. This truly reflects Vitasoy's commitment to its shareholders and the management's confidence in the Group's future," said Mr. Lo.

During the year, the Group followed a clearly focused business strategy by continuing with product development and innovation, aggressive marketing, brand building, process improvement and cost management. These measures resulted in overall sales increases in key markets such as Hong Kong, Mainland China and Australia. In North America, the Group achieved healthy sales growth in the tofu category.

In Hong Kong, VIHL outperformed the local non-alcoholic beverage industry's overall average with a sales growth of 2.0% during the year, despite weak consumer environment and stiff competition. The Group's Hong Kong operations recorded a sales decline in the first half of the fiscal year because of the impact of Severe Acute Respiratory Syndrome but its sales rebounded strongly afterwards and achieved a healthy growth of 6.3% in the second half.

Benefiting from the growing general concern for hygiene, wholesome ingredients, product safety and quality at schools, the Group's tuck shop business continued to prosper and reinforce its market leadership. The number of tuck shops has reached 259, up 19.4% from 217 a year ago. This business continued to expand in terms of both revenue and market share.



## Press Release

Mr Lo said, "To maintain our growth momentum, our strategy moving forward in Hong Kong will be to continue our focus on the innovation and development of new products with higher value. This will be bolstered by innovative advertising and marketing, to support sales in this competitive retail environment. We will also continue to emphasize cost control to ensure even more efficient deployment of resources and higher productivity."

North American sales experienced a modest drop of 4.2%, due to keen competition from new soy items and weaker demand for aseptic soymilk. However, this was partially offset by a healthy growth in the sales of tofu. The Group's All-natural Marinated Tofu product, launched in October 2003, was very well received and the tofu category grew by a healthy 9.7% in the second half. This ensured the Group's market leadership in the category.

"The focus for North America over the coming year will be to delve deeper into consumer preferences and develop products with unique values. We are also exploring ways to sustain the success of our new products by including proprietary technology," Mr. Lo added.

In Mainland China, the Group's overall performance improved further with sales growing steadily at 2.8% - with increased sales in both Guangdong and in the eastern part of China. This performance is attributable to the strengthening of product distribution and outlet management. The Group has been more active in distributing products in Fujian, Hunan and Sichuan, and has achieved encouraging volume gains in these provinces.

Mr. Lo said: "In the medium term, our China operations will continue to build upon our core business, core brands and core competencies. This will help us capitalize on the evident consumer trend where choice is increasingly influenced by heightened health consciousness, deeper knowledge of the nutritional value of soy and better packaging."

The Group achieved growth levels of 36.9% in the Australian and New Zealand market during the year under review. Strong sales were achieved by the continued growth of refrigerated soymilk and the stronger Australian dollar. During the year, VITASOY was the fastest growing brand in this market, partly due to the impact of increased marketing and brand-building activities.

"We will continue to pursue growth by launching new products in the 'value soy beverage' area, flavour innovation as well as exploring new distribution outlets to boost volume," said Mr. Lo.

Looking ahead, the Group is well equipped to manage challenges and sustain the growth momentum. "We will continue to reinforce our market position as consumers' supplier of choice that makes high quality, great tasting and healthy products. We are committed in product innovation, marketing, process improvement and cost management which help us to operate even more efficiently to capture further growth in both revenue and market share," concluded Mr. Lo.

###

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 that are consumed in over 30 markets throughout the world.

- END -

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

Maggie Chan  
Golin/Harris Forrest  
Tel: 2501 7930



# Press Release

Fax: 2465 1008  
E-mail: [pubrel@vitasoy.com](mailto:pubrel@vitasoy.com)

Fax: 2810 4780  
E-mail: [Maggie.chan@golinharris.com](mailto:Maggie.chan@golinharris.com)