

MANAGEMENT

DISCUSSION AND ANALYSIS

管理層之討論及分析

BUSINESS HIGHLIGHTS

- The Group's turnover for the first six months of fiscal 2003/2004 was HK\$1,143 million, a marginal drop of 1.3% from the same period last year (2002/2003 interim: HK\$1,158 million). Notwithstanding certain decline in the first quarter of fiscal 2003/2004 due mainly to the outbreak of Severe Acute Respiratory Syndrome (SARS) in Hong Kong that impacted the retail sector, sales recovered in the second quarter. This clearly demonstrates the Group's strength in managing the volatility arising from the crisis. In both Mainland China and Australia & New Zealand, healthy sales growth was achieved. In North America, sales declined due to consumers' lower preference for Aseptic Soymilk and Unseasoned Tofu.
- The Group's gross profit for the interim period was HK\$652 million. The gross profit margin increased to 57.0% of sales (2002/2003 interim: 56.3%) as a result of improvements in our supply capability and effective cost cutting.
- Marketing, selling and distribution expenses were HK\$453 million, compared to HK\$419 million for the same period in fiscal 2002/2003. Administrative expenses increased slightly to HK\$79 million, from HK\$78 million last year. Other operating expenses were HK\$56 million, compared to HK\$59 million for the 2002/2003 interim period. Total operating expenses amounted to 51.4% of sales (2002/2003 interim: 48.0%).

業務摘要

- 本集團於二零零三／二零零四財政年度首六個月之營業額為港幣1,143,000,000元，較去年同期下跌1.3%（二零零二／二零零三年度中期：港幣1,158,000,000元）。儘管香港爆發嚴重急性呼吸系統綜合症（非典型肺炎），以致零售業大受影響，而本集團之業績於二零零三／二零零四財政年度首季亦因此有所下降，惟銷售額隨即於第二季回升，足證本集團有能力應付非典型肺炎疫情所造成之市場波動。本集團於中國大陸、澳洲及新西蘭之銷售額均錄得穩步增長，惟於北美洲之銷售額因無菌紙包裝豆奶及非調味豆腐受消費者的歡迎程度漸減而下降。
- 本集團於本六個月期間之毛利為港幣652,000,000元。由於集團拓展物料供應之能力及有效削減成本，本集團之邊際毛利率升至銷售額之57.0%（二零零二／二零零三年度中期：56.3%）。
- 推廣、銷售及分銷費用為港幣453,000,000元，而二零零二／二零零三財政年度同期則為港幣419,000,000元。行政費用由上年度之港幣78,000,000元微升至港幣79,000,000元。其他營運費用為港幣56,000,000元，而二零零二／二零零三年度中期則為港幣59,000,000元。營運費用總額佔銷售之百分比為51.4%（二零零二／二零零三年度中期：48.0%）。

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- To sustain sales performance, we continued to invest in advertising and promotion to strengthen our brands and develop our major markets. To ensure that the Hong Kong business was back on track immediately after SARS and to counteract fierce price competition, we stepped up our marketing effort and extended our product lines, thereby gaining market share. Compared to the same period last year, an additional HK\$31 million was incurred by the Group in marketing and promotional campaigns, especially in the Hong Kong and Australian markets. The increment was also partly due to the deferment of HK\$15 million budgeted for interim 2002/2003 to the second half fiscal 2002/2003, as disclosed in the 2002/2003 interim report.
- The Group's profit attributable to shareholders for the period under review was HK\$54 million, compared to HK\$80 million for the same period in fiscal 2002/2003.
- In view of the Group's strong balance sheet, the Board of Directors has declared an interim dividend of HK2.8 cents per share (2002/2003 interim: HK2.8 cents per share), payable on 9th January, 2004.
- 為保持產品銷售表現，本集團繼續貫徹推行有效之廣告及市場推廣策略，以提升品牌知名度及開發本集團之主要市場。為確保香港業務於非典型肺炎疫情過後隨即恢復正常運作，並應付激烈之價格競爭，本集團已加強廣告宣傳，同時擴展產品種類，藉此爭奪市場佔有率。與去年同期相比，本集團於市場推廣及宣傳活動之開支增加港幣31,000,000元，尤以香港及澳洲市場之開支增幅最大。正如二零零二／二零零三年中期報告所披露，二零零二／二零零三年度之中期市場推廣預算港幣15,000,000元，已延遲至二零零二／二零零三財政年度下半年支出，亦是市場推廣及宣傳開支增加之部份原因。
- 本集團於回顧期間之股東應佔溢利為港幣54,000,000元，而二零零二／二零零三財政年度同期則為港幣80,000,000元。
- 鑑於本集團之資產負債狀況穩健，董事會宣布派發中期股息每股港幣2.8仙（二零零二／二零零三年度中期：每股港幣2.8仙），將於二零零四年一月九日派發。

HONG KONG

Production Efficiency

By Location of Assets (Production Plants) 按資產(生產廠房)所在地	Six months ended 30th September, 2003 截至二零零三年 九月三十日止六個月	Six months ended 30th September, 2002 截至二零零二年 九月三十日止六個月	Change 變動
	Revenue (HK\$) 收入(港幣元)	599 million 599,000,000元	
Segment Result (HK\$) 分部業績(港幣元)	82 million 82,000,000元	95 million 95,000,000元	(13.7%)

香港

生產效率

MANAGEMENT DISCUSSION AND ANALYSIS

管理層之討論及分析

HONG KONG (continued)

Production Efficiency (continued)

In the period under review, our Tuen Mun plant and tuck shop business generated a total revenue of HK\$599 million, a marginal drop of 2.9% from the corresponding period last year. Despite a double-digit decline in sales in the first quarter of fiscal 2003/2004 brought about by the market volatility arising from the SARS outbreak, the Company managed to recover and sales rebounded strongly in the second quarter of fiscal 2003/2004.

In anticipation of the potential impact of SARS on our business, a comprehensive business continuity plan was implemented. Through stringent measures to minimise the risk of SARS on staff, our operation was largely unaffected. Meanwhile, we continued to enforce tight cost control as well as improve operational efficiency and supply chain management.

The segment profit for the interim period of fiscal 2003/2004 was HK\$82 million, compared with HK\$95 million for the same period last year. With most of the fixed overhead unrecoverable during the SARS period, our tuck shop business declined substantially in profitability. Meanwhile, we had also increased our spending in advertising campaigns as well as rebates and discounts in order to stimulate sales immediately after SARS and to counteract fierce price competition. We undertook a number of advertising campaigns successfully to reinforce our market leadership and launch new products. As a result, we continued to grow in terms of market share.

Market Performance

香港 (續)

生產效率 (續)

於回顧期間，屯門廠房及食物部業務之總收入為港幣599,000,000元，較去年同期輕微下跌2.9%。儘管二零零三／二零零四財政年度首季之銷售額，因爆發非典型肺炎所造成之市場波動而錄得雙位數跌幅，惟本公司亦能復元過來，產品銷售額隨即於第二季出現強勁反彈。

有感非典型肺炎疫情可能對本集團業務造成影響，本集團實施了周詳之應變計劃。透過嚴謹預防措施減少疫情對員工之危害，本集團之業務運作大致上未受影響。與此同時，本集團繼續加緊控制成本，並改善營運效率及供應鏈管理系統。

二零零三／二零零四財政年度之中期分部溢利為港幣82,000,000元，而去年同期則為港幣95,000,000元。由於非典型肺炎期間之固定日常開支大部份仍須支付，致使本集團食物部業務之盈利水平大幅下降。與此同時，本集團亦增加了在廣告宣傳及折扣方面之開支，以立即刺激疫情過後之銷量及應付激烈價格競爭。本集團成功推出了一連串廣告宣傳活動，以鞏固市場主導地位及推出新產品。因此，本集團之市場佔有率持續穩步上升。

市場表現

By Location of Customers 按客戶所在地	Six months ended 30th September, 2003 截至二零零三年 九月三十日止六個月	Six months ended 30th September, 2002 截至二零零二年 九月三十日止六個月	Change 變動
Revenue (HK\$) – Hong Kong Domestic Market 收入 (港幣元) – 香港本銷市場	715 million 715,000,000元	729 million 729,000,000元	(1.9%)
Revenue (HK\$) – Export Markets 收入 (港幣元) – 出口市場	34 million 34,000,000元	35 million 35,000,000元	(2.9%)

MANAGEMENT

DISCUSSION AND ANALYSIS

管理層之討論及分析

HONG KONG (continued)

Market Performance (continued)

(1) Hong Kong Domestic Market

Market sentiment in the first six months of 2003/2004 was adversely affected by the unfavourable economic conditions in Hong Kong due to SARS, rising unemployment and other negative factors. Sales in the first quarter were severely affected as schools suspended classes and many people avoided outdoor activities where drinks would normally be consumed. We, therefore, postponed many of our advertising programmes until consumer confidence improved in June 2003.

We continued to reinforce our market position as consumers' supplier of choice by supplying high quality, great tasting and healthy products. Advertising campaigns on VITASOY Soya Bean Milk, VITA LIGHT Lemon Tea, VITA Pure Distilled Water, VITA CHA T DIN and VITA GOR YIN HAI Tea have been well-received by customers. With the successful launch of VITA LIGHT Lemon Tea, we have been able to gain further growth in the tea segment and enhance our market leadership position. Meanwhile, VITA PET (plastic bottled) Juice, VITA American Ginseng Fresh Green Tea, VITA GOR YIN HAI Pink Grapefruit Tea, VITA CHA T DIN Iced Peach Tea and VITA CHA T DIN Iced Lemon Tea have also been launched with good results.

The Group's school tuck shop business, operated by wholly-owned subsidiary Vitaland Services Limited, continued to grow in market share with the number of tuck shops increasing to 256 by the end of September of 2003, an increase of 18% from 217 six months ago. Tuck shop sales fell by almost 50% in the first quarter of fiscal 2003/2004 due to school closure but rebounded strongly in September 2003. Vitaland's wholly owned subsidiary, Hong Kong Gourmet Limited, has also been expanding its student meal box business steadily in the new school year starting September 2003.

香港(續)

市場表現(續)

(1) 香港本銷市場

受非典型肺炎疫情、失業率高企及其他負面因素影響，香港經濟持續疲弱，嚴重影響二零零三／二零零四年度首六個月之市場氣氛。學校停課及市民大眾減少戶外活動，導致飲品銷量急劇下降，本集團首季銷售額因此而大受影響。為此，本集團將多項廣告宣傳活動推遲至二零零三年六月待消費者信心好轉時方開始推出。

本集團繼續向顧客提供質優、美味及健康之產品，以鞏固其市場地位。針對**維他奶**豆奶、**維他LIGHT**檸檬茶、**維他**純蒸餾水、**維他茶字典**及**維他菓然**系茶而推出之一系列廣告宣傳深受顧客歡迎。成功推出**維他LIGHT**檸檬茶後，本集團在茶方面之業務得到進一步增長，市場領導地位亦更形鞏固。與此同時，本集團推出之**維他**塑膠瓶裝果汁飲品、**維他**花旗參鮮綠茶、**維他菓然**系紅西柚茶飲品、**維他茶字典**蜜桃味冰紅茶及**維他茶字典**檸檬味冰紅茶亦錄得不俗之銷售成績。

本集團屬下由全資附屬公司維他天地服務有限公司經營之學校食物部業務之市場佔有率不斷擴大，截至二零零三年九月底，食物部數目增至256間，較六個月前之217間增加18%。由於學校停課，二零零三／二零零四財政年度首季之食物部銷售額下跌近50%，但隨即於二零零三年九月大幅回升。於二零零三年九月開始之新學年，維他天地之全資附屬公司香港美食有限公司亦已穩步擴展其學生午餐餐盒業務。

MANAGEMENT DISCUSSION AND ANALYSIS

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HONG KONG (continued)

Market Performance (continued)

(2) Export Markets

Although some of our ethnic distributors also came under the impact of SARS in the first quarter, our export sales remained stable as we continued to build our export business by introducing new products to existing distributors and expanding into new countries.

NORTH AMERICA

Production Efficiency

By Location of Assets (Production Plants) 按資產(生產廠房)所在地	Six months ended 30th September, 2003 截至二零零三年 九月三十日止六個月	Six months ended 30th September, 2002 截至二零零二年 九月三十日止六個月	Change 變動
Revenue (HK\$) 收入(港幣元)	218 million 218,000,000元	234 million 234,000,000元	(6.8%)
Segment Result (HK\$) 分部業績(港幣元)	(18 million) (18,000,000元)	(13 million) (13,000,000元)	(38.5%)

In the first half of fiscal 2003/2004, the Group's production plants in Massachusetts and California generated a total revenue of HK\$218 million, a drop of 6.8% from the same period last year. An operating loss of HK\$18 million was recorded (2002/2003 interim: HK\$13 million).

With the Aseptic Soymilk and Unseasoned Tofu categories continuing to contract, trade and marketing investments had to be increased in order to compete in a very tough market environment. With a management team that has been in place for over a year and having regard to market analyses and research data, we have been more focused on penetrating the food service segment by launching new and innovative products. We also continued to improve our internal systems and cost efficiency. Cost reduction initiatives are underway in production, warehousing, distribution and purchasing.

香港(續)

市場表現(續)

(2) 出口市場

儘管本集團部份亞裔產品分銷商於本年度首季亦受到非典型肺炎影響，惟本集團透過向現有分銷商推介新產品及拓展業務至新國家，持續建立其出口業務，本集團之出口銷售額得以保持穩定。

北美洲

生產效率

於二零零三／二零零四財政年度上半年，本集團位於麻省及加州之生產廠房之總收入為港幣218,000,000元，較去年同期下跌6.8%。錄得經營虧損港幣18,000,000元(二零零二／二零零三年度中期：港幣13,000,000元)。

鑑於無菌紙包裝豆奶及非調味豆腐產品之需求持續下降，本集團不得不增加對商戶及市場推廣方面之投資，務求在艱困市況下維持競爭力。管理隊伍在本集團工作已逾一年，以及考慮到各項市場分析及研究數據，藉着推出新穎而富創意之產品，特別集中發展食品服務市場。本集團亦繼續改善內部系統及成本效益，在生產、倉儲、分銷及採購方面正積極採取成本控制措施。

MANAGEMENT

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NORTH AMERICA (continued)

Market Performance

By Location of Customers 按客戶所在地	Six months ended 30th September, 2003 截至二零零三年 九月三十日止六個月	Six months ended 30th September, 2002 截至二零零二年 九月三十日止六個月	Change 變動
Revenue (HK\$) – North American Market 收入(港幣元) – 北美洲市場	250 million 250,000,000元	266 million 266,000,000元	(6.0%)

During the period under review, Seasoned Tofu consumption was up 7.4% but represented less than 17% of the retail Tofu category. Unseasoned Tofu made up the larger part of the category and consumption was down by 2.3%. The Tofu market remained very competitive with several small regional companies wrestling for market share. The Aseptic Soymilk category declined by 5.7%. This market remained very price sensitive as brands strove to maintain their share and as consumers turned to Refrigerated Soymilk and other soy-based beverages. The Refrigerated Soymilk category continued to grow, up by 25.3%. This market was also very competitive as national companies were fighting fiercely for market share and shelf space. In our analysis, the better opportunity for growth should be in the food service and alternate channels.

For the six months to 30th September, 2003, the Group's sales revenue in North America was down by 6% from the same period last year. This decrease was due primarily to lower Aseptic Soymilk sales in the club store channel and mainstream retail market. Refrigerated Soymilk, however, increased in revenue by a healthy 4%. We are glad to report that focused trade investments in the Boston area have resulted in increased market share in the Refrigerated Soymilk category. VITASOY Refrigerated Soymilk is now the No. 2 brand in the Boston market. Despite economic challenges and increased competition, our ethnic business was able to maintain sales volume at the same level as the previous year.

北美洲(續)

市場表現

於回顧期間，調味豆腐銷量上升7.4%，但佔零售豆腐總銷售不足17%。非調味豆腐所佔之比例較高，其銷量則下跌2.3%。數間小型地區性公司加入爭奪市場佔有率，故豆腐市場之競爭仍然激烈。無菌紙包裝豆奶產品之銷量下跌5.7%。由於各種品牌均設法保持其市場佔有率，加上消費者轉向飲用鮮凍豆奶產品及其他豆製飲品，令市場價格變化不定。鮮凍豆奶產品之銷量持續增長，增幅達25.3%。多家全國性企業正在致力爭奪市場佔有率及貨架空間，鮮凍豆奶產品市場之競爭亦十分激烈。據本集團分析，食品服務及其他銷售渠道應有更大發展潛力。

截至二零零三年九月三十日止六個月，本集團於北美洲之銷售收入較去年同期下跌6%，主要原因為無菌紙包裝豆奶於各大型超市及主流零售市場之銷售額減少。然而，鮮凍豆奶之收入卻穩步增長4%。本集團欣然呈報，集中在波士頓地區之商戶推廣投資令鮮凍豆奶產品之市場佔有率有所上升。維他奶鮮凍豆奶現時乃波士頓市場第二大品牌。儘管經濟環境充滿挑戰，競爭愈趨激烈，本集團亞裔市場業務之銷量仍能夠保持與去年相若之水平。

MANAGEMENT

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NORTH AMERICA (continued)

Market Performance (continued)

It should be noted that the Group has been taking various initiatives to grow sales in the North American market, although the results of these are not yet fully reflected in this interim report. For example, by shifting our marketing investments to stimulate consumer off-takes, we hope to grow Tofu sales more effectively. To capitalise on the growing Seasoned Tofu Segment, we have also successfully developed the All-natural Marinated Tofu under the NASOYA brand, which was launched in October 2003. This innovative product appeals to health-conscious consumers who are eager to try tofu but unsure how to prepare it. They can now find this bite-sized organic tofu in both supermarkets and natural food stores. More initiatives for boosting sales are now in the pipeline, the results of which will start to be reflected in the second half of fiscal 2003/2004.

MAINLAND CHINA

Production Efficiency

By Location of Assets (Production Plants) 按資產(生產廠房)所在地	Six months ended 30th September, 2003 截至二零零三年 九月三十日止六個月	Six months ended 30th September, 2002 截至二零零二年 九月三十日止六個月	Change 變動
Revenue (HK\$) 收入(港幣元)	277 million 277,000,000元	272 million 272,000,000元	1.8%
Segment Result (HK\$) 分部業績(港幣元)	28 million 28,000,000元	36 million 36,000,000元	(22.2%)

During the period under review, our production plants in Shanghai and Shenzhen together contributed HK\$277 million to the Group's total revenue, representing an increase of 1.8% over the same period last year. Owing to fierce price competition on ready-to-drink products in PET plastic bottles and lower contribution from export sales to Hong Kong, the segment result for the period was HK\$28 million (2002/2003 interim: HK\$36 million).

北美洲(續)

市場表現(續)

值得注意的是，本集團一直推行多項積極計劃，致力增加北美洲市場之銷售額，惟有關計劃之成績在本中期報告尚未得到全面反映。例如，本集團希望透過轉換市場推廣宣傳來刺激顧客消費，以更有效地提高豆腐銷售額。為把握不斷發展之調味豆腐市場，本集團亦成功推出NASOYA品牌之全天然醃製豆腐，並於二零零三年十月推出市場。對於眾多注重健康之顧客，既想一嘗豆腐滋味而又不懂如何烹調，此新產品無疑十分吸引。此款小口塊有機豆腐產品，現時在超級市場及天然食品商店均有出售。更多刺激銷售之計劃目前正積極進行中，其成效將於二零零三／二零零四財政年度下半年開始顯現。

中國大陸

生產效率

於回顧期間，設於上海及深圳之生產廠房合共為本集團帶來總收入港幣277,000,000元，較去年同期上升1.8%。由於塑膠瓶裝即飲產品價格競爭激烈，加上輸往香港之出口收入減少，期內之分部業績為港幣28,000,000元（二零零二／二零零三年度中期：港幣36,000,000元）。

MANAGEMENT

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MAINLAND CHINA (continued)

Market Performance

中國大陸(續)

市場表現

By Location of Customers 按客戶所在地	Six months ended 30th September, 2003 截至二零零三年 九月三十日止六個月	Six months ended 30th September, 2002 截至二零零二年 九月三十日止六個月	Change 變動
Revenue (HK\$) – Mainland China Market 收入(港幣元) – 中國大陸市場	92 million 92,000,000元	89 million 89,000,000元	3.4%

Consumer sentiments were at first dampened by the SARS outbreak. The soymilk industry in Mainland China experienced modest volume growth and continued to be under severe competition from dairy milk, which was heavily promoted at both the consumer and trade levels. Consequently the price differential between soymilk and dairy milk has been narrowing.

Despite the impact of SARS and the increasingly competitive environment, the Group achieved a healthy sales growth of 3.8% in Guangdong, due mainly to the successful launch of our high-fibred juice. By taking advantage of continued growth in southern China, we have been more active in distributing our products in Fujian, Hunan and Sichuan. Volume gains in these provinces in the first six months of fiscal 2003/2004 were satisfactory. However, the positive growth was partly offset by a marginal decline in sales of 2.5% in eastern China. The contractual packaging cooperation arrangement of our Shanghai Plant has been yielding better-than-expected results and has significantly improved the utilisation rate of the plant's capacity. We will, therefore, continue to work towards entering into further similar cooperation with our partners.

消費者意慾最先因爆發非典型肺炎而有所減弱。中國大陸之荳奶業增長輕微，且與奶類產品之競爭持續激烈，而奶類產品於消費者及商戶方面的宣傳攻勢均相當凌厲。因此，荳奶與奶類之價格差異正逐漸縮小。

儘管受非典型肺炎影響以及日趨激烈之競爭，本集團在廣東之銷售額仍穩步增長3.8%，主要有賴於本集團成功推出高纖維果汁飲品。本集團把握華南地區持續增長之有利優勢，在福建、湖南及四川積極分銷本集團產品。二零零三／二零零四財政年度首六個月在該等省份取得之銷量增幅令人滿意。然而，華東地區之銷售額則輕微下跌2.5%，局部抵消在華南地區取得之正面增長。上海廠房取得之委託包裝合約較預期取得更好成績，且大幅提升廠房之使用率。因此，本集團將繼續致力與合作夥伴訂立更多類似之合作安排。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層之討論及分析

AUSTRALIA AND NEW ZEALAND

Production Efficiency

By Location of Assets (Production Plants) 按資產(生產廠房)所在地	Six months ended 30th September, 2003 截至二零零三年 九月三十日止六個月	Six months ended 30th September, 2002 截至二零零二年 九月三十日止六個月	Change 變動
Revenue (HK\$) 收入(港幣元)	48 million 48,000,000元	35 million 35,000,000元	37.1%
Segment Result (HK\$) 分部業績(港幣元)	(4 million) (4,000,000元)	2 million 2,000,000元	(300.0%)

In the first half of fiscal 2003/2004, the Wodonga plant in Victoria generated HK\$48 million in revenue, an increase of 37.1% from the same period a year ago. The strong sales growth was mainly due to the continued growth of Refrigerated Soymilk and the stronger AUD. To build on the growth momentum currently experienced and to expand our market share, we considered it important and necessary to invest more in advertising and promotion. Owing to an additional spending on advertising campaigns, the segment result was a loss of HK\$4 million (2002/2003 interim profit: HK\$2 million). On the whole, the plant has been operating satisfactorily, despite some issues with the performance of packaging suppliers during the period under review.

Market Performance

By Location of Customers 按客戶所在地	Six months ended 30th September, 2003 截至二零零三年 九月三十日止六個月	Six months ended 30th September, 2002 截至二零零二年 九月三十日止六個月	Change 變動
Revenue (HK\$) – Australian and New Zealand Market 收入(港幣元) – 澳洲及新西蘭市場	52 million 52,000,000元	39 million 39,000,000元	33.3%

澳洲及新西蘭

生產效率

於二零零三／二零零四財政年度上半年，位於維多利亞省烏東加市之廠房錄得收入港幣48,000,000元，較去年同期上升37.1%。銷售額強勁增長，主要有賴於鮮凍豆奶產品銷售額持續增長及澳元走勢強勁。為保持目前之銷售額增長趨勢並擴大市場佔有率，本集團認為增加對廣告宣傳及推廣活動之投資實為重要。由於增加廣告活動支出，分部業績錄得虧損港幣4,000,000元（二零零二／二零零三年度中期溢利：港幣2,000,000元）。整體而言，儘管於回顧期間包裝供應商曾出現一些問題，該廠房之營運仍令人滿意。

市場表現

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管理層之討論及分析

AUSTRALIA AND NEW ZEALAND (continued)

Market Performance (continued)

The soymilk market in Australia continued to grow steadily. While the Aseptic Soymilk segment remained stable, the Refrigerated Soymilk segment grew by 7.7% year-on-year. VITASOY remains the driver of growth in the Australian market by virtue of our LUSH Fruit-flavoured Soymilk products that have been highly popular since their launch in October 2002.

In the Aseptic Soymilk market, competition on price remained severe, with the market leader dictating the frequency and extent of price cuts. We have reduced the price of VITASOY Aseptic Soymilk so that it is now at a 15% premium over the market leader. We have also resumed advertising in magazines after a break of more than 12 months. In the Australian market, VITASOY has been growing at the fastest rate – for instance, at 12.5% during the second quarter of 2003 – whereas all the other market players' sales were either flat or declining.

In New Zealand, there is only the Aseptic Soymilk market, which grew 11% in sales volume. VITASOY's sales grew by 2.4%. The shortfall was primarily due to difficulties experienced with a major retailer who was consolidating his systems during the period. The problems have been solved and the latest figures are pointing to a return to growth at the market level.

澳洲及新西蘭(續)

市場表現(續)

澳洲豆奶市場繼續穩步增長。無菌紙包裝豆奶銷售保持穩定，而鮮凍豆奶產品銷售較去年同期增長7.7%。自LUSH果味豆奶產品於二零零二年十月推出以來深受市場歡迎，成為維他奶品牌保持在澳洲市場增長之動力。

無菌紙包裝豆奶市場之價格競爭依然激烈，市場主導者操縱產品減價之幅度及頻密程度。本集團亦已減低維他奶無菌紙包裝豆奶之售價，並維持該類產品之售價較市場主導產品之售價高出15%。另外，本集團在暫停宣傳攻勢超過十二個月後重新恢復在各類雜誌刊登廣告。在澳洲市場，維他奶品牌乃業內增長最快之商家，舉例，於二零零三年第二季之銷售增長達12.5%，而市場上所有其他商家之銷售額則只能保持以往水平或甚至下跌。

新西蘭方面，祇有無菌紙包裝豆奶市場，整體銷量錄得11%之增長。維他奶之銷售額增長為2.4%，增幅低於市場水平，主因是一間主要零售商於期內整合系統，影響了本集團產品之銷售。上述問題現已解決，最新數據顯示維他奶之銷量增幅正回升至市場增長水平。

MANAGEMENT

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管理層之討論及分析

GENERAL OUTLOOK

We are pleased to see positive signs that the Hong Kong economy is gradually improving, although there are still uncertainties in the immediate future. The retail environment in Hong Kong would probably remain somewhat difficult in the second half of fiscal 2003/2004 as deflationary pressure persists. For the beverage sector as a whole, competition in price would be strong, thus affecting profit margin in general. However, we expect to see success in our new advertising campaigns for VITASOY and VITA GOR YIN HAI Tea, increased market share, increased distribution of VITA Pure Distilled Water as well as good sales performance of new products such as VITA LIGHT Lemon Tea and VITA CHA T DIN Iced Tea PET (plastic bottle). All these will contribute to steady sales growth in the second half while helping us strive to maintain our profitability. We also expect our tuck shop business to make further progress and increase in market share because schools and parents are in favour of operators that can ensure high quality in hygiene and service for students. As always, we are committed to stringent hygiene standards and are well poised to capitalise on this demand.

North America remains a major market for the Group. Our focus in North America will be to create new products and new tastes and, at the same time, develop new business in the alternate and food service channels in order to boost our market share. Vitasoy USA began shipment of the All-natural Marinated Tofu in October 2003. Consumers' response to this innovative new product has been very positive so far. We are hopeful that it will attract new users to the category and drive future sales growth. We also believe that future growth will continue to come from innovative new products that can stimulate sales in both the Aseptic Soymilk and Tofu categories. The shipment of new products and packaging developed for the food service channel will begin in 2004. Moving forward, other initiatives with select key natural foods customers will add incremental Tofu sales to the business. It will take some months to fully develop and see the results of these and other initiatives, but we are confident that they will contribute to both top-line and bottom-line growth.

整體展望

本集團欣然看見種種正面跡象顯示香港經濟正逐步改善，儘管短期內仍未見明朗。由於通縮壓力持續，於二零零三／二零零四財政年度下半年香港零售環境可能仍然較為困難。就飲品業整體而言，價格競爭激烈，從而影響整體邊際利潤。然而，本集團預期在維他奶及維他菓然系茶之新宣傳廣告活動帶動下，加上市場佔有率上升，增加維他純蒸餾水之分銷渠道，並在維他LIGHT檸檬茶及維他茶字典冰紅茶塑膠瓶裝等新產品之配合下，下半年之銷售額可取得穩步增長，並有助本集團致力維持其盈利能力。此外，由於學校及家長傾向選擇能為學生提供優質及衛生之服務之營運商，本集團預期食物部業務將繼續發展，擴大市場佔有率。本集團秉承一貫宗旨，嚴格遵守衛生標準，並已準備就緒把握此等需求良機。

北美洲仍為本集團之重要市場。本集團在北美洲之重點策略為創製新產品及新口味，同時於其他及食品服務業發展新業務，藉以擴大市場佔有率。維他奶美國於二零零三年十月開始付運全天然醃製豆腐。到目前為止，消費者對該新產品之反應熱烈，可望吸引新客戶，並進一步提升銷售量。本集團亦認為，新產品會刺激無菌紙包裝豆奶及豆腐之銷售量，從而繼續為本集團未來之增長作出貢獻。新產品及新包裝將於二零零四年開始於食品服務業推出。展望未來，與主要天然食品客戶合作之其他計劃項目將增加該業務之豆腐銷售量。該等及其他計劃項目需數月方能全面展開及取得成果，然而，本集團充滿信心，相信該等計劃項目將可增加銷售額及淨收益。

MANAGEMENT

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管理層之討論及分析

In Mainland China, there is still immense potential for further growth. While we continue to reinforce our leadership in the soymilk market, we are also actively diversifying into other fast-growing product categories such as tea and juice drinks. Our strategy is to capture a bigger share of Mainland China's beverage market by means of value-added and trendy products. We are also strengthening our leadership in key retail chains by gearing up the organisation for customer and outlet management. We are especially confident in the prospects of the south. However, intense competition in price may have impact on the Group's margin for the remainder of the year. In short, we expect Mainland China to continue contributing to the Group's sales and profits in the coming years.

We also expect to see steady growth in the Australian and New Zealand market, which is growing in importance for the Group. Moving forward, we will continue building our brands to grow our market share and launching new products in both the Aseptic and Refrigerated formats. Several new products are being developed, the results of which will be reported in due course.

To conclude, the numbers for the second quarter of fiscal 2003/2004 are good indicators that steady growth would probably be sustained in the remainder of the year. As always, we are committed to increasing shareholder value in the long term and investing in our brands. We will continue to innovate and produce high quality and value-added products, thereby reinforcing our position as consumers' supplier of choice. We will also continue to reduce costs, improve our efficiency and make use of the best investment opportunities available.

中國大陸方面，市場仍然極具進一步增長之潛力。本集團一方面繼續鞏固本身在豆奶市場之領導地位，同時亦積極將業務範圍擴展至其他增長迅速之產品類別，如茶類及果汁飲品。本集團之策略為透過推出物超所值之潮流產品，務求在中國大陸之飲品市場爭取更大佔有率。同時，本集團透過加強組織客戶及零售管理，鞏固本集團於主要零售連鎖店之領導地位。本集團對華南地區之發展前景尤其樂觀。然而，激烈之價格競爭可能影響本集團於下半年度之利潤。總括而言，預期中國大陸於未來數年將繼續為本集團之銷售額及溢利作出貢獻。

本集團亦預期澳洲及新西蘭市場將日漸壯大，對本集團之重要性亦相應增加。展望未來，本集團將繼續建立本身品牌以擴大市場佔有率，並推出新無菌紙包裝及鮮凍產品。若干新產品目前仍處發展階段，其成果將於適當時候予以報告。

綜上所述，二零零三／二零零四財政年度第二季之數據充份表明，本餘下年度將維持穩定增長。本集團秉承過往宗旨，致力提高股東之長遠利益，並投資建立本身品牌。本集團將繼續創新及推出優質之超值產品，繼而鞏固本集團作為消費者首選之地位。此外，本集團將繼續削減成本、提高效率及把握最佳投資機會。

MANAGEMENT

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管理層之討論及分析

EMPLOYMENT, TRAINING & DEVELOPMENT

The Group continues to take a prudent approach in human resources planning. Our workforce increased by 1.9 % in the first half of fiscal 2003/2004. This is a relatively small increase, given the expansion of our catering services in Hong Kong. As at 30th September, 2003, the number of full-time employees was 2,332. Our policy is to maximise the utilisation of existing staff resources to achieve further productivity gains.

The Group recognises the importance of, and remains committed to, staff development, particularly in the current keenly competitive environment. During the period under review, a wide range of skill training and staff development programmes were launched in Hong Kong, Mainland China and North America with a view to improving job-related competencies and efficiency.

The Group is also fully committed to the safety and health of employees. The safety and health committees established in the Group's various operations are responsible for constantly improving safety and health in the workplace by carrying out risk assessment of work sites regularly and by establishing policies and guidelines for improvement and taking corrective action where necessary. Regular and intensive training on safety and health is also provided for staff.

The Group's remuneration policies and packages remain unchanged. Discretionary bonuses and other merit payments are based on the Group's and individual performance and reflect value creation.

僱員、培訓及發展

本集團在人力資源調配上繼續採取審慎策略。於二零零三／二零零四財政年度上半年，本集團之僱員人數增加1.9%。僱員人數之輕微增幅乃由於本集團香港飲食服務業務之擴展。於二零零三年九月三十日，全職僱員人數為2,332人。本集團之政策為盡力發揮現有人力資源之最大潛質，提升未來生產力。

本集團深覺員工發展之重要性，尤其面對當前激烈之競爭環境，對員工發展仍不遺餘力。於回顧期內，本集團於香港、中國大陸及北美洲推出各項技能培訓及員工發展課程，務求提升工作能力及效率。

本集團關注僱員之工作安全及健康。本集團各分部均設有安全及健康委員會，專責不斷改善工作地點之安全及健康事宜，包括定期對工作地點進行風險評估，制訂改善政策及指引及作出相應改善工作。本集團亦就工作安全及健康等環節定期為員工提供更深入之訓練。

本集團之薪酬政策及福利組合維持不變。酌情花紅及其他優異表現之獎金均視乎本集團及個別僱員之表現發放，作為對員工所作貢獻之表揚及報酬。

MANAGEMENT

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管理層之討論及分析

FINANCIAL REVIEW

With the generation of healthy cash flow, we are constantly assessing effective means for deploying our cash. After the payment of the special dividend in September 2003, the Group still maintained a healthy net cash position of HK\$204 million (31st March, 2003: HK\$244 million). Undrawn facilities available to the Group totalled HK\$353 million.

The total bank borrowings as at 30th September, 2003 amounted to HK\$189 million (31st March, 2003: HK\$181 million). The maturity profile is spread over a period of five years, with HK\$168 million repayable in the first year, HK\$4 million in the second year and HK\$17 million within the remaining three years. The amount of borrowings denominated in US Dollar, Renminbi and Australian Dollar were the equivalents of HK\$26 million, HK\$55 million and HK\$108 million respectively. The gearing ratio (total borrowings/ shareholders' funds) was 15.7% (31st March, 2003: 14.5%).

With adequate funds and unused banking facilities, the Group's liquidity position remains strong. Capital expenditure during the period amounted to HK\$24 million (2002/2003 interim: HK\$26 million), which was primarily funded by cash from operations. There are no material changes in contingent liabilities, charges on assets and exposure to fluctuations in interest and exchange rates.

財務回顧

由於現金流量穩健，本集團不時評估運用現金之有效方式。於二零零三年九月派發特別股息後，本集團之現金淨額維持在港幣204,000,000元（二零零三年三月三十一日：港幣244,000,000元）之穩健水平。可供本集團動用惟仍未提用之信貸額合共港幣353,000,000元。

於二零零三年九月三十日之銀行借貸共達港幣189,000,000元（二零零三年三月三十一日：港幣181,000,000元）。貸款年期最長為五年，其中港幣168,000,000元須於首年償還，港幣4,000,000元於第二年償還，另港幣17,000,000元則須於餘下三年內償還。借貸分別以美元、人民幣及澳元為單位，金額分別相當於港幣26,000,000元、港幣55,000,000元及港幣108,000,000元。負債比率（借貸總額／股東資金）為15.7%（二零零三年三月三十一日：14.5%）。

由於資金充裕及尚有未動用之銀行信貸，本集團之流動資金狀況仍然雄厚。期內之資本支出達港幣24,000,000元（二零零二／二零零三年度中期：港幣26,000,000元），主要以營業所得現金支付。或然負債、資產抵押及利率和匯率波動風險概無重大變動。