

AIM : VES

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Albany Capital Plc

("Albany Capital")

Albany Capital investee company Vestpa Plc acquires Chinese Food Group

Albany Capital is pleased to announce that, its investee company, Vestpa Plc ("Vestpa") has today conditionally agreed to acquire the entire issued ordinary share capital of Full Fortune Holdings Pte. Limited ("Full Fortune"), a company incorporated in Singapore. Full Fortune is an investment holding company whose trading subsidiaries are principally engaged in the manufacture and sale of branded food products and has a premium animal feeds business in Weifang City and Shou Guang City, in the Shandong province of China. As part of the proposals, Vestpa is, inter alia, effecting a 1 for 40 share consolidation, raising £5 million gross through a subscription of new ordinary shares to fund the cash element of the consideration payable and changing its name to "China Food Company Plc".

A summary of the announcement made by Vestpa today is as follows:

"The Board of Vestpa is pleased to announce that it has today conditionally agreed to acquire the entire issued ordinary share capital of Full Fortune Holdings Pte. Limited ("Full Fortune"), a company incorporated in Singapore. Full Fortune is an investment holding company whose trading subsidiaries are principally engaged in the manufacture and sale of branded consumer condiments products and animal feeds in Weifang City and Shou Guang City, in the Shandong province of China.

Highlights

- Full Fortune is the holding company for Fu-Rich, Fuss Feed and Fuss Biotech. Fu-Rich is the group's consumer foods business which produces a range of different types of soya sauce, vinegar and bean paste under its own brand names from its premises in Weifang City, Shandong. For the year ended 31 December 2006, Full Fortune made a profit before tax of approximately £6.08 million on revenue of approximately £19.28 million.
- Fu-Rich produces approximately 50 to 60 products under its "Fushi" and "Fushi Hao Tai Tai" brand names from its current factory occupying a total built-up area of approximately 17,663 sq. m. The Full Fortune Group has land use rights over an area of 199,657 sq. m. for new premises in Shou Guang City and a new manufacturing facility for Fu-Rich is currently under construction which will increase its production capacity by 50 per cent. from 100,000 to 150,000 tonnes per annum.
- Fu-Rich operates in one of the fastest growing segments within the PRC's food industry reflecting the increasing purchasing power of Chinese consumers. Annual sales for this market segment are estimated to have grown from RMB59 billion in 2004 to RMB100 billion in 2006 (approximately £6.4 billion at the current exchange rate).
- Fu-Rich's primary market is Weifang but it also sells to other cities in Shandong, as well as to neighbouring provinces including Henan, Jiangsu, Anhui, Hebei, Tianjin, Beijing

and Liaoning. Fu-Rich is believed to hold a leading market position in Weifang and a significant share of the wider Shandong marketplace. For the year to 31 December 2006, sales to provinces outside of Shandong accounted for approximately 16.9 per cent. of Fu-Rich's total revenues.

- Fu-Rich sells its products via a network of 205 distributors, retailers and numerous outlets of large and medium sized supermarket chains in ten provinces and municipal cities in the north-eastern region of the PRC, including Wal Mart, Carrefour, Shiji Lianhua and Jialejia.
- Fuss Feed was founded in November 1994. Initially focused on the manufacture of Compound Feed for poultry, cows and pigs; it has since diversified to manufacture higher-margin Premix and Concentrate Feed, operating two production lines at a 15,000 sq. m. plant in Shou Guang City, Shangdong.
- In 2004, Fuss Feed embarked on a deliberate strategy to expand into the neighbouring provinces around Shandong, with the selective appointment of preferred distributors. As at 30 June 2007, it had a total of 13 distributors located in Henan, Anhui, Jiangsu and Hebei and the New Board believes that there is significant potential to grow revenues from these territories now that the Full Fortune Group has an established foothold.

Summary financial information on the Full Fortune Group

	Year ended	Year ended	Year ended
	31 December	31 December	31 December
	2004	2005	2006
	£000s	£000s	£000s
Revenue	8,978	13,870	19,273
Gross profit	3,077	4,314	6,771
<i>Gross margin (per cent.)</i>	<i>34.27</i>	<i>31.10</i>	<i>35.13</i>
EBITDA	2,988	4,172	6,454
Profit before taxation	2,619	3,834	6,077
Profit after taxation	1,971	2,838	4,437
<i>Net margin (per cent.)</i>	<i>21.95</i>	<i>20.46</i>	<i>23.02</i>
Cash and cash equivalents	2,337	3,799	3,656
Net assets	4,820	6,997	10,545

- Proposed board of Vestpa from Completion to consist of members of the Full Fortune Group's existing senior management including Raphael Tham (CEO), Feng Bo (COO) and Frank Chau (CFO), alongside John McLean, the existing Executive Director of Vestpa who will become Non-Executive Chairman and Derek Marsh, CVO, as a new Non-Executive Director. On Completion, James Cane and Thomas Vaughan are to step down from the board.
- The consideration payable in respect of the Acquisition is to be satisfied through the issue of 40,333,333 New Ordinary Shares at the Issue Price and a cash payment of £5 million. The consideration values all of the issued Full Fortune share capital at approximately £25.17 million based on the Issue Price and approximately £35.25 million based on the closing middle market price of 75 pence (as adjusted for the Share Consolidation) per New Ordinary Share as derived from the AIM Appendix to the Daily Official List on the business day immediately prior to the date of this announcement.

- Share Consolidation comprising one New Ordinary Share of 4 pence each for every 40 Existing Ordinary Shares of 0.1 pence each.
- Subscriptions to raise £5 million gross (approximately £4.1 million after expenses) through the issue of 16,666,667 Subscription Shares at 30 pence per share. The Subscription Shares will be issued fully paid and will, in aggregate, represent approximately 25.33 per cent. of the Enlarged Share Capital.
- In view of the size and nature of the Acquisition, it constitutes a reverse takeover of the Company under the AIM Rules and therefore requires the prior approval of Shareholders at a General Meeting.
- Following shareholder approval, Vestpa will change its name to “China Food Company Plc”.
- Strand Partners is acting as Financial and Nominated Adviser and Broker in connection with the Proposals.”

John McLean, Chairman of Albany Capital Plc, commented:

“In the China Food Company Albany will have an investment in a well established company that has produced strong growth in revenues and profits. The business is highly cash generative and comes to AIM with little debt and good growth prospects. The company has a very strong management team which is ambitious to grow the company’s commercial base and deliver growth to shareholders through its London listing on AIM.”

To facilitate the transaction, Albany Capital has undertaken to subscribe for 7,178,342 new ordinary shares of 4p each in Vestpa under the Subscriptions at a price of 30p per share and has further undertaken to subscribe for the balance of 9,488,325 subscription shares, subject to clawback to satisfy applications from other Vestpa shareholders and certain new investors. Existing shareholders in Vestpa are being offered the opportunity to subscribe for in aggregate 4,954,965 new ordinary shares in the Subscriptions in proportion to their respective shareholdings in the company. Accordingly, following completion of the transaction and the Subscriptions, Albany Capital expects to be interested in a minimum of 19.05 per cent., subject to a maximum of 33.34 per cent. of Vestpa’s enlarged issued share capital if it is required to subscribe for its full allocation pursuant to the underwriting arrangements.

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