

Jan 17 2 min read

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REPLY TO VITASOY

Vitasoy issued a response to our report and accused us of releasing information that is factually wrong while passing misleading statements. We stand by our report. Every statement in the report is backed by hard, irrefutable evidence.

We are releasing the first piece of evidence: snapshots of Vitasoy's Australia subsidiary's financial report, audited by KPMG and publicly available from ASIC for a small fee of AUD 60. Placed beside the company's annual reports, there is strong evidence to suggest that the company is misreporting its numbers to its investors.

As one can see below, the topline numbers match (red-lined) with a slight discrepancy probably due to exchange differences, but the numbers of the **profits from operations (green-lined) are nowhere close to matching**. How does the company explain the difference of AUD 6.5 million (16.3 m - 9.8 m)?

Statement of profit or loss

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	2(a)	91,902	83,080
Cost of sales		(42,944)	(37,471)
Gross profit		48,958	45,609
Distribution, selling and administrative expenses	2(b)	(39,161)	(35,802)
Profit before tax and finance costs		9,797	9,807
Financial income	2(c)	29	22
Financial expenses	2(c)	(355)	(201)
Net finance costs		(326)	(179)
Profit before income tax		9,471	9,628
Income tax expense	3	(2,642)	(2,765)
Profit for the year		6,829	6,863

The Statement of profit or loss should be read in conjunction with the Notes to the financial statements.

Source: Snapshot from onshore filing report (page 2)

						2019	2018
						二零一九年	二零一八年
		2019	2018	% Change	Group Contribution %		
		二零一九年	二零一八年	百分比變動	佔本集團貢獻百分比		
(HK\$ million)	(港幣百萬元)						
Revenue from external customers	來自外間顧客之收入	522	502	+4	7	8	
Profit from operation	經營溢利	93	95	-2	8	10	
(AUD million)	(澳元百萬元)						
Revenue from external customers	來自外間顧客之收入	91.5	82.9	+10			
Profit from operation	經營溢利	16.3	15.6	+4			

Source: Snapshot from Vitasoy Annual Reports

One possible reason the company might hide behind is due to the treatment of assets and depreciation. Could Australia's way of treating depreciation be different from Hong Kong resulting in a different operating profit number? This is also clearly not the case.

Compare the onshore filing asset (red-lined) and depreciation (green-lined) numbers, both shows a match. For example, depreciation & amortization in 2019 amounted to AUD 3,086 million in the onshore filing, which translates to roughly HKD 17.6 million as reported in the segment reporting numbers. Figures (red-lined) do roughly match for the total assets too.

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	\$'000	\$'000
4 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	3,779	1,715
Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.		
Reconciliation of cash flows from operating activities		
Profit for the year	6,829	6,863
<i>Adjustments for:</i>		
Depreciation	2,979	1,965
Amortisation	107	69
Impairment	10	20
Other non cash items	191	43
Operating profit before changes in working capital and provisions	10,116	8,960

Source: Snapshot from onshore filing report (page 19)

	Mainland China		Hong Kong Operation		Australia and New Zealand		Singapore		Total	
	中國內地		香港業務		澳洲及新西蘭		新加坡		總計	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年	二零一九年	二零一八年
	\$'000 千元	\$'000 千元	\$'000 千元	\$'000 千元	\$'000 千元	\$'000 千元	\$'000 千元	\$'000 千元	\$'000 千元	\$'000 千元
Revenue from external customers 來自外間顧客之收入	4,628,440	3,700,034	2,264,066	2,158,936	522,468	501,807	111,521	103,748	7,526,495	6,464,525
Inter-segment revenue 分部間收入	77,263	66,128	67,190	47,406	2,092	899	3,136	2,519	149,681	116,952
Reportable segment revenue 須報告分部之收入	4,705,703	3,766,162	2,331,256	2,206,342	524,560	502,706	114,657	106,267	7,676,176	6,581,477
Reportable segment profit from operations 須報告分部之經營溢利	720,303	542,267	339,149	352,088	92,781	94,639	867	7,333	1,153,100	996,327
Interest income from bank deposits 銀行存款之利息收入	3,751	2,758	9,664	6,963	165	136	1	2	13,581	9,859
Finance costs 融資成本	-	-	(60)	(494)	(2,026)	(1,206)	-	-	(2,086)	(1,700)
Depreciation and amortisation for the year 本年度之折舊及攤銷	(162,844)	(140,313)	(79,685)	(93,933)	(17,614)	(12,313)	(4,501)	(4,185)	(264,644)	(250,744)
Reportable segment assets 須報告分部之資產	3,291,062	2,568,086	3,425,052	2,842,352	421,820	406,790	76,846	69,119	7,214,780	5,886,347
Reportable segment liabilities 須報告分部之負債	1,769,460	1,498,014	672,600	575,619	137,592	121,176	17,271	16,279	2,596,923	2,211,088
Additions to non-current segment assets during the year 本年度新增之非流動分部資產	765,445	237,801	184,743	122,148	33,195	61,617	2,524	6,692	985,907	428,258

Source: Snapshot from Vitasoy Annual Report

Statement of financial position

AS AT 31 MARCH 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	3,779	1,715
Trade and other receivables	5	17,085	15,748
Inventories	6	11,351	9,394
Prepayments		64	341
Income tax receivable		1,394	2
Total current assets		33,673	27,200
Non-current assets			
Property, plant and equipment	7	43,291	40,670
Intangible assets	8	590	491
Total non-current assets		43,881	41,161
TOTAL ASSETS		77,554	68,361

Source: Snapshot from onshore filing report (page 4)

Oddly, all of the information we have provided are directly from the company's own records. We did not fabricate any of this, nor put out misleading statements. We are merely pointing out the discrepancies. Companies, especially big ones, are often victims of hubris – they assume that no one checks facts that are hidden in plain sight. Instead of threatening to attack us, the company ought to do better and account for their actions.

Pride, as a wise man once said, comes before a fall.



802 views

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