維他奶國際集團有限公司

VITASOY INTERNATIONAL HOLDINGS LTD.

(Incorporated in Hong Kong with limited liability)

(Stock code: 345)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2007

RESULTS

The Board of Directors of Vitasoy International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2007, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

	Note	**2007** **HK$'000**	2006 HK$'000
Turnover	3 & 4	**2,693,461**	2,520,409
Cost of sales		**(1,130,130)**	(1,039,615)
Gross profit		**1,563,331**	1,480,794
Other revenue	5	**51,740**	51,507
Marketing, selling and distribution expenses		**(1,052,980)**	(985,153)
Administrative expenses		**(166,104)**	(164,116)
Other operating expenses		**(145,472)**	(149,257)
Profit from operations	4	**250,515**	233,775
Finance costs	6(a)	**(8,068)**	(8,372)
Profit before taxation	6	**242,447**	225,403
Income tax	7	**(41,135)**	(40,378)
Profit for the year		**201,312**	185,025
Attributable to:			
Equity shareholders of the Company		**173,901**	172,076
Minority interests		**27,411**	12,949
Profit for the year		**201,312**	185,025
Dividends	8	**196,865**	196,013
Earnings per share	9		
Basic		**17.3 cents**	17.2 cents
Diluted		**17.2 cents**	17.1 cents

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

At 31st March, 2007

	Note	**2007** HK$'000	**2007** HK$'000	2006 HK$'000	2006 HK$'000
Non-current assets					
Fixed assets					
- Property, plant and equipment			**749,306**		700,863
- Investment property			**9,878**		10,405
- Interests in leasehold land held for own use under operating leases			**5,388**		5,364
			764,572		716,632
Employee retirement benefit assets			**2,220**		1,467
Deferred tax assets			**6,374**		2,952
Bank deposits			**-**		22,768
Other financial asset			**14,347**		13,922
			787,513		757,741
Current assets					
Inventories		**212,298**		208,111	
Trade and other receivables	10	**392,910**		352,131	
Bank deposits		**23,984**		78,497	
Cash and cash equivalents		**461,726**		402,540	
		1,090,918		1,041,279	
Current liabilities					
Trade and other payables	11	**379,533**		345,986	
Bank loans		**27,005**		41,279	
Obligations under finance leases		**7,533**		2,945	
Current tax payable		**7,361**		10,561	
		421,432		400,771	
Net current assets			**669,486**		640,508
Total assets less current liabilities			**1,456,999**		1,398,249
Non-current liabilities					
Bank loans		**69,960**		78,050	
Obligations under finance leases		**27,773**		2,763	
Employee retirement benefit liabilities		**2,418**		2,951	
Deferred tax liabilities		**11,360**		5,551	
			111,511		89,315
NET ASSETS			**1,345,488**		1,308,934
CAPITAL AND RESERVES					
Share capital			**251,759**		250,822
Reserves			**1,002,602**		999,546
Total equity attributable to equity shareholders of the Company			**1,254,361**		1,250,368
Minority interests			**91,127**		58,566
TOTAL EQUITY			**1,345,488**		1,308,934

Notes:

1. **Basis of preparation**

The consolidated results set out in this announcement do not constitute the Group's statutory financial statements for the year ended 31st March, 2007 but are extracted from those financial statements.

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets at fair value through profit or loss are stated at their fair values.

2. **Changes in accounting policies**

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these developments did not result in significant changes in accounting policies for the current and prior periods reflected in these consolidated results, except as follows:

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: Financial guarantee contracts)

In prior years, financial guarantees issued by the Company to its subsidiaries were disclosed as contingent liabilities in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1st April, 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Company has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. The Company has not recognised any deferred income in respect of the guarantees as the fair value of such guarantee was insignificant. The adoption of this accounting policy has not affected the Company's profit for the years ended 31st March, 2006 and 2007, or the Company's net assets at those year end dates.

3. **Turnover**

The principal activities of the Group are the manufacture and sale of food and beverages. Turnover represents the gross sales value less returns, to third parties.

4. Segment reporting

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen because this is in line with the Group's internal management information reporting system.

No business segment analysis of the Group is presented as all the Group's turnover and trading result are generated from the manufacture and sale of food and beverages.

	Hong Kong		North America		Mainland China		Australia and New Zealand		Unallocated		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,474,331**	1,418,752	**378,689**	385,713	**588,389**	509,078	**252,052**	206,866	**-**	-	**2,693,461**	2,520,409
Other revenue from external parties	**5,955**	6,120	**54**	289	**28,632**	32,571	**-**	-	**17,099**	12,527	**51,740**	51,507
Total revenue	**1,480,286**	1,424,872	**378,743**	386,002	**617,021**	541,649	**252,052**	206,866	**17,099**	12,527	**2,745,201**	2,571,916
Segment result	**221,620**	213,148	**(49,357)**	(19,583)	**76,766**	55,907	**40,337**	26,495			**289,366**	275,967
Unallocated operating income and expenses											**(38,851)**	(42,192)
Profit from operations											**250,515**	233,775
Finance costs											**(8,068)**	(8,372)
Income tax											**(41,135)**	(40,378)
Profit for the year											**201,312**	185,025
Depreciation and amortisation for the year	**47,722**	48,701	**15,131**	18,949	**31,252**	32,942	**15,767**	10,821			**109,872**	111,413
(Decrease) / increase in impairment losses on trade and other receivables	**(1,168)**	(849)	**927**	-	**(206)**	33	**451**	-			**4**	(816)
Segment assets	**661,632**	628,559	**210,421**	237,355	**349,247**	349,813	**253,593**	182,310			**1,474,893**	1,398,037
Unallocated assets											**403,538**	400,983
Total assets											**1,878,431**	1,799,020
Segment liabilities	**186,304**	165,793	**28,224**	32,010	**131,373**	122,088	**28,562**	21,694			**374,463**	341,585
Unallocated liabilities											**158,480**	148,501
Total liabilities											**532,943**	490,086
Capital expenditure incurred during the year	**63,762**	42,125	**4,828**	3,205	**18,795**	9,512	**47,554**	9,431			**134,939**	64,273

4. Segment reporting (continued)

Revenue from external customers by location of customers is as follows:

	2007	2006
	HK$'000	HK$'000
Hong Kong	**1,668,741**	1,608,346
North America	**439,329**	440,239
Mainland China	**237,217**	170,653
Australia and New Zealand	**256,643**	213,751
Others	**91,531**	87,420
	2,693,461	2,520,409

5. Other revenue

	2007	2006
	HK$'000	HK$'000
Interest income	**16,674**	12,474
Service fee	**28,965**	31,465
Rental income	**2,090**	1,748
Change in fair value of financial asset at fair value through profit or loss	**324**	53
Sundry income	**3,687**	5,767
	51,740	51,507

6. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2007	2006
	HK$'000	HK$'000
(a) Finance costs:		
Interest on bank loans	**6,899**	7,951
Finance charges on obligations under finance leases	**1,169**	421
	8,068	8,372
(b) Other items:		
Amortisation of interests in leasehold land held for own use under operating leases	**227**	216
Depreciation		
- assets leased out under operating leases	**527**	526
- assets acquired under finance leases	**4,884**	3,696
- other assets	**104,234**	106,975
Increase / (decrease) in impairment losses on trade and other receivables	**4**	(816)
Cost of inventories	**1,226,120**	1,128,414

7. Income tax

Income tax in the consolidated income statement represents:

	2007 **HK$'000**	2006 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**32,831**	36,992
Over-provision in respect of prior years	**(539)**	(145)
	32,292	36,847
Current tax – Outside Hong Kong		
Provision for the year	**6,199**	3,920
Under-provision in respect of prior years	**50**	396
	6,249	4,316
Deferred tax		
Origination and reversal of temporary differences	**2,594**	(785)
	41,135	40,378

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

On 16th March, 2007, the National People's Congress passed the China Corporate Income Tax Law which will be effective from 1st January, 2008. The new tax law has no impact on the Group's deferred tax assets and deferred tax liabilities as at 31st March, 2007.

8. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2007 **HK$'000**	2006 HK$'000
Interim dividend declared and paid of HK2.8 cents per ordinary share (2006: HK2.8 cents per ordinary share)	**28,197**	28,091
Final dividend proposed after the balance sheet date of HK6.7 cents per ordinary share (2006: HK6.7 cents per ordinary share)	**67,669**	67,370
Special dividend proposed after the balance sheet date of HK10.0 cents per ordinary share (2006: HK10.0 cents per ordinary share)	**100,999**	100,552
	196,865	196,013

The final and special dividends proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

8. Dividends (continued)

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007	2006
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK6.7 cents per ordinary share (2006: HK5.7 cents per ordinary share)	**67,404**	57,139
Special dividend in respect of the previous financial year, approved and paid during the year, of HK10.0 cents per ordinary share (2006: HK10.0 cents per ordinary share)	**100,603**	100,244
	168,007	157,383

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$173,901,000 (2006: HK$172,076,000) and the weighted average number of 1,006,101,000 ordinary shares (2006: 1,001,624,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	2006
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1st April	**1,003,288**	993,928
Effect of share options exercised	**2,813**	7,696
Weighted average number of ordinary shares for the year	**1,006,101**	1,001,624

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$173,901,000 (2006: HK$172,076,000) and the weighted average number of 1,012,797,000 ordinary shares (2006: 1,008,726,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2007	2006
	Number of shares	Number of shares
	'000	'000
Weighted average number of ordinary shares for the year	**1,006,101**	1,001,624
Effect of deemed issue of ordinary shares under the Company's share option schemes for nil consideration	**6,696**	7,102
Weighted average number of ordinary shares (diluted) for the year	**1,012,797**	1,008,726

10. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	2007	2006
	HK$'000	HK$'000
By date of invoice		
0 – 3 months	**293,623**	267,932
4 – 6 months	**56,351**	45,802
Over 6 months	**60**	1,279
	350,034	315,013

The credit terms given to the customers vary and are generally based on the financial strength of the individual customer. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically.

11. Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	2007	2006
	HK$'000	HK$'000
By date of invoice		
0 – 3 months	**175,410**	162,219
4 – 6 months	**1,583**	2,178
Over 6 months	**2,700**	1,502
	179,693	165,899

DIVIDENDS

The Board of Directors is recommending a final dividend of HK6.7 cents per share at the Annual General Meeting on 6th September, 2007. This, together with the interim dividend of HK2.8 cents per share, will mean that the Group's total dividend for Fiscal 2006/2007 will be HK9.5 cents per share (2005/2006 total dividend: HK9.5 cents per share). In addition, the Board is recommending a special dividend of HK10.0 cents per share (2005/2006 special dividend: HK10.0 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3rd September, 2007 to Thursday, 6th September, 2007, both days inclusive, during which period no transfer of shares will be effected. To determine entitlement of shareholders to the recommended final and special dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 31st August, 2007.

MANAGEMENT REPORT

Turnover

In the year under review, the Group's total turnover reached HK$2,693 million, up 6.9% from 2005/2006, with Mainland China, Australia and New Zealand being the key drivers of growth.

In the Hong Kong market, turnover improved more conspicuously in the second half of the year by 5.6% after a modest growth of 2.0% in the first half. Profiting from the good response to products under Closer Economic Partnership Arrangement (CEPA) and the success of the "core business, core brand and core city" strategy, the Group's Mainland China operation posted a full-year sales increase of 38.6%. To take advantage of the Group's new production capacity in Australia, promotion activities were re-scheduled for the second half of Fiscal 2006/2007. This strategy led to an upsurge of sales in the second half by 25.9%, which was almost double that of the first half. Sales in North America saw a slight decline of 0.2% mainly due to the softening of the mainstream market for aseptic soymilk and tofu, which was primarily offset by increase in revenue from new products, imported goods and pasta.

Gross Profit

The Group's gross profit for the year was HK$1,563 million, up HK$82 million or 5.5%. Owing to the general increase in material costs and the under-performance of one of the Group's operations, gross margin dropped slightly from 58.8% to 58.0%.

Operating Expenses

Total operating expenses were up by 5.1% to HK$1,364 million, representing 50.6% of sales. Marketing, selling and distribution expenses stood at HK$1,053 million, up 6.9% as a result of higher trade discounts and rebates, more promotions and marketing activities to reinforce the Group's brands as well as investment to expand and strengthen the marketing team.

Administrative expenses amounted to HK$166 million, up slightly by 1.2%. Other operating expenses dropped to HK$145 million, compared to HK$149 million in the previous year.

Operating Profit and Earnings before Interest, Taxation, Depreciation and Amortisation Expenses (EBITDA)

EBITDA for the year was HK$344 million, up HK$11 million or 3.3%. Despite the 0.8% drop in gross profit margin, the Group still maintained an EBITDA margin of 12.8% to sales (2005/2006: 13.2%) due to the stringent control of operating costs.

Profit Attributable to Equity Shareholders of the Company

For the year ended 31st March, 2007, profit attributable to equity shareholders of the Company was HK$174 million, representing a moderate increase of 1.2% from Fiscal 2005/2006.

General Review

In the year under review, the operating environment in most of the Group's key markets remained basically positive. Despite the various challenges that still existed, we forged ahead with the implementation of our growth and development strategies in these markets and achieved a better financial performance as a whole. Our core strategy focused primarily on the development and introduction of value added new products that would appeal to a wider spectrum of consumers. To ensure its success, we matched it with aggressive marketing and brand building in markets worldwide. As a result, we saw remarkably strong growth in the burgeoning markets of Mainland China, Australia and New Zealand. In Hong Kong, we were able to benefit from the prevailing economic upturn to maintain our market leadership in core businesses while achieving steady sales growth. In North America, however, because of adverse market conditions which naturally hindered business growth and product diversification, a slight drop in overall sales was recorded together with the widening of the operating loss.

In Hong Kong, the business environment was largely upbeat in the past year. Driven by domestic demand, investment and external trade, GDP for 2006 registered a robust increase of 6.8%. Despite this growth, inflationary pressure remained mild. Last year we saw steady sales growth in Hong Kong and, more importantly, we managed to maintain our operating margin, despite an increase in costs. In the year under review, the Group launched a multitude of new products and flavours to create new demand and drive sales, including VITASOY Mocha Soya Bean Milk, VITASOY Red Bean Soya Bean Milk, VITASOY Taro Soya Bean Milk, CALCI-PLUS Soya Fibre Soya Drink, VITA TSING SUM ZHAN Pear and Osmanthus Drink, VITA TSING SUM ZHAN Citrus and Aloe Vera Drink, VITA TSING SUM ZHAN Apple and Jasmine Drink, VITA GOR YIN HAI Pineapple and Banana Tea, VITA GOR YIN HAI Apple and Mango Tea, VITA CHA T DIN Honey Mandarin Tea, VITA CHA T DIN Honey Lime Tea and VITA Aloe Vera Chrysanthemum Tea. These new products have been well accepted by the market. VITA Lemon Tea in PET format was also launched to cater to market needs. With this enhanced product portfolio, domestic sales increased by 3.8% year-on-year. The Group's exports from Hong Kong also improved further. Export sales grew by 5.7% year-on-year. Exports to Macau rose considerably while sales in Singapore also increased after the change of distributors. Our tuck shop business in Hong Kong under Vitaland Services Limited continued to perform well. By the end of Fiscal 2006/2007, the number of Vitaland tuck shops reached 303, versus 292 a year ago, and we commanded a significant market share in the school tuck shop business. The catering business of our subsidiary, Hong Kong Gourmet Limited, also sustained its growth trend as we continued to drive penetration in the local market. The segment result of our Hong Kong operation for the year was HK$222 million (2005/2006: HK$213 million).

The performance of the Group's operation in North America was hindered by an unfavourable market environment. Sales revenue generated by the Group's North American operation decreased slightly by 0.2% in Fiscal 2006/2007. While there was an increase in revenue coming from new products as well as imported goods and pasta, the sales of aseptic soymilk and tofu decreased. All in all, the operating loss widened to HK$49 million due mainly to the launching of two new product lines, namely, refrigerated sauces and salad dressings, that did not perform as satisfactorily as expected. In view of that, these product lines were subsequently discontinued and we have re-adjusted our business strategy to focus more heavily on core products and competencies as well as cost management in order to narrow the operating loss substantially in the coming year.

The Chinese economy continued to prosper in 2006. Owing to the general rise in household income and consumers' recognition of the benefits of dairy products, the dairy industry experienced healthy growth. In the past few years, the Group has been implementing the strategy of "core business, core brand and core city" for driving business growth while reinforcing its brand and market position in Mainland China. This strategy has been successful, particularly in major cities in the southern part of China, including Guangzhou, Dongguan and Shenzhen. In the year under review, revenue generated from domestic sales in Mainland China amounted to HK$237 million, up by an encouraging 38.6%. Vitasoy has also been benefiting from the opportunities arising from CEPA. Last year a number of new CEPA products imported from Hong Kong were launched in Mainland China. These included VITA Mango Juice, VITA Guava Juice, VITA Chrysanthemum Tea, VITASOY Mocha Soya Bean Milk, VITASOY Red Bean Soya Bean Milk, and VITASOY Taro Soya Bean Milk. These products were welcomed by the market and they played an important role in boosting sales. On the other hand, the co-packing business in Mainland China continued to enhance the capacity utilisation of the two plants and contribute to the Group's financial performance. In the year under review, the segment result was HK$77 million, surging by 37.5% over the last year.

The Australian and New Zealand markets continued to increase in importance to the Group in terms of revenue and profit contribution. Leveraging our track record in product innovation, marketing, pricing and branding, we succeeded in increasing our sales revenue in Australia and New Zealand by over 20%. Segment result for the year reached HK$40 million, a robust increase of HK$14 million or 53.8% over the previous year. Because of stronger-than-forecast market demand, the Wodonga plant's production capacity reached its limit ahead of schedule and an expansion plan was immediately embarked on. As a result, Vitasoy Australia focused mainly on fulfilling the demand for existing products while new product launches were deferred. This arrangement inevitably had some impact on the overall growth of both soymilk and ricemilk. Should this factor be excluded, the growth of sales and profit would have been even more impressive.

Outlook

Looking ahead, we believe the operating environment will vary from market to market. Our challenge will be to maintain our advantages in areas we excel in and further enhance our market positions in various markets. At the same time, we will refine our business focus where necessary to ensure viability and long-term development.

Hong Kong

The Hong Kong economy is expected to prosper and fuel domestic consumption in general which should in turn benefit the beverage sector. We are pleased to see that the market demand for non-carbonated and healthier beverages has been growing. Concurrently, consumers' needs are becoming increasingly sophisticated while competition in terms of product innovation and pricing to meet such needs is also intensifying. While inflation is not considered a major issue for Hong Kong as a whole, we realise that we must manage our operating costs proactively in view of fluctuating raw material prices, higher staff-related expenses and, to some extent, imported inflation from Mainland China.

To maintain and enhance profitability, our focus in Hong Kong is product innovation and the development of high-growth products such as tea and wellness drinks through the introduction of new flavours and added value. Tofu, a new category, has been added to our product portfolio in Hong Kong in May this year under the VITASOY SAN SUI brand. Uniquely positioned as an organic food item that is made from organically grown beans, it has particular appeal for young to middle-aged consumers who are more health-and-quality conscious. This new product line comes with a variant with scallop flavour which is also exclusive in the local market. In addition, we will continue to grow our tuck shop and catering business progressively by targeting more schools and expanding into more outlets.

North America

For North America, the operating environment is expected to remain challenging in view of the market condition. The soy food market, however, might expect to see only slight growth this year.

Our goal in the coming months is to narrow the operating loss substantially. We will achieve that through a three-pronged strategy. Firstly, we will re-focus on core products and core competencies to increase sales revenue. We will reinforce the market position of NASOYA as a dominant tofu/pasta brand. To drive tofu sales, we will put more resources on the emerging growth channels such as food service and club stores. Leveraging our heritage and product innovation, we shall introduce more variants of seasonal soymilk and develop private label programmes for tofu. We will also enhance the image of VITASOY as a healthy beverage innovator to grow the sales of aseptic soymilk. Secondly, we will focus on the reduction of overheads with a view to improving the cost base. Thirdly, given the strong market positions established by our NASOYA and AZUMAYA product lines in North America, we find that there is room for price revision. This move, to be taken in July 2007, should allow us to improve our operating results.

Mainland China

The fast-expanding Mainland China market is likely to maintain its pace of growth. Greater affluence and health awareness should create higher demand for quality products, including functional beverages that carry the health and natural concept. At the same time, the immense growth potential of this market will inevitably attract more competitors. This could also stimulate the demand growth and we are confident to benefit from this healthy competition.

In the year ahead and beyond, we will continue with the strategy of "core business, core brand and core city" in Mainland China. Given our strong sales and profit-making momentum, we will increase our investment in brand building to further enhance our market position and corporate image as "the soy expert". We are in the process of rolling out more CEPA products to drive sales in Mainland China. We have enjoyed a remarkable track record in capturing the market of Southern China through successful brand building and product launches. We are aiming to capitalise on and replicate this model of success in Eastern and Northern China, particularly in Shanghai and the provinces of Jiangsu and Zhejiang. At the same time, the Group's co-packing business will continue to play an important role in maximising the Mainland China plants' capacity utilisation.

Australia and New Zealand

Similarly, we will continue to envisage high growth in our Australian and New Zealand markets. We are also aware that competition, especially where pricing is concerned, is likely to intensify. In the coming year, we aim to achieve healthy growth in both sales and profit in this market. Now that our production capacity in Australia has been substantially expanded, we are in a good position to re-focus on the development and launching of new products. We will also drive sales through more aggressive marketing and an effective pricing strategy.

Liquidity and Financial Resources

The Group's financial position has remained very strong. As at 31st March, 2007, the Group was in a healthy net cash position of HK$368 million (31st March, 2006: HK$393 million). Banking facilities available to but not used by the Group amounted to HK$301 million.

As at 31st March, 2007, the Group's borrowings (including obligations under finance leases) amounted to HK$132 million (31st March, 2006: HK$125 million), most of which were at floating interest rates. The maturity profiles of the borrowings were spread over a period of ten years, with HK$35 million repayable in the first year, HK$75 million repayable in the second year and HK$22 million in the remaining years. The borrowings denominated in US and Australian dollars were the equivalent of HK$16 million and HK$116 million respectively. The gearing ratio (total borrowings/total equity attributable to equity shareholders of the Company) was 10.5% (31st March, 2006: 10.0%).

The Group incurred capital expenditure totalling HK$135 million in 2006/2007 (2005/2006: HK$64 million), which was primarily funded by cash generated from various operations.

Charges on Group Assets

As at 31st March, 2007, certain assets of the Group with an aggregate carrying value of HK$35 million (31st March, 2006: HK$40 million) were pledged under certain loans and lease agreements.

Financial Risk Management

The Group's financial management focuses on controlled management of risks, with transactions being directly related to the underlying businesses of the Group. The Group operates a central cash and treasury management system for all its subsidiaries. Borrowings are normally taken out in local currencies by the Group's operating subsidiaries to fund and partially hedge their investments.

The financial risks faced by the Group arise mainly from the fluctuation of interest rates and exchange rates. The Group makes use of financial instruments, where appropriate, to manage those risks. At the close of Fiscal 2006/2007, the Group had no significant exposure under foreign exchange contracts or financial derivatives.

Employment, Training and Development

The Group is fully aware of the need to make the best use of its manpower resources to maximise productivity and, therefore, adopts a prudent approach with regard to manpower. In the twelve months to 31st March, 2007, the Group's workforce increased by 3.7% with the number of full-time staff reaching 2,448.

In terms of staff development, the Group continued to support a wide range of skills training and staff development programmes in Hong Kong, Mainland China, North America and Australia, with a view to improving job-related competencies and overall efficiency. The Group also encouraged employees to attend external training and education programmes, including MBA and other degree courses, by offering financial sponsorship in accordance with certain criteria.

The Group's remuneration policies and packages remained unchanged during the year. The remuneration packages for the staff (including the executive directors) that covered basic salaries, discretionary bonuses, share options and other long-term benefits were pegged to the Group's and individual employee's performance, and were meant to reflect the value generated by everyone during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st March, 2007, complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Main Board Listing Rules except for the Code Provision A.2.1. Code Provision A.2.1 sets out that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. At the present stage, the roles of the chairman of the board and chief executive officer of the Company are performed basically by one and the same person. However, the Board of the Directors and the Executive Chairman of the Company fully recognise that the respective roles of the Chairman of the Board and the Chief Executive Officer should be separated in the course of time to ensure better checks and balances and hence better corporate governance.

We regret to note the resignation of Mr. Ambrose Kam-shing CHAN, Chief Executive, Asia. We have recently promoted Mr. Laurence P. EISENTRAGER, Chief Executive, Hong Kong to the Group Chief Executive Officer reporting to the Chairman of the Board effective from 1st August, 2007 upon the departure of Mr. Ambrose Kam-shing CHAN on 26th July, 2007. Mr. Laurence P. EISENTRAGER will start to assume the executive responsibilities from the Executive Chairman and this is expected to take place in the course of the next 18 months. We still envisage that the transition process of assigning the responsibilities of the Executive Chairman to the Group Chief Executive Officer will progress smoothly.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee was established in 1999. Its current members include three Independent Non-executive Directors, namely, Mr. Iain F. BRUCE (Chairman), Dr. The Hon. Sir David Kwok-po LI and Mr. Jan P. S. ERLUND (appointed on 6th July, 2006).

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's interim and annual financial statements.

The Group's annual results for the year ended 31st March, 2007 have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

By Order of the Board
Winston Yau-lai LO
Executive Chairman

Hong Kong, 9th July, 2007

As at the date of this announcement, Mr. Winston Yau-lai Lo, Mr. Ambrose Kam-shing Chan, Mr. Eric Fat Yu and Mr. John Shek-hung Lau are executive directors. Ms. Myrna Mo-ching Lo and Ms. Yvonne Mo-ling Lo are non-executive directors. Dr. The Hon. Sir David Kwok-po Li, Mr. Iain F. Bruce and Mr. Jan P. S. Erlund are independent non-executive directors.

This and other information about Vitasoy International Holdings Limited can be accessed via www.vitasoy.com.