# CHAIRMAN'S STATEMENT
# 主席報告書

WINSTON YAU-LAI LO
EXECUTIVE CHAIRMAN
羅友禮
執行主席

I am pleased to report that for the year ended 31st March, 2005, the Group's total turnover was HK$2,380 million, up 4.9%. Gross profit was HK$1,368 million, up 6.2%. Profit attributable to shareholders was HK$124 million, representing an increase of 6.9%. Earnings per share stood at HK$0.125, compared to HK$0.118 a year ago.

The Board of Directors is recommending a final dividend of HK5.7 cents per share at the upcoming Annual General Meeting on 5th September, 2005. This, together with the interim dividend of HK2.8 cents per share, will make a total dividend of HK8.5 cents per share for the full year (2003/2004 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 HK10.0 cents per share (2003/2004 special dividend: HK5.0 cents per share).

## GENERAL REVIEW

The year under review witnessed an apparent improvement of market sentiments and a better operating environment for businesses in general. Despite these favourable developments, challenges for the non-alcoholic beverage industry still abounded as competition in both the domestic and overseas markets intensified. However, with its brand superiority, market leadership, product innovation capabilities and marketing strengths, the Group was able to implement with success its customer-focused and market-focused business strategies that delivered stable growth in both revenue and profit attributable to shareholders.

In Hong Kong, the economy rebounded strongly from the impact of SARS in 2003. Individual sectors were able to benefit from the influx of the Mainland China tourists under the Individual Visit Scheme and the positive effects of the Closer Economic Partnership Arrangements (CEPA). However, for the non-alcoholic beverage industry, competition in this market remained intense and the industry's performance did not really reflect the improvement of the economy and fell by 2% in value instead. Notwithstanding this environment, the Group continued to focus on brand building, quality of life

## VITASOY MAINTAINS CONTINUED SALES AND PROFIT GROWTH BY SUCCESSFUL IMPLEMENTATION OF FOCUSED BUSINESS STRATEGY

## 維他奶集團成功推行重點業務策略
## 銷售額及盈利持續增長

本人欣然匯報，本集團截至二零零五年三月三十一日止年度之總營業額為港幣2,380,000,000元，上升4.9%。毛利為港幣1,368,000,000元，上升6.2%。股東應佔溢利為港幣124,000,000元，增長6.9%。每股盈利為港幣0.125元，去年則為港幣0.118元。

董事會將於二零零五年九月五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。連同已派發之中期股息每股港幣2.8仙，將使全年股息總額達每股港幣8.5仙(二零零三／二零零四年度股息總額：每股港幣8.5仙)。此外，由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10.0仙（二零零三／二零零四年度特別股息：每股港幣5.0仙）。

### 概覽

於回顧年度內，市場氣氛明顯改善，營商環境全面好轉。但由於本地及海外市場競爭劇烈，縱有以上利好之發展因素，非酒精類飲品行業經營仍為困難。然而，本集團憑著本身之品牌優勢、市場領導地位、產品創新能力及市場推廣等強勢，能成功落實以顧客及市場為主之業務策略，使集團之營業額及股東應佔溢利均錄得穩定增長。

在香港，經濟自二零零三年非典型肺炎爆發後呈強勁反彈。個別行業更受惠於自由行計劃下來港的中國大陸遊客，以及更緊密經貿關係安排（CEPA）所帶來之正面效益。然而，非酒精類飲品行業之市場競爭仍然激烈，行業表現不單未有實質反映經濟改善，行業銷售額計算反而下跌2%。儘管市場環境不佳，本集團持續專注建

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product development and innovative marketing, resulting in healthy sales growth and higher profitability. Our tuck shop business also grew in terms of both income and market share as our tuck shop network continued to expand in Hong Kong. Exports from Hong Kong grew strongly as we continued to launch new products and penetrate new markets.

For Vitasoy USA Inc., the year under review was a period of change. A new management team is now in place. During the year, the Group implemented a number of initiatives to reduce operating loss and achieve business growth. These included the consolidation of Tofu manufacturing in the plant in Ayer, Massachusetts, the exit from the unprofitable Refrigerated Soymilk business, the engagement of a new co-packer for Aseptic Soymilk, and major improvements made in supply chain operations. The purpose of these initiatives was to ensure a sharper business focus in the US, to keep abreast of market needs, to enhance our competitiveness and to maximise the utilisation of the production capacity of the Ayer plant. Today Vitasoy USA Inc. has transformed into a more market-oriented company with higher productivity and operational efficiency. We have achieved the original target of narrowing our operating loss in the US. Profitability should improve as annual savings of more than HK$10 million are expected after the consolidation. During the year, we also introduced a robust product development process to allow our marketing team and research and development team to work closely together to anticipate and meet market demands.

In Mainland China, we started implementing a new strategy of "core business, core brand and core competency". Investment was made to reinforce our core brand for Soymilk and to enhance our core competency in order to build our market leadership. The results have been very satisfactory. With a sharper focus only on products with higher profit margins, sales fell in the first half of the year as expected but started to rebound in the second half. More importantly, we achieved our goal of raising our profitability in this market, despite the rise in material costs, power shortage and higher transportation costs. Our Shenzhen plant continued to be profitable whereas our Shanghai plant also improved in capacity utilisation and cash flow.

The Group's performance in Australia and New Zealand was very encouraging in the past year as demands in these markets continued to grow. Sales and profit grew strongly, driven primarily by a successful product innovation programme and effective marketing and promotion. In addition to growing our sales and profit, we also secured larger market shares and made much headway in building our brand in these two markets.

## OUTLOOK AND STRATEGY

Looking ahead, we believe that in the foreseeable future the world economy is still subject to some uncertainties caused by rising US interest rates, oil prices and commodity prices. For the non-alcoholic beverage market in particular, price competition and consumers' changing preferences are likely to remain key challenges.

The Group is committed to maximising shareholder value and being the preferred supplier for customers. With our strong capabilities and track record, we will continue to enhance our competitiveness by pursuing a market-oriented and customer-oriented business strategy that focuses on brand building, product innovation and aggressive marketing in all the markets where we chose to develop. One of our priorities is to further enhance the vitality of our brands by investing

立品牌、開發產品及創新市場推廣，銷售額得以穩健增長而盈利能力也有所提高。本集團之食物部網絡在香港不斷擴展，以收入及市場佔有率計業務亦見增長。香港之出口市場銷量亦因繼續推出新產品及開拓新市場而強勁增長。

於回顧年度，Vitasoy USA Inc. 經歷重大轉變。新管理層現已組成。年內，本集團推行連串積極措施以減低經營虧損及爭取業務增長。有關措施包括將豆腐生產業務合併位於麻省艾爾市之廠房、結束無利可圖之鮮凍荳奶業務、轉換無菌紙包裝荳奶之包裝加工廠商以及大力改善供應鏈營運系統。該等措施旨在鞏固美國業務方針、緊貼市場需要、提高競爭力以及艾爾市廠房之生產設施使用率。今天，Vitasoy USA Inc. 已轉型為一間更市場主導，具較高生產及營運效率之公司。本集團已達到收窄美國業務之經營虧損之原訂目標。預期業務合併後每年可節省超過港幣10,000,000元，盈利能力亦可望隨之改善。年內，美國公司亦推出周詳妥善之產品發展計劃，透過市場推廣與產品發展部門之間之緊密合作，以緊握及迎合市場需求。

中國大陸方面，本集團已開始推行「核心業務、核心品牌及核心能力」之策略。據此，本集團作出之投資旨在加強鞏固本集團荳奶之核心品牌以及提升核心能力，藉以建立本集團之市場領導地位。此策略成效令人滿意。由於只集中於較高利潤之產品，銷售額於上半年如預期般下降，但於下半年已開始反彈。更重要的是，本集團克服了原材料成本上漲、能源短缺及運輸成本高漲等困難，在此市場中達到提升盈利能力之目標。本集團之深圳廠房持續保持盈利，而上海廠房之生產設施使用率與現金流量亦見改善。

在過去一年，由於市場需求持續增長，本集團於澳洲及新西蘭之表現均極為鼓舞。銷售額及盈利之強勁增長乃基於產品開發計劃成功及有效之市場推廣與宣傳。除銷售額及盈利有所增長外，本集團在這兩個市場亦取得更大市場佔有率，於品牌建立方面亦邁進一大步。

## 展望與策略

展望將來，本集團相信全球經濟在可見未來仍將受美國加息、油價及商品價格上漲等不明朗因素困擾。就非酒精類飲品市場而言，預期激烈之價格競爭及迎合消費者口味轉變仍為主要挑戰。

本集團承諾會致力提高股東回報及成為顧客首選之供應商。憑著雄厚實力及往績，本集團將透過落實推行以市場及顧客為主之業務策略，在選定發展之市場上專注建立品牌、創新產品以及積極推廣，以繼續提升本集團之競爭力。本集團其中一項首要工作是投資於產品推廣

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in promotion initiatives. This is crucial for boosting our share and leadership position in our major markets. While we will strive to lower the costs of materials through supply chain management and expanding our sourcing network, we will also continue to enhance our manufacturing and distribution processes to ensure higher efficiency and possibly savings as well.

## Hong Kong

In Hong Kong, as the economy revives and consumer confidence returns, deflationary pressure on the beverage sector would probably subside and overall growth seems more likely in the coming year after a prolonged period of contraction. However, as mentioned above, price competition will remain a key challenge.

To sustain the growth of sales and profit in Hong Kong, we consider it a priority to continue developing new products while adding new elements and values to existing products. We are determined to make further investment in the healthy Soymilk category to take advantage of the current trend of healthy dieting. At the same time, we will also be focused on further boosting the sales of Tea and Juice Drinks that have already garnered wide support from customers. For example, in April 2005 we have launched CALCI-PLUS Oat Soymilk that carries the health benefits of both soy and oat, and have also added a new member to the existing VITA TSING SUM ZHAN range, namely, Grapefruit Lemon Drink.

Our consumer-oriented product innovation programme will help ensure that our products can meet customers' precise needs and drive the growth of sales. We will also continue to invest in brand building and capitalise on our brand portfolio to expand our market share. Meanwhile, with the market's growing recognition of the quality of our products and service, our school tuck shop business is expected to further expand and capture a larger market share in the coming year.

## North America

It appears that the market environment in the US will remain tough in the coming year. However, with the drastic changes we have made to our operation and business structure as well as the measures we have taken to increase competitiveness, our US operation now enjoys a higher degree of flexibility and is in a much better position to capture sustainable sales, narrow operating loss and achieve profitability in the foreseeable future.

Regarding product development, our strategy remains to focus on products with unique values. As many US consumers become more health-conscious, we are increasingly emphasising that VITASOY products are premium quality, and can provide specific health benefits. In order to deliver that message, and to better explain the health benefits of our products, we are building relationships with health care professionals and with the media. We are also increasing our direct contact with consumers. A new Aseptic Soymilk – VITASOY COMPLETE – has been introduced, and a new beverage for weight management is currently in test market.

## Mainland China

The focus in Mainland China has been the Dairy Milk category due to the preference of the mainland consumers whereas the growth of the Soymilk category would remain slow. We would expect the severity of price competition in the Dairy Milk sector to abate in the coming year, this should allow us to allocate more resources for improving distribution efficiency in core cities in southern and eastern China so that we could achieve higher sales and profit growth, and at the same time strengthen our brands' market presence. Regarding Soymilk, we will continue to be proactive with a measured pace by leveraging our strong brands to expand gradually in this market.

上，以進一步增加品牌活力。此舉對提高本集團在其主要市場之佔有率與領導地位極為重要。除致力透過供應鏈管理及擴大採購網絡以減低成本外，本集團將繼續改善本身之生產及分銷工序，以提高效率更或節省成本。

### 香港

香港經濟經過長期萎縮後已見復蘇，消費者信心亦見回升，飲品行業之通縮壓力或將逐漸消除，而整體增長亦可望於來年實現。然而，誠如上述，激烈之價格競爭仍為主要之挑戰。

為保持香港銷售額及利潤增長，本集團認為首要工作是繼續發展新產品，以及就現有產品添加新元素和價值。本集團決定增加投資健康荳奶產品，從而在健康飲食的潮流下取得優勢。與此同時，本集團亦將致力提高已廣受顧客歡迎之茶類及果汁類飲品之銷量。舉例而言，於二零零五年四月，本集團推出兼具大荳及燕麥健康益處之**鈣思寶**大荳燕麥飲品，另在現有之**維他清心棧**產品系列中推出新產品－柚子檸檬飲品。

本集團以客為尊之創新產品計劃將有助確保本集團產品迎合顧客之獨特需要，有助增加銷量。本集團亦將繼續投資品牌建立，並善用本身之品牌組合來擴大市場佔有率。與此同時，隨著本集團之產品與服務質素逐漸受到市場肯定，本集團預期學校食物部業務可望於來年能進一步擴充並佔據更大市場佔有率。

### 北美洲

預期美國之市場環境於來年仍呈困難。然而，本集團之美國業務在經過營運及業務架構重整，以及採取積極措施增加競爭力後，現已更具靈活以爭取持續銷量增長，縮窄經營虧損及於可見將來獲取盈利。

本集團之產品發展策略仍會繼續專注發展具獨特價值之產品。鑑於美國消費者之健康意識日增，本集團將加強宣傳**維他奶**為可提供特定健康益處之優質產品。為達宣傳目的，本集團與保健專家及媒體們保持聯繫，更有效地介紹本集團產品之健康益處，同時亦加強與顧客之緊密接觸。新的無菌紙包裝荳奶VITASOY COMPLETE 經已推出市場，而另一種有助控制體重之新飲品亦正在市場測試。

### 中國大陸

跟隨內地消費者的喜愛，奶類產品仍為中國大陸飲品市場的主流產品，而荳奶類飲品市場之增長則仍然緩慢。本集團預期奶類行業之價格競爭將於來年放緩，本集團將調撥更多資源改善華南和華東核心城市之分銷效率，從而爭取更高之銷售額及溢利增長，並同時加強其品牌之市場優勢。荳奶產品方面，本集團將繼續利用其鞏固之品牌效應，積極地逐步開拓市場。

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Through cooperative packaging arrangement, we will further increase the utilisation of our plant capacity to ensure bottom-line improvement. The Shanghai plant has already established very strong and mutually beneficial relationship with a leading local dairy company through a co-packing contract that was renewed last year. The business thus generated can be extended to the Shenzhen plant to achieve higher synergy and better utilisation of resources. Our successful experience in the co-packing business has enhanced our confidence in pursuing similarly profitable co-packing leads in Mainland China.

The long-term benefits of CEPA should not be underestimated. We are closely monitoring and exploring the market opportunities that have arisen or will arise in the course of time. Our aim is to increase our product offerings and build up a large product portfolio in the Mainland China market by importing from Hong Kong.

### Australia and New Zealand

We believe these markets will flourish and the prospects for the VITASOY brand of products are bright. Double-digit growth is expected to continue in the coming year and the contribution of the Wodonga plant to the Group's revenue and profit should increase.

Growth in the coming year will be driven by new products. In order to better sustain our advantages in this vibrant market and to ensure higher growth and operational efficiency, we remain open to new opportunities and options that may arise.

In May 2005, San Miguel Corporation ("San Miguel"), through its wholly owned subsidiary in Australia, has successfully obtained the controlling interest of National Foods Limited, our joint-venture partner in Australia. National Foods Limited has been a reliable business partner for the Group and San Miguel enjoys a strong market position in Oceania, South East Asia and Mainland China respectively. We have been in discussion with the two companies to understand their positions but at this stage we do not foresee any immediate significant impact on us and we will continue to pursue growth and expansion in Australia and New Zealand.

## THE BOARD OF DIRECTORS

Mr. Chi-kian SHIU, former Non-executive Director of the Board, was re-designated Independent Non-executive Director, effective 10th September, 2004.

Mr. Frank Yau-yee LO resigned as Non-executive Director of the Board for personal reasons with effect from 19th January, 2005. Mr. Fransis Ming-yin KONG resigned as Executive Director of the Board for personal reasons with effect from 18th April, 2005. We thank them for their valuable contribution in the past and wish them all the best.

## VOTE OF THANKS

I wish to thank the Board of Directors for their wise counsel and guidance. I also wish to thank our shareholders, customers and business partners for their continued trust and support. Last but not least, I thank the staff of our operations worldwide for their commitment and good work that are crucial to the success of the Group.

**Winston Yau-lai LO**
*Executive Chairman*
5th July, 2005

通過合作性包裝加工業務，本集團將進一步提高廠房設備之使用率，藉此改善盈利。上海廠房已於去年與國內某大奶品公司延續包裝加工合約，彼此已建立了穩固及互惠關係。此包裝加工業務亦可擴展至深圳廠房，以達致更高之協同效益及更有效地運用資源。於包裝加工業務之成功經驗，加強了本集團之信心在內地發展類似帶來利潤之包裝加工業務。

更緊密經貿關係安排所帶來之長遠利益亦不容低估。本集團正密切注視並發掘已出現或於未來出現之商機。目的是藉着進口香港產品，增加在中國大陸之銷售產品種類及建立更龐大之產品組合。

## 澳洲及新西蘭

本集團相信澳洲及新西蘭市場將持續發展蓬勃，對**維他奶**品牌產品之前景亦感非常樂觀。預期來年銷售額將可保持雙位數字之增長，而烏東加廠房為本集團帶來之收入及利潤亦將會增加。

來年之增長將由新產品所帶動。為更有效地保持本集團在此競爭激烈市場之優勢，及為確保更高增長與營運效率，本集團仍不會錯過任何可能出現之新商機及機會。

於二零零五年五月，San Miguel Corporation（「生力集團」）通過其澳洲之全資附屬公司，成功取得本集團在澳洲之合營夥伴National Foods Limited之控股權益。National Foods Limited乃本集團可靠之業務夥伴，而生力集團則於大洋洲、東南亞及中國大陸市場享有優越之市場地位。本集團一直與這兩間公司商談以便瞭解雙方的立場，惟現階段並未預見會給本集團帶來任何即時之重大影響，而本集團將繼續開拓發展澳洲及新西蘭市場。

## 董事會

董事會前非執行董事邵志堅先生自二零零四年九月十日起，重新改任為獨立非執行董事。

羅友義先生因私人理由自二零零五年一月十九日起辭任董事會非執行董事職務。江明彥先生因私人理由自二零零五年四月十八日起辭任本集團執行董事職務。本集團感謝兩人於過往所作出之寶貴貢獻，並祝願他們萬事如意。

## 鳴謝

本人謹此衷心感謝董事會於過去一年所提供之寶貴意見與指導。本人亦感謝股東、客戶及業務夥伴不斷之信賴和支持。最後，本人還要感謝本集團遍佈全球業務中盡忠職守及為本集團建功立業之全體員工。

**羅友禮**
*執行主席*
二零零五年七月五日