



# Press Release

## **Vitasoy Recorded Healthy Sales Growth for 1H FY2007/2008 Attributed to Aggressive Product Innovation and Effective Marketing Strategy**

Hong Kong, 26 November 2007 — 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 that its turnover for the six months ended 30 September 2007 grew by 14.2%, to HK\$1,514 million. The Group recorded a profit attributable to shareholders of HK\$105 million, a healthy growth of 5.0% compared to the same period of the preceding year.

Mr. Winston Yau-lai Lo, Executive Chairman of VIHL said, "Under an orchestrated campaign of aggressive product innovation and effective marketing initiatives, the four operating markets reported satisfactory operating performance. These efforts have also helped strengthening the leading position of many of our products in various markets. During the period, there was remarkable growth in the Mainland China and Australian markets, while Hong Kong also reported some solid growth. We achieved our goal of reducing the North American business operating loss, paving the way for further improvement. The Group strategically increased its advertising and promotional expenses in order to effectively launch new products and substantially reinforce the brand value of 'Vitasoy'. We believe it will benefit the Group's expansion and brand value in the long run despite its short-term impact on the growth of operating profit."

The Group's basic earnings per share were HK10.4 cents, representing 5.1% growth over the same period of the preceding year. The Board of Directors has declared an interim dividend of HK2.8 cents per share (2006/2007 interim: HK2.8 cents per share).

During the interim period, Vitasoy reported an encouraging growth of 14.8% in gross profit, amounting to HK\$894 million. Despite the general rise in production costs, the Group's gross profit margin stood at 59.0%, which is in line with the same period last year.

### Hong Kong

In the Hong Kong market, Vitasoy continued its strong focus on product innovation and brand building, and recorded a 7.4% growth in domestic sales. The number of new products launched during the interim period was more than double the number of new products launched during the entire previous financial year. New Vitasoy products include VITASOY SAN SUI Tofu, VITASOY Jasmine Soya Bean Milk, reformulated VITASOY Chocolate Soya Bean Milk, VITA Double Chocolate Milk and VITA Less Sweet Lemon Tea. In addition, very hot weather during this year's summer months in Hong Kong stimulated healthy growth in all business segments, especially the on-the-go market. The water business also showed satisfactory sales growth, which was a result of effective selling strategy and market consolidation.

Mr. Lo said, "Our emphasis on building our brand, expanding our product portfolio, and launching effective marketing campaigns has strengthened our leading position in the local beverage market. In the 2nd half of the fiscal year, we will continue to invest in brand reinforcement and promotion of our core products and newly launched items. Despite the challenges brought by increasing raw material costs and inflationary pressure, we will closely monitor all developments and adopt appropriate cost management measures. In addition, we will plan our promotional strategy carefully, in order to capture opportunities for effective price increases brought about by the revived economy and general inflation."

### Mainland China

Thanks to the successful strategy of "core business, core brand and core city", Vitasoy China maintained strong expansion during the interim period, reporting a significant sales growth of 68.5% over the same period last year.

"In spite of intensifying market competition, we are still able to maintain our leading position in the soymilk category in the Mainland market by offering premium products at premium prices. We have also applied our successful experience in Southern China to the eastern provinces. These factors, together



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with greater awareness of the benefits of soy and the Vitasoy brand among consumers in our target cities, have resulted in encouraging growth in our business in Eastern China." Mr. Lo noted.

Mr. Lo added, "In the second half of the year, Vitasoy China will increase investment in brand building and customer education, continue to strengthen and expand our distribution network, and introduce a range of highly nutritious soymilk products.

## Australia

Vitasoy Australia continued to report outstanding performance, posting growth of 28.1% in revenue and 15.0% in operating profit, thanks to the Group's concerted efforts in promoting existing products to capture a bigger market share and its robust brand position, along with the doubled production capacity of its production plant. These efforts have enabled Vitasoy Australia to pursue a more aggressive growth and expansion strategy. Vitasoy successfully launched six new products in September, as part of the result of its product innovation strategy.

"We note that Australia has entered a period of slow growth and saw some market players recently cut their product prices drastically. However, since Vitasoy has a very strong brand effect and high consumer loyalty, the management believes that we can maintain our premium product position and premium retail shelf prices, hoping that we can beat our competitors and enlarge our market share," Mr. Lo remarked.

## North America

The Group's North American operation has successfully reduced its operating loss by 41.2%, to HK\$10 million, and recorded a mild growth of 0.5% in sales during the interim period, after the Group re-adjusted its business strategy to focus on core products and competencies.

In order to further narrow its operating loss, Vitasoy USA will implement a three-pronged strategy: the launch of single-serve shelf-stable soymilk; enhancement of Vitasoy's leading position in the tofu market, and further development of the ethnic market.

"Our efforts to improve our financial performance in North America will be further strengthened by cost rationalization measures and price revisions on selected products. In spite of the challenges of the market, we believe there is opportunity for Vitasoy USA to grow," Mr. Lo commented.

## Business Outlook

Looking ahead, Mr. Lo said, "We will leverage our core competencies and focus on areas we excel in, including product innovation, brand building and cost management, to drive revenue growth and capture larger market shares, amidst the challenges brought by intensifying market competition, inflationary pressure and rising costs of raw materials. We will also explore new business opportunities to create greater long-term shareholder 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, Australia and the United States, Vitasoy currently provides consumers in 42 markets worldwide with over 1,000 stock keeping units (SKU). 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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