



ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2003

RESULTS

The Board of Directors of Vitasoy International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2003, together with the comparative figures for the previous financial year, as follows:

	Notes	2003 HK\$'000	Restated 2002 HK\$'000
Turnover	2 & 3	2,228,227	2,192,156
Cost of sales		(983,165)	(985,503)
Gross profit		1,245,062	1,206,653
Other revenue		17,184	23,901
Marketing, selling and distribution expenses		(820,990)	(807,461)
Administrative expenses		(161,178)	(163,536)
Other operating expenses		(104,726)	(111,551)
Profit from operations	3	175,352	148,006
Finance costs		(9,617)	(17,355)
Restructuring cost	5	(1,213)	(12,558)
Compensation for traffic accident	6	(781)	(3,567)
Profit on disposal of an associate	7	2,484	-
Share of loss of an associate		(273)	(3,308)
Profit from ordinary activities before taxation	4	165,952	111,218
Taxation	8	(27,760)	(32,953)
Profit from ordinary activities after taxation		138,192	78,265
Minority interests		1,186	8,251
Profit attributable to shareholders		139,378	86,516
Dividends	9	132,586	76,912
Earnings per share	10		
Basic		14.3 cents	8.9 cents
Diluted		14.2 cents	8.9 cents

Notes:

1. Changes in accounting policies and comparative figures

(a) Short-term employee benefits

In prior years, the Group did not provide for the liabilities in respect of its employees' annual leave entitlement. With effect from 1st April, 2002, in order to comply with Statement of Standard Accounting Practice ("SSAP") 34 "Employee benefits" issued by the Hong Kong Society of Accountants ("HKSA"), the Group adopted a new policy for short-term employee benefits.

As a result of this new accounting policy, the profit for the year has been decreased by HK\$185,000 (2002: HK\$415,000) and the Group's net assets as at the year end have been decreased by HK\$8,814,000 (2002: HK\$8,629,000). The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

(b) Translation of financial statements of foreign subsidiaries

In prior years, the results of foreign subsidiaries were translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. With effect from 1st April, 2002, in order to comply with SSAP 11 (revised) "Foreign currency translation" issued by the HKSA, the Group translates the results of foreign subsidiaries at the average exchange rates for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

(c) Consolidated statement of changes in equity

In order to comply with the revised requirements of SSAP 1 (revised) "Presentation of financial statements", the Group adopts the new statement "Consolidated statement of changes in equity" which replaces the "Consolidated statement of recognized gains and losses" included in previous year's financial statements. The new statement reconciles the movement of key components of the shareholders' fund, including share capital, reserves and retained profits, from the beginning to end of a period.

(d) Consolidated cash flow statement

The format of the consolidated cash flow statement has been revised to follow the new requirements of SSAP 15 (revised) "Cash flow statements".

Certain comparative figures have been restated and reclassified based on the requirements of the above new accounting standards adopted.

2. Turnover

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

3. Asset-based geographical segmentation

The analysis of geographical locations of the operations of the Group during the year is as follows:

	Turnover		Profit from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	Restated 2002 HK\$'000
Hong Kong	1,198,715	1,167,803	189,282	182,788
North America	466,123	493,169	(35,401)	(51,573)
The Mainland	486,617	488,546	56,081	53,746
Australia and New Zealand	76,772	42,638	591	(9,552)
	2,228,227	2,192,156	210,553	175,409
Unallocated	-	-	(35,201)	(27,403)
	2,228,227	2,192,156	175,352	148,006

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 distribution of food and beverages.

4. Profit from ordinary activities before taxation

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

	2003 HK\$'000	2002 HK\$'000
Interest income	(5,819)	(12,457)
Finance charges on obligations under finance leases	353	89
Interest on bank loans and bank overdrafts	9,264	17,266
Depreciation	110,597	101,756
Cost of inventories (2002: restated)	1,066,827	1,059,867

5. Restructuring cost

During the year ended 31st March, 2002, the Group underwent a restructuring of its operations in the US whereby the operations in the East Coast and West Coast were integrated into one. The restructuring cost comprised severance payments of HK\$7,821,000, provision for the operating lease charges for the San Francisco office after relocation of HK\$3,915,000, and others of HK\$822,000.

During the current year, additional severance payments of HK\$1,213,000 were paid.

6. Compensation for traffic accident

This represents compensation for a traffic accident relating to one of the Company's subsidiaries, Nasoya Foods Inc. ("NFI"), which occurred in 2000. Three death lawsuits and several injury claims were filed against NFI, of which three injury claims remained unsettled at 31st March, 2003. At 31st March, 2002, the Group had established a provision for claims, which was in excess of the insurance coverage, amounting to HK\$3,567,000. During the year, an additional provision for claims of HK\$781,000 was made based on the best estimate of the legal advisor.

7. Profit on disposal of an associate

Equity interest in Sodexho (Hong Kong) Limited, an associate, was sold in August 2002 for a consideration of HK\$14,000,000, giving rise to a gain on disposal of HK\$2,484,000.

8. Taxation

Taxation in the consolidated results represents:

	2003 HK\$'000	2002 HK\$'000
Hong Kong taxation	29,934	33,667
Overseas taxation	1,879	1,667
Deferred taxation	(4,031)	(2,419)
	27,782	32,915
Share of associate's taxation	(22)	38
	27,760	32,953

The provision for Hong Kong profits tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

9. Dividends

(a) Dividends attributable to the year

	2003 HK\$'000	2002 HK\$'000
Interim dividend declared and paid of HK2.8 cents per share (2002: HK2.8 cents per share)	27,275	27,233
Final dividend proposed after the balance sheet date of HK5.7 cents per share (2002: HK5.1 cents per share)	56,100	49,679
Special dividend proposed after the balance sheet date of HK5.0 cents per share (2002: Nil)	49,211	-
	132,586	76,912

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

(b) Dividend attributable to the previous year, approved and paid during the year

	2003 HK\$'000	2002 HK\$'000
Final dividend in respect of the previous year, approved and paid during the year, of HK5.1 cents per share (2002: HK5.1 cents per share)	49,679	49,701

10. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$139,378,000 (2002 restated: HK\$86,516,000) and the weighted average number of 974,236,000 ordinary shares (2002: 973,509,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$139,378,000 (2002 restated: HK\$86,516,000) and the weighted average number of 980,266,000 ordinary shares (2002: 975,459,000 ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliation

	2003 Number of shares '000	2002 Number of shares '000
Weighted average number of ordinary shares used in calculating basic earnings per share	974,236	973,509
Deemed issue of ordinary shares for no consideration arising from share options	6,030	1,950
Weighted average number of ordinary shares used in calculating diluted earnings per share	980,266	975,459

11. Other movements in reserves

Other movements in reserves of the Group for the years ended 31st March, 2003 and 2002 are as follows:

	2003 HK\$'000	2002 HK\$'000
Increase in share premium account arising from issue of shares	3,909	-
Decrease in capital reserve arising from transfer to retained profits	(4,087)	(4,086)
Increase in capital redemption reserve arising from repurchase of own shares	-	483
Increase in exchange reserve arising from translation of the financial statements of foreign subsidiaries	594	3,576
Increase in legal reserve arising from transfer from retained profits	-	2,480

DIVIDENDS

The Board of Directors is recommending a final dividend of HK5.7 cents per share (2002 final dividend: HK5.1 cents per share) at the forthcoming Annual General Meeting. This, together with the interim dividend of HK2.8 cents per share (2002 interim dividend: HK2.8 cents per share), will make a total dividend of HK8.5 cents per share for the whole year (2002 total dividend: HK7.9 cents per share). On top of that, in view of our strong balance sheet, the Board of Directors is also recommending a special dividend of HK5.0 cents per share.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 28th August, 2003 to Wednesday, 3rd September, 2003, both days inclusive, during which period no transfer of shares will be effected. To determine entitlement of shareholders to the recommended final dividend, 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 Wednesday, 27th August, 2003.

MANAGEMENT DISCUSSION & ANALYSIS

Turnover

The Group's sales continued to increase in the year under review. To further strengthen our brands and market leadership, we have been adding new value to our existing products and launching healthy, great-tasting and trend-setting products that were generally welcomed by customers. We also kept on expanding our business by making our products available

in new channels and building our brands in fast-growing global markets. In general, sales growth was more pronounced in the first half of the year, slowing down in the second half.

The Group's total turnover for the year ended 31st March, 2003 was HK\$2,228 million, up 1.6% from the HK\$2,192 million registered in the previous year. In fact we were able to sustain a stable year-on-year growth of 4.8% if we exclude North America, which was affected to a certain extent by the weakened demand for Aseptic Soymilk and Tofu as well as other unforeseen circumstances.

Gross profit

The Group's gross profit for the year totalled HK\$1,245 million (2002: HK\$1,207 million), an increase of 3.1% over the previous year. The gross profit margin was 55.9%, as compared to 55.1% a year before.

In addition to sales growth, the growth in profit could also be attributed to our ongoing effort in cost management as well as an improvement in overall production efficiency through supply chain management and enterprise resource planning. The resulting higher productivity has enabled us to offer better value to customers and grow our earnings faster than sales.

Distribution, administration and other operating expenses

Cost management remains high on our agenda and our expenses in key areas are kept under tight control. In the year under review, marketing, selling and distribution expenses increased slightly to HK\$821 million (2002: HK\$807 million). Administration expenses amounted to HK\$161 million, compared to HK\$164 million last year. Other operating expenses amounted to HK\$105 million, a decrease of 6.3%. Total operating expenses amounted to 48.8% of sales (2002: 49.4%).

We have always been looking for and implementing new ways to manage our marketing and promotional spending more efficiently in order to achieve volume growth and higher profit. We are glad that the result has been up to our expectations so far.

To improve operational efficiency, the Group's North American operation has already been consolidated to achieve cost synergy.

Operating profit and earnings before interest, taxation, depreciation and amortization expenses (EBITDA)

EBITDA for the year amounted to HK\$278 million, up from HK\$221 million a year earlier. We were able to sustain high productivity throughout our supply chain, hence lifting our gross margin to 55.9% of sales. On the other hand, trade productivity helped us keep marketing spending flat as a percentage of sales. As a result, our EBITDA margin grew to 12.5% of sales (2002: 10.1%). All these numbers speak for our resilience in a highly challenging business environment and the success of our focused expansion and diversification strategy.

Profit attributable to shareholders

For the year ended 31st March, 2003, profit attributable to shareholders was HK\$139 million, representing an increase of 59.8% when compared with the profit of HK\$87 million for 2001/2002. This growth in profit, as also mentioned above, was attributable mainly to improvements in sales performance, operational efficiency, cost management as well as the cost-effectiveness of advertising and promotion.

General review

We are pleased to report that the Group's overall results for fiscal 2002/2003 were a significant improvement over the previous year, especially in terms of profitability, notwithstanding economic uncertainties at home and in most of our overseas markets.

Basically, the Group's business strategies in all major markets around the world continued to focus on brand strengthening and product development. Sales increased steadily in all our major markets, including Hong Kong, the Mainland, and Australia and New Zealand, with the only exception being North America where the focus of the year was consolidation and cost reduction. In terms of profitability, however, improvement was witnessed in all these markets without exception. On the whole, sales growth was more pronounced in the first half of the year in all these markets, slowing down in the second half. Strategy-wise, our focus on market diversification and product development continued to yield very satisfactory results. New product launches and re-launches in Hong Kong were highly successful, which reflects the effectiveness of that strategy in boosting sales and ensuring our market leadership in this market. Production-wise, our Mainland plants have been making good progress in terms of utilization and our new Australian plant has also been functioning smoothly, generating segment profit for the Group already in its first full year of operation. Vitasoy USA Inc. now operates under one roof and the potential savings in operating costs should give rise to a continuing reduction in losses.

In Hong Kong, we continued to grow our sales and profit steadily, notwithstanding a still sluggish retail market coupled with severe price competition brought about by the prevailing economic downturn, deflation and unemployment. We were fully aware that consumers would invariably look for value for money under such economic climate. We were, therefore, focused on launching new products that could bring better value to consumers. At the same time, we continued to support our product launches and re-launches with innovative and effective marketing and promotion programmes. For example, VITA Fresh Green Tea, CHA T DIN Ice Tea, CHA T DIN Iced Green Tea, VITASOY Premium Organic Soya Drink of different flavours, and VITA Juice Drinks and Jelly Drinks with Juice of various flavours, among others, were launched with very good response from the market during the year. The Group's tuck shop business operated under Vitaland Services Limited continued to expand in market share. The business of our kitchen facility under Hong Kong Gourmet Limited for supplying healthy and hygienic lunch boxes to schools was also growing steadily. Our export markets continued to grow, especially Singapore and Macau.

The year 2002/2003 was basically a transitional period for our North American operation. Our goal was to consolidate our various businesses in the US under one roof in order to reduce operating expenses on the one hand and pave the way for stronger future growth on the other. That goal has been achieved as shown by the significant reduction of operating loss for the year. In terms of sales, while Aseptic Soymilk and Tofu were still on the decline, the Refrigerated Soymilk segment grew by a healthy percentage.

In the Mainland, we were able to improve our overall performance during the year. This resulted mainly from improved utilization of our plants, a refined product mix and effective subcontracting arrangements with third parties. Our product launches such as ready-to-drink Tea and Sports Drinks in PET plastic bottle and Aseptic Soymilk with new flavours met with encouraging success. In terms of sales, we continued to experience growth in southern China. Sales declined in the eastern and northern regions because we were focused on consolidating our sales and distribution channels in Greater Shanghai and diversifying into second-tier cities in the neighbouring provinces, including Fujian and Hunan.

In Australia, our new joint-venture production plant in Wodonga, Victoria has been making excellent progress since its commissioning in mid-2001. Strong sales growth was reported in our LUSH Fruit-flavoured Soymilk launch in October 2002 and the plant has already started to bring in segment profit for the Group. Following a year of general decline, the soymilk market in Australia was growing again in 2002. We were able to capture this growth with our production capacity in Wodonga and at present

we account for some 13% of the market share. The New Zealand market was also growing last year and we account for over one-third of that market share.

In August 2002, we sold our equity interest in our associate company, Sodexho (Hong Kong) Limited, for a consideration of HK\$14 million, resulting in a gain on disposal of HK\$2.5 million.

The impact of the Severe Acute Respiratory Syndrome (SARS) was felt towards the end of the financial year. Management, in anticipation of the potential impact of SARS on the Group's business, set up a special taskforce at the early stage of the outbreak to implement a comprehensive business continuity plan. The taskforce closely monitored the situation, evaluated the impact and imposed stringent measures to minimize the risk of SARS on our staff. As a result, our operations in Hong Kong and the Mainland were largely unaffected. However, our business in Hong Kong was affected to some degree, whereas the impact we experienced in other markets was minimal.

#### Outlook

##### Hong Kong

In Hong Kong, it seems that the economic downturn and deflation we are experiencing would persist in the near future, so a quick rebound of the retail sector would be quite unlikely. The SARS crisis would only serve to prolong and aggravate the ailing economy and affect consumer spending. In view of the suspension of classes in schools and the reduction in outdoor and group activities, sales declined by around 20% year-on-year in April 2003. We are pleased to see that overall sales have been steadily recovering since May. For beverages, consumer sentiment has been improving and outdoor and group activities are back to normal. However, intense competition in price and increased need for advertising would have impact on our profit margin in the first half of the year. Our tuck shop business would also be affected by the fact that most schools have switched to half-day schooling for the remainder of the current school year and that there would only be one to two weeks' extension to cover some of the time lost due to the suspension of classes. We are now focusing our resources on securing more contracts in the coming school term so as to regain some of the lost ground. In the mean time, we have implemented a series of cost-cutting measures to contain the losses in the first quarter of the current fiscal year.

Notwithstanding the unexpected onslaught of SARS on the economy, we will continue with our strategy of developing new products and new tastes that can bring higher value to customers. Aggressive marketing and promotion will continue to support sales and further increase our market share. We have been conscious of the need of ensuring cost-effectiveness throughout our operation. In face of the uncertainties ahead, the Group's management has been taking practical steps to contain costs and conserve working capital.

While developing and marketing our products, we have also been taking all the precautionary measures necessary to ensure that these products are safe, healthy and hygienic for consumers in general, and school children in particular. Our production process complies strictly with the principles of Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Point (HACCP). GMP focuses on hygienic control whereas HACCP is an internationally recognized food safety management system. Our production plant and machinery operate in an enclosed and automated environment and under high temperature. All our production-line workers and front-line staff at school tuck shops wear uniforms, caps and masks at work, and the workplace is regularly cleaned and sanitized in accordance with the guidelines set by the Department of Health.

##### North America

In North America, uncertainties are still hovering over the economy after the incidents of September 2001 and the recent war in Iraq. Consumers would therefore be more careful and selective with their spending. To ensure growth in this market, we will continue to develop more convenient and better-tasting new products that provide consumers with the soy protein they are looking for in their diets. In the current financial year, we are going to increase our investment in advertising and promotion as well as trade spending in order to drive market share growth in the North American market. Our marketing team in the US has been strengthened and is working closely with the research and development team to come up with innovative products in the coming months. In terms of distribution, apart from mainstream channels, we will also focus on alternate channels, including food service (such as hotels, restaurants, canteens, etc.), club stores, and industrial customers. This, we expect, will necessitate the development of new products and also drive sales growth.

The North American soyofoods category is expected to keep on evolving and consolidating throughout 2003. To succeed in this category, Vitasoy

USA Inc. needs a more efficient "go-to-market" strategy that covers, among other things, capabilities for expanded regional production and distribution. In January 2003, HP Hood Inc. began producing Refrigerated VITASOY Soymilk. We believe HP Hood Inc.'s expertise in the dairy business and distribution, as well as national presence, will help enhance the VITASOY brand. At this stage, we are open to any options that would enhance the long-term development of the North American business.

In terms of cost management, improved procurement practices will further reduce packaging and raw material costs. Better inventory and distribution management can also result in savings.

Upon the completion of the consolidation exercise last year, we are optimistic that our North American operation is able to achieve healthy sales growth and a continuing reduction in losses in the current fiscal year.

##### The Mainland

We believe the business environment in the Mainland will continue to improve following her entry into the World Trade Organization. With the robust growth of the retail sector and steady rise in consumer spending, we are confident that there will be many business opportunities in the coming years.

In the Mainland, our strategy is to carry on solidifying and building our leadership in the soymilk market. At the same time, we are also diversifying into fast-growing and profitable ready-to-drink products such as Tea, Juice and Sports Drinks.

To capture a bigger share of the Mainland's beverage market, we will continue to introduce more value-added and trendy new products while executing strategic sales and distribution initiatives in new channels and markets. We also have plans to expand into other key markets in the Mainland. We are confident that southern China will continue to grow as a market for our products, and Sichuan and Guangxi provinces will be our next targets. In the east, we shall go on capitalizing on the growth potential of the provinces in the neighbourhood of Shanghai, notably Zhejiang, Jiangsu and Anhui. We are also actively seeking new business opportunities that can further improve the utilization of the Shanghai plant.

Barring unforeseen circumstances, we are hopeful that the Mainland's beverage market will witness good growth in the coming years and the Group is well poised to benefit from it.

##### Australia and New Zealand

In Australia and New Zealand, sales trends at the close of fiscal 2002/2003 were very encouraging. The sales team has been bringing good results to all areas of our business. Our focus in the current financial year is to regain lost share in the Aseptic Soymilk market while maximizing the growth in the Refrigerated Soymilk segment. In terms of volume, we expect strong growth in the following months. While we will continue with product development to ensure a larger market share in the growth categories, major improvements in volume are expected from existing products through the development and execution of a successful pricing and promotional strategy.

In terms of operation, we will continue to improve in production efficiency and supply chain management. A logistics manager has been added to the management team for coordinating various operations.

Despite a very severe drought in Australia, the supply of organically grown beans remains stable for us as a result of forward commitment. Our Operation would not have adversely been affected and the unit manufacturing cost is expected to decrease.

##### The Group

The Group's financial position remains very healthy. We are in an even stronger cash position than a year earlier and we maintain a very low gearing ratio. That means we are very well equipped to face up to unexpected challenges in the foreseeable future and to take up any investment and expansion opportunities that may arise.

##### Liquidity & financial resources

As at 31st March, 2003, the Group was in a healthy net cash position of HK\$244 million (31st March, 2002: HK\$132 million). Undrawn facilities available to the Group amounted to HK\$351 million.

As at 31st March, 2003, the Group's borrowings amounted to HK\$181 million, a decrease of HK\$124 million from the amount outstanding at the end of the last fiscal year. The maturity profile is spread over a period of five years, with HK\$157 million repayable in the first year, HK\$55 million in the second year and HK\$19 million within the remaining three years. The amount of borrowings denominated in the US Dollar, Renminbi and Australian Dollar were the equivalents of HK\$28 million, HK\$65 million and HK\$88 million respectively. The gearing ratio (total borrowings/shareholders' funds) was 14.5% (31st March, 2002: 25.8%).

With our strong cash position at the year-end date as well as available banking facilities, the Group's liquidity position remains healthy. The Group has sufficient liquidity to satisfy its commitments and working capital requirements. The Group incurred capital expenditure totalling HK\$47 million in 2002/2003 (2001/2002: HK\$111 million), which was primarily funded by cash generated from its operations.

##### Charges on group assets

As at 31st March, 2003, certain assets of the Group with an aggregate carrying value of HK\$51 million (31st March, 2002: HK\$331 million) were pledged to secure loan facilities utilized by the Group's subsidiaries.

##### Financial risk management

The Group's overall treasury and funding policy focuses on the controlled management of risk, with transactions being directly related to the underlying businesses of the Group. For synergy, efficiency and control, the Group operates a central cash and treasury management system for all its subsidiaries. Bank arrangements and long-term borrowing requirements for subsidiaries are monitored and approved at the corporate management level. The Group endeavours to hedge its non-HK Dollar and non-US Dollar denominated assets and investments located overseas with an appropriate level of borrowings in the currencies of those countries. Forward foreign exchange contracts are utilized where appropriate to hedge against major non-HK Dollar and non-US Dollar exposures. At the year-end, the Group had no significant exposure under foreign exchange contracts or financial derivatives.

##### Employment, training & development

The Group has always taken a prudent approach to manpower planning. The size of our full-time workforce increased marginally by 1.9% in the year under review. As at 31st March, 2003, the number of full-time employees was 2,288. We are maintaining a manpower policy that aims to maximize the output of existing staff resources in order to achieve productivity gains.

Regardless of the economic environment, the Group remains committed to staff training. We believe that through improving our staff's job-related competencies, we can increase overall output and operational efficiency without the need to increase the headcount. We have therefore continued to support a wide range of skills training and staff development programmes in Hong Kong, the Mainland, North America and Australia. In Hong Kong, 154 training programmes were provided in the year under review to 1,767 staff participants at all levels, covering topics relating to management, quality control and technical skills. In the Mainland, 177 training programmes were held on various topics. Our North American and Australian operations provided approximately 300 and 140 man-hours of training respectively, focusing on management and quality control. Besides in-house training, the Group has also continued to implement its policy of sponsoring employees' participation in external training and education programmes, including Outward Bound training, MBA and degree courses in job-related disciplines.

The Group is also fully committed to the safety and health of its 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 have remained unchanged. Discretionary bonuses, share options and other merit payments are granted, having regard to both the Group's and individual employees' performance, and are meant to reflect the value generated by staff members during the year.

**PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES**  
Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

##### PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The detailed results containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 9th July, 2003

*This and other information about Vitasoy International Holdings Limited can be accessed via [www.vitasoy.com](http://www.vitasoy.com).*

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Chater Rooms I & II, Function Room Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Wednesday, 3rd September, 2003 at 3:00 p.m. for the following purposes:

- To receive and adopt the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st March, 2003;
- To approve the payment of a final dividend in respect of the year ended 31st March, 2003;
- To approve the payment of a special dividend in respect of the year ended 31st March, 2003;
- To re-elect Directors and fix their remuneration;
- To appoint Auditors and authorise the Directors to fix their remuneration;
- As special business, to consider and, if thought fit, to pass with or without amendments, the following resolutions as Ordinary Resolutions:
  - "THAT** there be granted to the Directors of the Company an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
    - such mandate shall not extend beyond the Relevant Period (as defined below) save that the Directors of the Company may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
    - the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; and (iii) an issue of shares pursuant to the exercise of any options which may be granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, shall not exceed the aggregate of (aa) 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution plus (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the

shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution), and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

- the conclusion of the next Annual General Meeting of the Company;
- the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; and
- the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in General Meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company made to holders of shares on the Register of the Company on a fixed record date in proportion to their then holdings of shares subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, or in any territory outside, Hong Kong."

B. **"THAT** there be granted to the Directors of the Company an unconditional general mandate to repurchase shares of HK\$0.25 each in the capital of the Company, and **THAT** the exercise by the Directors of the Company of all powers of the Company to purchase shares subject to and in accordance with all applicable laws, rules and regulations be and is hereby generally and unconditionally approved, subject to the following conditions:

- such mandate shall not extend beyond the Relevant Period (which shall have the same meaning for the purpose of this resolution, mutatis mutandis, as given in paragraph (c) of Resolution 6A set out in the Notice of Annual General Meeting);
- such mandate shall authorise the Directors of the Company to procure the Company to repurchase shares at such prices as the Directors of the Company may at their discretion determine; and

(c) the aggregate nominal amount of shares repurchased or agreed to be repurchased by the Company pursuant to paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly."

C. **"THAT**, conditional upon the passing of Resolutions 6A and 6B set out in the Notice of Annual General Meeting, the aggregate nominal amount of the shares which are repurchased by the Company pursuant to and in accordance with Resolution 6B set out in the Notice of Annual General Meeting shall be added to the aggregate nominal amount of the shares which may be allotted or agreed, conditionally or unconditionally, to be allotted by the Directors of the Company pursuant to and in accordance with Resolution 6A set out in the Notice of Annual General Meeting"; and

7. As special business, to consider and, if thought fit, to pass the following resolution as a Special Resolution:

**"THAT** Article 78 of the Articles of Association of the Company be amended by deleting from the second sentence the words "the Securities and Futures (Clearing House) Ordinance (Chapter 420 of the Laws of Hong Kong)" and substituting therefor the words "the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)"."

By Order of the Board  
**Paggie Ah-hing TONG**  
Company Secretary

Hong Kong, 9th July, 2003

##### NOTES:

- A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
- To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the Company Secretary at the Registered Office of the Company at No. 1 Kin Wong Street, Tuen Mun, New Territories, Hong Kong not less than 48 hours before the appointed time for holding the meeting or any adjournment hereof (as the case may be).
- The Register of Members of the Company will be closed from Thursday, 28th August, 2003, to Wednesday, 3rd September, 2003 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates should be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 27th August, 2003.