



WINSTON YAU-LAI LO  
EXECUTIVE CHAIRMAN

羅友禮  
執行主席



WITH THE CONCERTED EFFORT OF OUR VARIOUS OPERATIONS, 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.

儘管香港以及全球各地經營環境困難，本集團憑著各業務單位之共同努力，銷售額與毛利皆有上升，並於下半年重拾整體增長升勢。

No doubt 2003 will be remembered as an exceedingly challenging year for the Group on account of the volatile market conditions at home and around the world, especially in the first half of the year. However, through the concerted effort of our various operations, we managed to increase our sales and profit again and regain our overall growth momentum in the second half.

The Group's total turnover for the year ended 31st March, 2004 reached HK\$2,269 million, representing an increase of 1.8% over the previous year. Gross profit for the year was HK\$1,288 million, up 3.5%. To ensure that business in Hong Kong was back on track immediately after Severe Acute Respiratory Syndrome (SARS) and to strengthen our brands in major markets, the Group incurred an additional HK\$41 million in marketing and promotional campaigns. Profit attributable to shareholders was HK\$116 million, representing a drop of 16.5%.

The Board of Directors is recommending a final dividend of HK5.7 cents per share (2002/2003 final dividend: HK5.7 cents per share) at the Annual General Meeting on 9th September, 2004. This, together with the interim dividend of HK2.8 cents per share, will make a total dividend of HK8.5 cents per share for fiscal 2003/2004 (2002/2003 total dividend: HK8.5 cents per share). On top of that, in view of our strong cash position, the Board of Directors is also recommending a special dividend of HK5.0 cents per share (2002/2003 special dividend: HK5.0 cents per share).



由於本地及全球市場動盪，二零零三年無疑為本集團極具挑戰性之一年，尤以上半年為甚。然而，憑著各業務單位之共同努力，本集團於下半年之銷售額與溢利皆有增長，並重拾整體升勢。

本集團截至二零零四年三月三十一日止年度總營業額達港幣2,269,000,000元，較去年增加1.8%。本年度毛利為港幣1,288,000,000元，上升3.5%。為確保香港業務於嚴重急性呼吸系統綜合症(非典型肺炎)肆虐後能儘快重上軌道，及為加強本集團品牌在各主要市場之知名度，本集團額外投資港幣41,000,000元於市場推廣及宣傳活動等方面。股東應佔溢利為港幣116,000,000元，減少16.5%。

董事會將於二零零四年九月九日舉行之股東週年大會上建議派發末期股息每股港幣5.7仙(二零零二／二零零三年度末期股息：每股港幣5.7仙)，連同已派發之中期股息每股港幣2.8仙，二零零三／二零零四年度之股息總額達每股港幣8.5仙(二零零二／二零零三年度股息總額：每股港幣8.5仙)。此外，鑑於本集團之現金充裕，董事會亦建議派發特別股息每股港幣5.0仙(二零零二／二零零三年度特別股息：每股港幣5.0仙)。

### GENERAL REVIEW

Notwithstanding the uncertainties we encountered in our major markets, we have followed a clearly focused business strategy by continuing with product development and innovation, aggressive marketing, brand building, process improvement and cost management.

In particular, we recognise that, in the long run, our brand equity is the most valuable asset for the whole Vitasoy Group. We have, therefore, been pursuing a strategy of innovative marketing consistently to reinforce our brands on a continuous basis so as to enhance our market leadership.

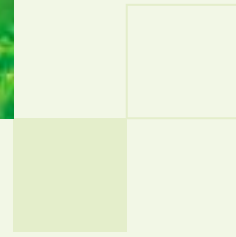
To fortify our market position as consumers' supplier of choice that makes high quality, great tasting and healthy products, we continued to invest in advertising and promotion to strengthen our brands and expand our markets in the past year. Our efforts in these areas resulted in overall sales growth in key markets such as Hong Kong, Mainland China and Australia. In North America, we also posted healthy sales growth in our Tofu category.

In Hong Kong, our major market, the SARS outbreak in March 2003 and its ramifications adversely impacted almost all sectors, in particular retail. Understandably, the beverage market was severely affected because of the virtual disappearance of outdoor and group activities in early summer. Our tuck shop sales also fell by almost 50% in the first quarter of fiscal 2003/2004 due to the suspension of classes. As a result, our overall sales volume in Hong Kong dropped in the first quarter of fiscal 2003/2004. However, immediately after SARS, we engaged in aggressive marketing and promotion campaigns that gave strong support to our brands as well as new product launches. As a result, sales picked up strongly in the second quarter and thereafter and we also succeeded in increasing our beverage market share in Hong Kong. At the same time, the Group's tuck shop business also rebounded strongly after the first quarter and has continued to expand in terms of both revenue and market share.

In North America, overall sales were affected by the continued contraction of the Aseptic Soymilk market. This was, however, partially offset by a healthy growth in the sales of Tofu as we continued to develop and launch value-added products in this category. Our initiatives in developing new products have further re-affirmed our leadership in the Tofu category. New product launches and continued competition in price necessitated higher spending in advertising and promotion, thus impacting our profitability in this market.

In Mainland China, we continued to grow our sales by strengthening product distribution and outlet management. Sales increased not only in Guangdong but also in the eastern part of China. The utilisation rate of the Shanghai plant's production capacity continued to improve, thus further narrowing its operating loss.

The performance of our operation in Australia and New Zealand was exceptionally good during the year. We achieved very strong growth in sales due to the popularity of the Refrigerated Soymilk category and the success of other newly launched products. In fact VITASOY has been the fastest growing brand in the Australian market. We are pleased that increased marketing and brand building have ensured the growth of our market share.



## 概覽

儘管各主要市場面對種種不明朗因素，本集團仍貫徹清晰而專注的業務策略，繼續研製創新產品、推行進取的市場推廣活動、建立品牌、改善流程以及有效管理成本。

尤其是，本集團認識到，長遠而言，其品牌價值將為本集團最寶貴之資產。本集團因而繼續貫徹執行創新之市場推廣策略，不斷加強品牌知名度，從而提升本集團之市場領導地位。

為鞏固市場地位及為消費者提供高質素、美味、健康有益的產品，本集團於過去一年繼續投資市場推廣及廣告宣傳上，以提高品牌知名度及擴展市場，令香港、中國大陸及澳洲等主要市場之整體銷售額均有提升。於北美洲，本集團之豆腐產品亦錄得穩定之銷量增長。

於香港這主要市場，二零零三年三月爆發之非典型肺炎及其連鎖影響打擊眾多行業，以零售業尤甚。由於戶外及團體活動於夏季初期幾近消失，飲品市場受到嚴重影響實能理解。由於學校停課，本集團學校食物部之銷售額於二零零三／二零零四財政年度首季亦下跌近半。因此，本集團香港之整體銷量於二零零三／二零零四財政年度首季下跌。然而，非典型肺炎疫情過後，本集團即時採取積極之市場推廣及宣傳攻勢，為本集團旗下各品牌及新產品積極推廣。結果，銷售額於第二季度及其後迅速飆升，本集團亦成功擴大本集團於香港飲品市場之佔有率。與此同時，本集團之學校食物部業務於首季後亦呈強力反彈，收入與市場佔有率均持續上升。

北美洲方面，整體銷售額因無菌紙包裝豆奶市場持續萎縮而受影響。幸好，由於本集團不斷發展及推出高價值之豆腐產品，令豆腐產品之銷售額錄得相當穩定之增長，局部抵銷因無菌紙包裝豆奶市場萎縮之銷售額損失。本集團積極發展新產品之策略亦進一步肯定本集團於豆腐產品之領導地位。然而推出新產品及持續價格戰導致廣告宣傳開支增加，影響本集團於此市場之盈利能力。

中國大陸方面，本集團繼續透過加強產品分銷渠道及零售管理來增加銷售額。廣東之銷售額增加，華東地區亦錄得增長。上海廠房之生產使用率不斷改善，從而進一步縮窄經營虧損。

年內，本集團於澳洲及新西蘭之業務表現奇佳，銷售額因鮮凍豆奶產品受歡迎及成功推出新產品而大增。事實上，**維他奶**已成為澳洲市場增長最快之品牌。這亦證明增加市場推廣及建立品牌均有助擴大市場佔有率。

## OUTLOOK AND STRATEGY

### Hong Kong

In Hong Kong, there are signs that the economy is gradually improving. However, at this stage it is still too early to predict a full rebound as deflation persists and the unemployment rate remains high. As a result, price competition is likely to continue.

To maintain our growth momentum and profit margin, we will continue to innovate and develop new products with higher value. We will also focus on cost management to ensure even more efficient deployment of resources and higher cost-efficiency and productivity.

We have started launching new products and new marketing campaigns for the summer season, and we expect to see steady increase in sales. We have already established an effective model for developing our tuck shop and lunch box businesses in Hong Kong, which is based on hygiene, safety, wholesome ingredients and quality, and we expect to see continued growth in the coming year.

### North America

The demand for soy food products in North America has been increasing steadily but most brands are similarly positioned, and so competition is mainly on the basis of price and shelf space. To achieve any breakthrough, we find it necessary to delve deeper into consumers' preference, with a view to developing products with unique values which appeal to them and justify premium pricing. We are doing exactly just that in the coming months. In addition, we are exploring ways to protect the success of our new products by including proprietary technology. In terms of operation, we would focus on ways to improve production efficiency and profitability.

### Mainland China

In the medium term, Vitasoy China will pursue a strategy that focuses on our core business, core brands and core competency. This, we believe, will help us capture the evident consumer trend where choice is increasingly influenced by heightened health consciousness, deeper knowledge of the nutritional value of soy and better packaging.

We are implementing this growth strategy in the following ways. We will continue to make sensible investment in our core brand – VITASOY. We will improve our outlet management and distribution. We are developing and launching new products that target the family consumption market, which is well established. We are actively pursuing an outsourcing arrangement for our products in order to minimise risks associated with fixed assets. Internally, we will continue to make improvement on our operational efficiency.

### Australia & New Zealand

Australia and New Zealand is a growing market with good potential. Its performance so far has convinced us that there is still much room for further development as the consumer market is receptive to new products.

## 展望與策略

### 香港

根據種種跡象顯示，香港經濟正在逐步復蘇。然而，由於通縮持續及失業率仍然高企，現階段預測經濟能否全面復蘇為時尚早。因此，價格競爭可能仍然持續。

為保持增長動力及利潤率，本集團將繼續創製及發展具高價值之新產品。本集團亦將致力成本管理，確保取得更有效之資源調配、更高之成本效益及生產力。

本集團已於夏季推出新產品及新市場推廣攻勢，並預期取得穩定之銷售額增長。本集團已確立在香港發展學校食物部及午膳餐盒業務之有效模式，以衛生、安全、營養豐富及高質素為本，並預期在來年取得持續增長。

### 北美洲

北美洲市場對豆製產品之需求呈穩定增長，但由於絕大部分品牌定位相似，故競爭主要在於價格與貨架空間方面。為取得突破，本集團認為有必要更深入洞悉消費者喜好，發展獨特、為消費者喜愛並認為物有所值之高價產品。事實上，本集團於未來數月將隨這方向推行策略。此外，本集團正設法透過專有技術等方式來保護新產品帶來之成果。營運方面，本集團將採取不同策略改善生產效率及盈利能力。

### 中國大陸

中線而言，維他奶之中國大陸業務將以持續致力發展核心業務、核心品牌及核心強項為策略。本集團相信，此策略將有助本集團把握時下消費的趨勢；消費者皆日益注重健康、對大豆的營養價值更為認識，而更佳的包裝亦影響他們的選擇。

本集團現推行不同之策略以增長業務。明智地投資本集團之核心品牌**維他奶**、改善零售管理及分銷渠道、發展並推出新產品迎合早已建立之家庭消費市場。本集團正積極安排產品外判生產，以減低固定資產投資之風險。內部方面，本集團將繼續改善營運效率。

### 澳洲及新西蘭

澳洲及新西蘭乃潛質優厚、不斷增長之市場。此市場至今之表現令本集團深信，當地消費市場較易接受新產品，故此本集團大有發展空間來拓展業務。



We expect to see steady growth in both sales and profitability in this market in the coming year. In particular, we expect to gain market share after refocusing our marketing and promotion strategy in both Australia and New Zealand.

Our strategy will focus on the launching of new products in the “value soy beverage” area, flavour innovation as well as growing our sales in petrol stations and convenience stores. A strong volume and brand base is paramount to achieving future profitability in these markets.

#### The Group

The Group's financial position remains very strong and we are in an even stronger cash position than a year earlier. Higher prices of raw materials would be a key factor affecting our production cost in fiscal 2004/2005. However, with our continuing efforts in cost management and productivity improvement, we are confident that our margins could be maintained.

Looking ahead, we believe the coming year would still be full of challenges but we are well equipped to manage those challenges and sustain our growth momentum.

#### RECOGNITIONS/ AWARDS

We are pleased to report that the Group was the winner of a number of awards last year.

The VITASOY brand was elected one of the Top 10 Supermarket Brands in a “Most Favourite Brand Competition” held by one of the leading supermarket chains in Hong Kong.

The VITA brand was elected by over 15,000 on-line users as one of the winners of the “Yahoo! Emotive Brand Award”.

China Enterprise Research and Development Centre (Beijing) recognised Vitasoy as an “Enterprise Operating by Principles of Quality, Integrity and Rules and Regulations”.

#### VOTE OF THANKS

I wish to extend my sincere gratitude to the Board of Directors for their valuable guidance and advice in the past year. I also wish to thank our shareholders, customers and business partners for their relentless support and understanding. I must of course thank every member of our staff for their continued commitment and industriousness and for maintaining a high working spirit throughout this trying period.

**Winston Yau-lai LO**

*Executive Chairman*

14th July, 2004

