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Academic honesty / referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		



FINANCE & GOVERNANCE

CORPORATE REPORT





Vitasoy (維他奶) is the pride of Hong Kong! The inspired legend stems from Hong Kong, was a soy-drink to a low-cost dairy-alternative as a nutritional supplement during war-time in the 40's; now she is a Hong Kong listed corporation, 0345.HK Vitasoy International Holdings Limited (hereafter referred as VIHL), with over HKD 38.65 billion market value, with diverse products, not only her flagship soymilk products but also in tofu, purified water, juices and teas, with a global annual sales of HKD 7.53 billion in 40 markets as at the end of March, 2019. (*quote.morningstar.com, 2019*)

This assignment dissected the finance and corporate governance of VIHL, the data and information used are mainly from her official website and annual reports of the FY 2018/19, 2017/18, and 2016/17, to better illustrate her overall performance, here employed another 2 Hong Kong listed organizations in similar business nature, 1446.HK Hung Fook Tong Group Holdings Limited (hereafter referred as HFT) and 0359.HK China Haisheng Juices Company Limited (hereafter referred as CHJ), to make peer comparisons with VIHL.

The first chapter is a brief company overview of VIHL, her IPO history and some background information and the business environment VIHL now encounters.

The following is a business scrutiny of VIHL, VIHL shows a strong sales momentum, 2 consecutive years recorded a double-digit growth; this is mainly bought up by the Mainland China business. VIHL cut up her business into 4 jurisdictions: the Mainland China business represents 62% of the Group's Revenue and shows a powerful sales drive, 35% growth from last year, which benefits from the wider and deeper penetration of the South China area, the GDP growth in the middle class and more attentive to health. Hong Kong business including Macau and exports as a jurisdiction represents another 30% the Revenues; this mature market also has 5% sales growth continues her market leadership status that benefits mainly on the new no-sugar products. The Australia & New Zealand jurisdiction represents 7% sales, mainly supported by the plant-based milks. The Singapore business represents 1%. Heretopore over some sales and operating details to further enhance the upcoming chapters of financial analysis and corporate governance. (*Vitasoy.com, 2019*)

Bring HFT and CHJ alongside with VIHL into the financial analysis in Chapter 3. Draw on 6 critical areas of ratios: Bankruptcy Index, Liquidity, Solvency, Operating Efficiency, Profitability,

and Stock Market Prospects, to probe the performance of VIHL in a peer comparison perspective. VIHL, well above the industry average, shows strong financial performance.

The next chapter is a study of the corporate governance of VIHL, she has been following all the guidelines published by Securities Exchange of Hong Kong, and her management and control of financial resources are good illustrated by strong ROA and ROE.

A one-off investment appraisal of launching a new sales channel, 4,000 AI-kiosks in 40 markets with the budget of 5% of the FY 2018/19 annual sales revenue, These kiosks are not only point of sales but also a mini-production-line makes the drinks to the customers' favour, this new idea is discussed in Chapter 5 through calculations of ARR, IRR, NPV and Payback Period to back up this proposal.

To further catch up the swift sales and marketing development in the South China area, VIHL has a plan to build a manufacturing plant nearby a cargo wharf, which needed a one-off significant fund about 3% of the FY 2018/19 total assets, available fund-raising options evaluated and financing recommendation are given in Chapter 6.

Besides the previously mentioned solutions, Chapter 7 is a recommendation and an annual quarterly operational audit plan to solve the saturation of production volume and market demands. Advices are given to outsourcing part of the manufacture of VIHL products to 2 producers.

To wrap up the whole assignment in the ultimate chapter then followed by a list of references and an appendix of calculations of financial statements ratios of the 3 above-mentioned companies.

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Chapter 1

COMPANY OVERVIEW

1.1 Introduction

If you are a Hong Kong Citizen and age above 3, you would have at least experienced this drink, Vitasoy (維他奶) - the pride of Hong Kong. An inspired legend!

The Vitasoy story began in 1940; her founder, Dr. K. S. Lo, wanted to help the Hong Kong people during wartime by bringing them a nutritious, protein-rich soymilk drink at an affordable price; (Vitasoy.com, 2019) with the great mission, 6 cents a bottle and the first day sales of only 9 bottles recorded (Farmer, 2015) till now after 8 decades the annual revenue is over HKD 7,526 million at the end of March, 2019. *quote.morningstar.com, 2019*

1.2 Background

Vitasoy (維他奶) now operates under the Vitasoy International Holdings Limited (SEHK: 0345) (hereafter referred VIHL); VIHL is a diversified food and beverage group, her principal activity is the manufacture and sale of food and beverages, and the headquarter is in Tuen Mun, New Territories, Hong Kong. Today, The products were centered on the protein-rich soymilk drink that Vitasoy (維他奶) first produced, over the years VIHL expanded into a wider variety of beverages, and hosts several brands of foods and beverages, some of them, such as fruit juice, milk, tea, soft drinks, water, and tofu, were given the derivative brand names, "Vita (維他)", Calci-Plus, Unicurd and "SanSui (山水)". (Vitasoy.com, 2019)



Sourced from VIHL Annual Report, 2018/19

Her products are well selling from the U.S. to Australia over 40 markets with mainland China accounting for more than 60% of her revenue. Her shares have surged more than 3,500% since 1994 her listing on the Security Exchange of Hong Kong initial public offering (hereafter referred IPO), and eight members of the Lo family are reaping the rewards, worth a combined USD1.5



billion, according to the Bloomberg Billionaires Index. (Feng, 2019)

On the 30th day of March in 1994, her listing in Hong Kong, the first IPO of VIHL (Stock Code: 0345) through issuing 127.2 million shares at HKD 2.28 each, which priced at 8.7 times earnings of the year ending in March on a weighted average basis; raising HKD 290 million, the offering was greatly oversubscribed, 50 times subscribed and the closing price at HKD 2.7, an 18% gain on the first day trading – a good sign indicating a very strong interest in VIHL. (Shurtleff and Aoyagi, 2013)

Up-to-date as at the 13th day of August in 2019, VIHL's adjusted close price is at HKD 36.15, and in the 52-week range, the highest is HKD 47.25, the lowest is HKD 23.20; comparing to hers 5 years ago, as at the 13th day of August in 2014, the adjusted close price was at HKD 9.07; the stock value has increased 400% in a 5-year period. And now the P/E ratio is 55.11 times, dividend yield 1.16%, and market value is HKD 38.44 billion. *Quote.morningstar.com (2019)*

1.3 Business Environment

The global foods and beverages market is highly competitive, full of brands and diverse products, some more competitive markets, Hong Kong, the Mainland China and the like, increased proliferation, fragmentation, and price competition. For consumers, almost zero the switching cost or risks, so for suppliers, build strong brand equity and infrastructure are vital to business success. Plus price fluctuations of production factors, which will increase pressure on margins, which needs to offset via economies of scale, innovation in portfolio and operating efficiencies.

One of the key raw materials, soybeans is locked-in half a year or one year in advance by commodity contracts. VIHL does not import soybeans from the United States, so the Sino-US trade war does not have direct cost impacts. Soybeans used in China market are mainly sourced locally, those used in Hong Kong and Singapore markets are purchased from Canada, and those used in Australia are sourced locally. (Ku, 2019)

According to Grand View Research Inc., rising health conscious and dairy-allergy are positive impacts on the plant-based (soy, rice, almond, and coconut) milk market. The demand is expected to grow at a significant rate owing to increasing disposable incomes in Asian countries and growing consumer preferences or concerns to vegan diet, to animal rights, and to environmental protection. On the supply side, government policies in agricultural sectors are favourable to increase raw materials availability and lower their costs. (Grandviewresearch.com, 2019)

Amongst the plant-based milk demand, soy-milk accounted for 58% in 2017, and it is facing rivalry from other plant-based milks, especially almond-milk. The global soy-milk market reached USD 15.3 billion in 2018, and sales of flavoured soy-milk are expected to grow 6.3% annually from 2019 to 2025. Some of the key players in the industry are ADM Company; Vitasoy International Holding Limited; CP Kelco; WhiteWave Foods Company; Daiya Foods Inc.; Nutriops S.L.; Eden Foods, Inc.; OATLY AB; Blue Diamond Growers Inc.; Freedom Foods Group Ltd; and Hain Celestial Group, Inc. (Grandviewresearch.com, 2019).

High quality and notorious foods and beverages are expected to continue to be fastest growing behind a balanced combination of per capita consumption increase in the established markets and geographical expansion in Asia, apparently in China. (Grandviewresearch.com, 2019)



In China, the competition encounter in soymilk business is the two local dairy giants, Yili and Mengniu, in lemon-tea business is the two Taiwanese brands, Uni-President and Tingyi. (Ku, 2019)

For the past 10 weeks and continuous riots, the unstable Hong Kong business context and risks are concerned.

Some of the VIHL Flagship Products



Sourced from VIHL Annual Report, 2018/19



Chapter 2

BUSINESS SCRUTINY

The revenue of VIHL is an aggregate of 4 geographical segments, Mainland China, Hong Kong, Australia & New Zealand, and Singapore. All segments delivered strong revenue growth in the past year 2018/19. It was another year of double-digit growth in both revenue and profit. VIHL grew revenue by 16% to HKD 7,526 million, behind broad-based growth across markets with the most significant contribution coming from Mainland China. *Vitasoy.com (2019)*

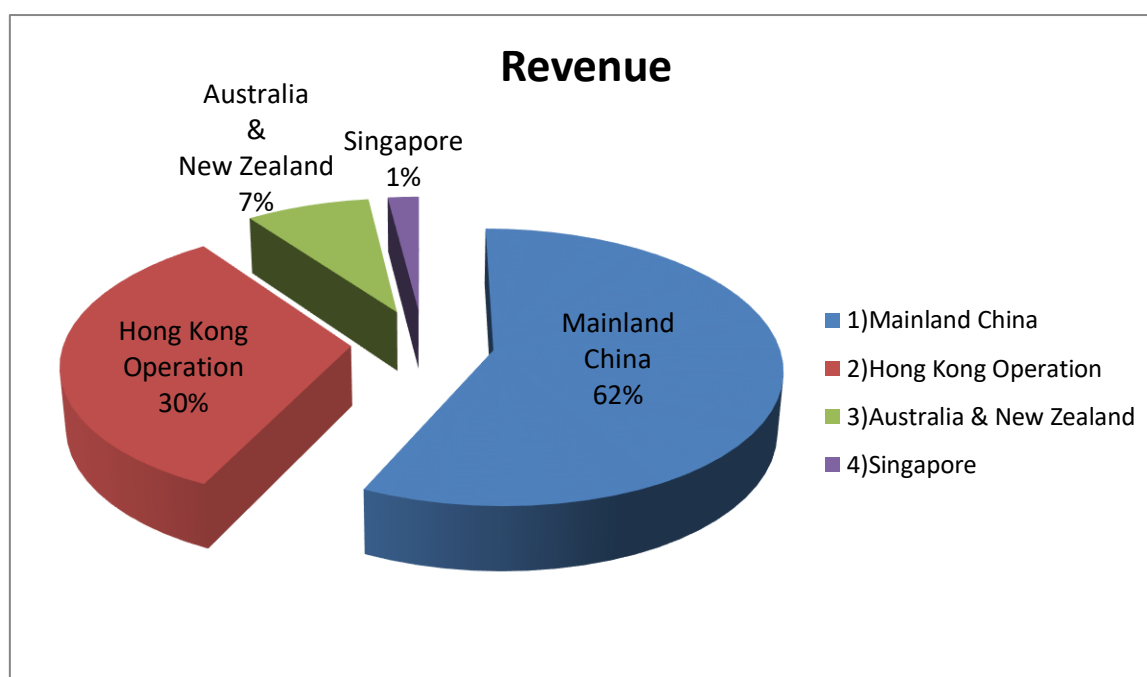
Gross profit grew by 18% to HKD 4,042 million with a favourable mix across the portfolio and markets and high capacity utilisation, mainly driven by growth in sales volume. *Vitasoy.com (2019)*

Gross profit margin increased to 54% because of favourable commodity prices, particularly sugar and paper packaging, and improved manufacturing efficiency resulting from increased sales volume enabled VIHL to improve her gross margin level. *Vitasoy.com (2019)*

Profit from operations increased even faster by 19% to HKD 977 million. *Vitasoy.com (2019)*

Profit before taxation also increased 19% to HKD 956 million. *Vitasoy.com (2019)*

Profit attributable to equity shareholders also increased 19% to HKD 696 million. *Vitasoy.com (2019)*



2.1 The Mainland China Operations

The major contributor to the revenue 62% represents the manufacture and sale of soymilk, tea and juice, among others in Mainland China. The Mainland business is now the biggest and fastest growing market. The exceptional performance during the year benefit from strong



performance in established provinces, continuous gradual expansion in new provinces and increased relevance of her product portfolio. The revenue has increased 25% (increased 27% in local currency) to HKD 4,628 million, and the profit from operations has 33% improvement (increased 35% in local currency) to HKD 720 million. *Vitasoy.com (2019)*

Comparing tea to soymilk products, more resources would be invested in the latter, since the market of soymilk products is small; relatively the market growth is swift. The market size of soymilk products is approximately 10% of the tea beverages market. VIHL re-launched her premium nutrition-rich VITASOY Health Plus range to target the high-end market and differentiated from her main competitors, Yili and Mengniu. VIHL also continues to develop in the middle and high-end markets in the recent future. The Chinese economy has been affected by the Sino-US trade war and the downside risks have increased but no big impact on sales has been noticed; VIHL has no intention to increase the discount promotion. *Ku, T. (2019)*

In fact, a more mature market, such like Hong Kong, the annual consumption of soymilk is 12 litres per person, and in the Mainland China that is about 1 litre; which means there is a vast space for development. *Ku, T. (2019)*

VIHL owns and operates 4 production plants in the Mainland China, and these plants all reached the maximum capacity; VIHL keeps upgrading the machinery and equipment to acquire higher productivity. Hence, a new 20 production-lines plant is being built in the Changping Town of Dongguan City located in Guangdong Province, which expected to be run in the April of 2021. Given all these, VIHL expects more moderate growth in the coming years. *Ku, T. (2019)*

VIHL mainly concentrates in the South China market, accounting for more than 60% of the revenue of the Mainland China segment. In 2018, VIHL ranked the third with 12% market share in dairy and soymilk beverage market in Guangdong Province; Yili and Mengniu ranked the first with 28% and the second with 17%, market share respectively. In Hubei, VIHL has 9% market share whereas Yili and Mengniu has 32% and 27%, respectively. In Shanghai, VIHL ranked the 5th with 2.4% market share; the top four, Bright Dairy, Mengniu, Yili and Coconut Palm, with 42%, 16%, 13% and 2.4%, market share respectively. *Ku, T. (2019)*

Last year, VIHL was ranked the second with 22% market share in the tea beverage market (including lemon-tea) in Guangdong Province, and Tingyi ranked the first with 37% market share. In Shanghai, Vitasoy ranked the fifth with 8.6% market share whereas Uni-President ranked the first with 24% market share. In Hubei, Vitasoy ranked the sixth with 4% market share whereas Uni-President ranked the first with 30% market share. *Ku, T. (2019)*

VIHL re-launched her premium high nutrition VITASOY Health Plus range. For VITA, she continued to drive expansion of Lemon Tea product across regions and channels. All regions grew strongly, including Guangdong province, and so did all main trading channels. E-commerce operations also continued to grow. *Vitasoy.com (2019)*

The Mainland China business is expected to continue to be fastest growing segment, behind a balanced combination of per capita consumption increase in the established markets and geographical expansion.



2.2 The Hong Kong Operations

The operation is 30% of the aggregated revenue worth HKD 2,264 million, represents the manufacture and sale of soymilk, tea, water, juice and tofu, among others in Hong Kong, sale of beverages in Macau, export of beverages Hong Kong, and the operating of tuck shops and catering businesses. VIHL maintains her dominant market share in the plant-based category, the sales in Macau and export business also performed well as a result of expansion in outlet coverage and attractive in-store executions. *Vitasoy.com (2019)*

VIHL continues to expand her portfolio by introducing new plant-milk category VITASOY CALCI-PLUS Almond Milk and VITASOY CALCI-PLUS Coconut Milk. Also introduced an upgraded more concentrated version of VITASOY CALCI-PLUS Plant-Sterol Soy Milk to accommodate increasing demand towards her premium and healthy products. *Vitasoy.com (2019)*

The revenue increased 5%, driven by her core offerings and new no-sugar products. The 4% decreased in profit from operations because of a comprehensive 2-year investment program for upgrading production and logistics infrastructure. *Vitasoy.com (2019)*

For Hong Kong Operation, revenue increased with broad based growth across all product lines and main channels, across on-the-go and home occasions, with e-commerce registering particularly strong growth from its small base. *Vitasoy.com (2019)* But the past 10 weeks and continuous riots in Hong Kong, the unstable business context and risks are concerned. This segment is expected to maintain relatively stable due to her maturity.

2.3 The Australia and New Zealand

The business unit represents the manufacture and sale of soymilk and rice milk, among others in Australia and sales of beverages in New Zealand.

Also, by launching the new Almond Milky and Coconut Milky product ranges, complementing the hugely successful SOY MILKY range that was introduced to the market in the early 2000s. *Vitasoy.com (2019)*

The 7% of the aggregated revenue worth HKD 522 million has 10% growth while profit from operations increased by 4% to HKD 93 million, which mainly driven by increased channel penetration and product innovation secured high revenue growth. *Vitasoy.com (2019)*

2.4 The Singapore Operations

The Operation is 1% of the aggregated revenue worth HKD 112 million, increased 7% (increased 8% in local currency) while profit from operations is HKD 0.9 million reduced by 88%, represents the manufacture and sale of soy related products in Singapore and sale of soy-related products in overseas. *Vitasoy.com (2019)*

The declined profit from operations as VIHL invested in brand equity and organizational capabilities according to her strategy to scale up the operation over time.

VIHL maintained her market leadership in tofu business despite changing consumer preference and competition from cheaper imported tofu. Her imported beverage business experienced some revenue softness but grew her market share in supermarket sales. *Vitasoy.com (2019)*



Chapter 3

FINANCIAL ANALYSIS

By employing a comparative study with HFT and CHJ to examine in-depth the financial performance of VIHL in 6 critical areas; namely Bankruptcy Index, Liquidity, Solvency, Operating Efficiency, Profitability, and Stock Market Prospects:

3.1 Bankruptcy Index – Altman Z-Score

It is the output of a credit-strength test the likelihood of bankruptcy of a publicly traded manufacturing company, and is based on five financial ratios (profitability, leverage, liquidity, solvency and activity) found on the annual report of a listed company.

Z-Score = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E (if Z-Score < 1.8 = likely heading to bankruptcy.)

Where: A = working capital / total assets

B = retained earnings / total assets

C = earnings before interest and tax / total assets

D = market value of equity / total liabilities

E = sales / total assets

(Kenton, 2019)

Calculation		0345.hk			1446.hk			0359.hk		
		VIHL			HFT			CHJ		
whereas	whereas	2018/19	2017/18	2016/17	2018	2017	2016	2018	2017	2016
A	W C/TA	0.0830	0.1422	0.1835	-0.0786	-0.0489	-0.0071	-0.1754	-0.1719	-0.1152
B	RE/TA	0.3856	0.3961	0.3783	0.4164	0.4606	0.4508	0.1908	0.2136	0.2202
C	EBIT/TA	0.1630	0.1552	0.1889	0.0088	0.0159	0.0112	0.0362	0.0554	0.0308
D	M VE/TL	17.1667	10.5728	9.0367	0.8791	1.5046	1.8788	0.0587	0.1141	0.1595
E	Sales/TA	1.2804	1.2475	1.2049	1.2292	1.2946	1.2916	0.2725	0.2582	0.2485

Calculation		0345.hk			1446.hk			0359.hk		
		VIHL			HFT			CHJ		
Times	whereas	2018/19	2017/18	2016/17	2018	2017	2016	2018	2017	2016
1.2	A	0.0996	0.1706	0.2202	-0.0943	-0.0587	-0.0085	-0.2105	-0.2063	-0.1382
1.4	B	0.5398	0.5545	0.5296	0.5830	0.6448	0.6311	0.2671	0.2990	0.3083
3.3	C	0.5379	0.5122	0.6234	0.0290	0.0525	0.0370	0.1195	0.1828	0.1016
0.6	D	10.3000	6.3437	5.4220	0.5275	0.9028	1.1273	0.0352	0.0684	0.0957
1	E	1.2804	1.2475	1.2049	1.2292	1.2946	1.2916	0.2725	0.2582	0.2485
Z-Score :		12.76	8.83	8.00	2.27	2.84	3.08	0.48	0.60	0.62

The listed company insolvency index, Z-Score of VIHL grows from 8.00 to 8.83 then 12.76 as at the end of March 2019, it is a very strong financial indicator whilst HFT's is declining from 3.08



to 2.4 down to 2.27 in a grey area, and CHJ's is far below the safety margin 1.8 and further sliding down from 0.62 to 0.48, very dangerous! (Arnold, 2013)

3.2 Liquidity

To measure the ability of paying debt obligations in a short-term perspective through the calculation of metrics including the Current Ratio, Quick Ratio, Inventory Credit Index, and Cash Ratio (Kenton and Hayes, 2019)

Stock Code	0345.HK			01446.HK			0359.HK		
Corporation	VIHL			HFT			CHJ		
Liquidity	2016/17	2017/18	2018/19	2016	2017	2018	2016	2017	2018
Current Ratio (X)	1.54	1.38	1.21	1.02	0.89	0.83	0.76	0.67	0.63
Quick Ratio (X)	1.16	1.01	0.89	0.9	0.78	0.73	0.27	0.27	0.38
Inventory Credit Index	-0.41	-0.04	0.35	0.86	1.92	2.52	1.48	1.83	2.51
Cash Ratio	0.56	0.51	0.44	0.53	0.44	0.42	0.14	0.10	0.22

VIHL sounds healthy in short-term liquidity, current, quick and cash ratios are 1.21, 0.89, and 0.44 respectively, because VIHL's cash and cash equivalents are sufficient; the declining trends of which noted due to her self-financed investments in infrastructure and logistic but still also perform the best amongst the peers.

The negative figures shown in Inventory Credit Index due to the low level of inventory VIHL held; her manufacture has been reached an ideal production level, supply and distribution in a good balance that is a merit of operating personnel well-manage the "just-in-time" policy, hence inventory could maintain at a rather low but safe level. (Atrill, 2012)

3.3 Solvency

To measure the ability to pay debt obligations in a long-term perspective through the calculation of metrics including the Long Term Debt to Equity, Total Debt to Equity, and Total Debt to Capital Employed (Kenton, 2019)

Stock Code	0345.HK			01446.HK			0359.HK		
Corporation	VIHL			HFT			CHJ		
Solvency	2016/17	2017/18	2018/19	2016	2017	2018	2016	2017	2018
Long Term Debt/Equity (%)	8.13	3.5	3.5	17.54	11.89	21.56	96.27	78.43	108.87
Total Debt/Equity (%)	8.48	0.96	1.41	26.45	19.7	34.6	210.05	212.84	234.27
Total Debt/Capital Employed (%)	7.04	0.86	1.24	22.15	17.23	28.15	90.47	95.23	85.09



The above 3 metrics all shown VIHL is at an extremely low gearing status only 3.50%, 1.41% and 1.24% for Long-term Debt to Equity, Total Debt to Equity, and Total Debt to Capital Employed, respectively; manufacturing is fairly fixed-assets intensive (says, production plants, production-lines, equipment and so forth) so normally such category of ratios are much larger in percentage; these low metrics represent VIHL is using her “own money” to finance her assets. As her peers, HFT’s seemed normal in the industry; CHJ’s seemed extremely high, her Total Debts is more than twice as to her Equity, her business is heavily (says 90.47% in 2016, 95.23% in 2017, and 85.09% in 2018) relied on borrowings, and the Total Debts is rising, very dangerous! That might be caused by her vertical business integration, from plantation to manufacture to distribution. (McKenzie, 2009)

3.4 Operating Efficiency

To measure the ability to use assets to generate income through the calculation of metrics including the Turnovers of Working Capital, Net Asset, Fixed Asset, Total Asset, Current Asset and Inventory. (Kenton, 2019)

Stock Code	0345.HK			01446.HK			0359.HK		
Corporation	VIHL			HFT			CHJ		
Operating Efficiency	2016/17	2017/18	2018/19	2016	2017	2018	2016	2017	2018
Working Capital Turnover (X)	6.57	8.77	15.42	182.31	-26.46	-15.63	-2.16	-1.50	-1.55
Net Asset Turnover (X)	2.01	2.04	2.17	2.78	2.73	2.88	0.92	0.92	0.96
Fixed Asset Turnover (X)	2.51	2.56	2.43	2.37	2.20	2.04	0.39	0.39	0.39
Total Asset Turnover (X)	1.20	1.25	1.28	1.29	1.29	1.23	0.25	0.26	0.27
Current Asset Turnover (X)	2.31	2.43	2.71	2.84	3.15	3.10	0.68	0.75	0.93
Inventory Turnover (X)	10.06	9.11	9.28	23.78	24.41	25.62	2.34	1.24	1.04

In Working Capital Turnover, the trend of VIHL is rising sharply from FY 2016/17 to FY 2017/18 the increment is 2.2 times (says 33.5% growth) and FY 2017/18 to FY 2018/19 even more, the increment is 6.65 times (says 75.83% growth), accomplishing double-digit growth in sales but with less working capital, this is a good indication of internal control and management. In the peers comparison, negative figures occurred which mean HFT and CHJ are using current liabilities more than their current assets to finance their sales, this has to be careful with the short-term liquidity, HFT is healthy in her cash ratio, so still tolerable but CHJ is doing very poor. (Viallet and Hawawini, 2010)

VIHL maintains a stable growing Net, Fixed, Total, and Current Assets Turnovers; it is a good performance during VIHL is expanding her production as market developing and penetrating; assets planning and management are on form. Her peers in this category, HFT is also doing good, i.e. Net Asset Turnover 2.88 times and Current Asset Turnover 3.1 times and due to high gearing capital structure, CHJ has all less than 1, that means her annual sales is less than her assets, i.e. Net Asset Turnover is 0.96 time, Total Asset Turnover is 0.27 time.



Inventory Turnover is the Costs of Goods Sold to the Inventory stock, VIHL is doing well in this category 9.28 times, HFT is doing the best in controlling inventory her turnover times is 25.62

in FY 2018. CHJ's is declining from 2.34 to 1.04, seems her inventory planning and management are very poor.

3.5 Profitability

To measure the ability to use the existing assets to generate profit and value for shareholders through the calculation of metrics including the Operating Profit Margin, Pre-tax Profit Margin, Net Profit Margin, Return on Equity, Return on Capital Employ, and Return on Total Assets. (Kenton, 2019)

Stock Code	0345.HK			01446.HK			0359.HK		
Corporation	VIHL			HFT			CHJ		
Profitability	2016/17	2017/18	2018/19	2016	2017	2018	2016	2017	2018
Operating Profit Margin (%)	15.69	12.72	12.98	0.87	1.55	1.28	12.51	22.1	13.36
Pre-tax Profit Margin (%)	15.61	12.42	12.7	0.61	1.44	1.26	4.25	13.64	5.33
Net Profit Margin (%)	11.44	9.06	9.25	1.25	1.11	1.2	2.38	10.5	4.55
Return on Equity (%)	25.02	20.13	21.98	3.5	3.04	3.45	2.65	12.54	6.42
Return on Capital Employ (%)	20.8	17.97	19.38	2.93	2.66	2.8	1.14	5.61	2.33
Return on Total Assets (%)	13.78	11.3	11.84	1.62	1.44	1.47	0.59	2.71	1.24

Comparing the above 3 Profit Margins, VIHL is doing very good; in the past fiscal year, she achieved 9.25% Net Profit Margin, and her peers only doing 1.2% and 4.55%. In the FY 2016/17, VIHL is better than the last two years, just because VIHL has assets disposals and the sale of North America business. With the same effects on the 3 Returns, VIHL in the last fiscal year accomplished 21.98% in Return on Equity and 11.84% in Return on Total Assets. Whereas her peers doing 3.45% and 6.42% in Return on Equity, also 1.44% and 1.24% in Return on Total Assets.

VIHL is doing excellent in this category!

3.6 Stock Market Prospects

To evaluate the current share price of a publicly-held company to determine whether the shares of a company are price-justified through the calculation of metrics including the Earning per Share, Price-Earnings Ratio, Dividend Yield, and Self-Sustainable Growth Rate. (Kenton, 2019)



Stock Code	0345.HK			01446.HK			0359.HK		
Corporation	VIHL			HFT			CHJ		
Stock Market Prospects	2016/17	2017/18	2018/19	2016	2017	2018	2016	2017	2018
Dividend Payout (%)	59.59	63.42	63.72	55.47	54.84	55.24	0.00	0.00	0.00
Earning per Share (\$)	0.62	0.61	0.70	0.01	0.01	0.01	0.04	0.14	0.06
Price/Earning Ratio (Times)	24.86	33.15	55.30	64.51	55.74	38.69	11.04	2.49	3.48
Self-sustainable Growth Rate	0.10	0.07	0.08	0.02	0.01	0.02	0.03	0.13	0.06

The Dividend Payout is very attractive to investors that VIHL is 63.72%, that means each dollar net income earned paying out 0.6372 dollar to her shareholders, whilst HFT 55.24% and CHJ has no dividend payout in the years.

The Earnings per Share (EPS) of VIHL in FY 2016/17 is higher than the FY 2017/18, it is because of the disposals of assets and the sale of North America Business. VIHL's EPS is HKD 0.70 whereas HFT's is HKD 0.01 and CHJ's is HKD 0.06.

The Price/Earnings Ratio (P/E) is the market price of stock to EPS, so when the P/E (of a same shares stock) lower is more attractive to investors; if the EPS remains, in FY 2016/17 VIHL's shares took 24.86 years to breakeven. Her P/E grew to 33.15 times in the following year, and grew to 55.30 times in FY 2018/19, which also shows that the market demand to VIHL's shares is very high. On the other hand, P/E of her peers are dropping, HFT is dropping from 64.51 to 38.69 in 2 years time; it is chatting the percentage is 40%. CFJ is dropping from 11.04 to 3.48 in 2 years; this is a 69% decrement.

The Self-Sustainable Growth Rate is a measure of inherent growth potential of an organization in order words the company has sufficient profits without relying on extra sources of funds like increase debts or issue equity, so this rate higher is better. (Kenton and Hayes, 2019) VIHL has the rate of 0.08 whereas HFT has 0.02 and CHJ has 0.06, in other words the maximum internal wealth VIHL is 4 times richer than HFT, and 1.33 times richer than CHJ.

On the whole, the performance of VIHL is outstanding and the best in this peer comparative study.



Chapter 4

CORPORATE GOVERNANCE

Corporations confront many unsure internal and external issues that may affect achievement of their strategic, operational, or financial objectives, and the consequences can be a positive risk (opportunities) or a negative risk (threats). *Risk management* focuses on identifying threats and opportunities while *internal control* aids counter threats and takes advantage of opportunities, and so important aspects of an organization's governance, management, and operations. Hence, successful corporations build effective governance structures and processes with performance-focused risk management and internal control at every level of an organization and across all operations. (Ifac.org, 2019)

4.1 Practices

VIHL has, throughout the year ended 31st March 2019, complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").



Vitasoy.com (2019)



4.2 Structure

There are 11 directors in the board, has established a Remuneration and Nomination Committee, an Audit Committee and an Executive Committee with specific terms of reference.



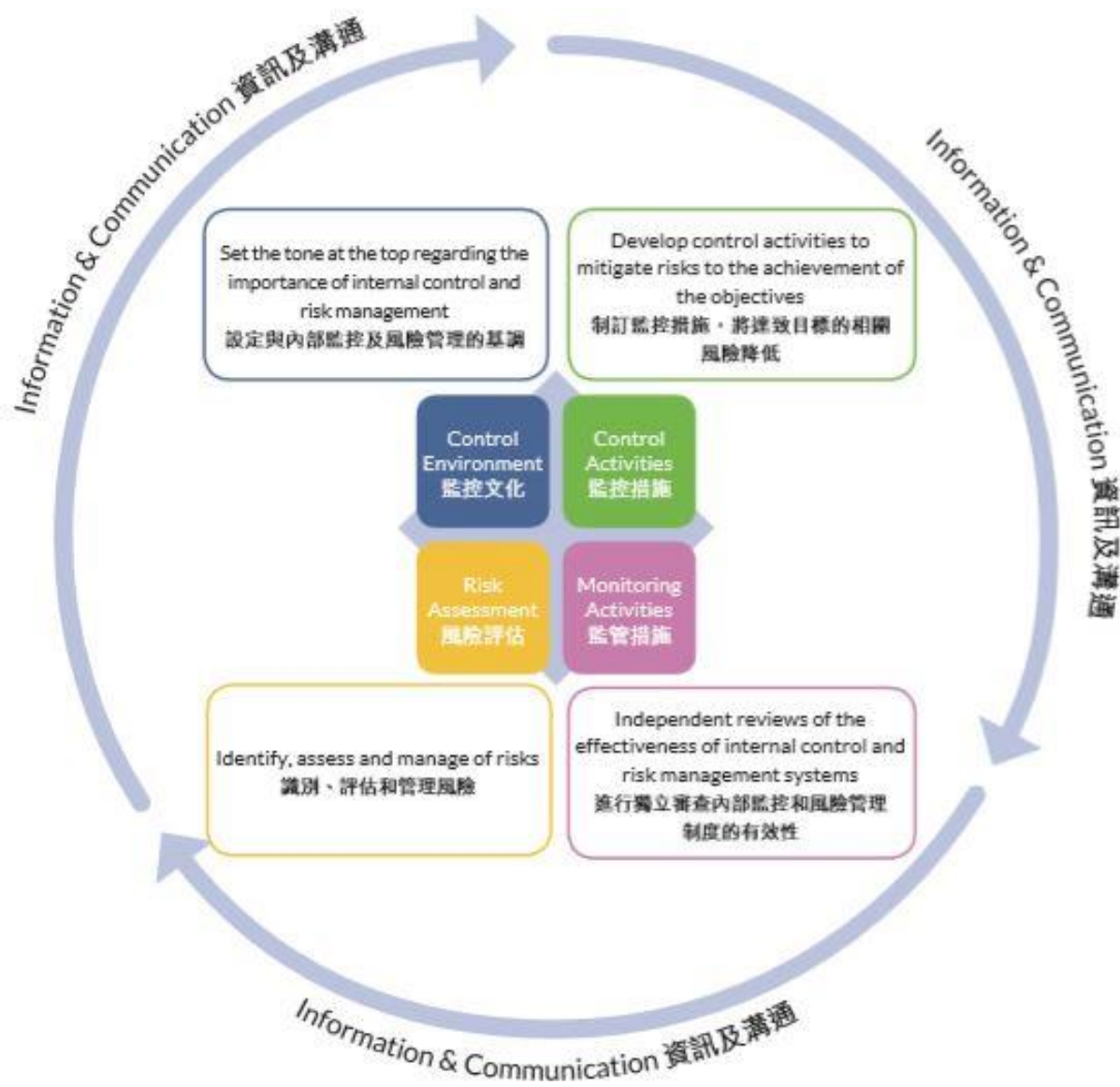
Vitasoy.com (2019)

To achieve high standards of corporate governance practices as well as the mission to creating value for our shareholders. The Board is responsible for developing the strategic directions for the Company and continuous monitoring of the performance of the general management of the Company. Strategic planning is one of the Board's important functions for aligning mission and vision and sustaining long term business growth and lot of focus and attention have been devoted to formulation and execution of the strategic planning. Vitasoy.com (2019)



4.3 Internal Control

VIHL has an internal control system, which is developed based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) components for internal controls, to manage and mitigate rather than to eliminate business risks.



Vitasoy.com (2019)



4.4 Risk Management

Risk management framework with effective governance structure and management process is in place. Such framework enables the Company to adopt a proactive and structured approach to identify and manage risks across the Company with ongoing monitoring and oversight.



Vitasoy.com (2019)

The Average Total Assets to Net Income (ROA) is 12.7% and the Net Income to the Shareholders' Equity (ROE) is 23.6%, both are much above the Industry Average; these are significant display of outstanding governance!



Chapter 5

INVESTMENT APPRAISAL

VIHL plans to increase point of sales by 4,000 AI kiosks in the current markets. The budget for the investment project estimated HKD 376 million; it is about 5% of the annual sales revenue of FY 2018/19 (5% of HKD 7,526,495,000 = HKD 376,324,750). (*Vitasoy.com, 2019*)

5.1 The 4,000 New AI Kiosks in 40 markets

The AI Kiosks will act as a mini production-line, increase sales without increasing production pressure on the existing plants.

The AI Kiosks with transparent pane the whole process of making drinks can be seen and allow customer choices to create their own-favour drinks.

5.2 Investment Project

Budget	Unit	Unit Cost
Kiosk	4, 000	94, 000
(including installation and delivery costs)		
Total	HK\$	376, 000, 000

Consideration	
Deprecation	10 years
Sales growth rate	18%
Ultimate growth rate	3%
EBITDA (%)	16. 5%
Tax Rate	16. 5%
Operation Period	N/A

Financial Forecast	YR 1	YR2	YR3	YR4	YR5
Sales	135,360,000	159,724,800	188,475,264	222,400,812	262,432,958
Cost of Good Sold	60,912,000	71,876,160	84,813,869	100,080,365	118,094,831
Gross Profit	74,448,000	87,848,640	103,661,395	122,320,446	144,338,127
Distribution, Operating and Administrative	32,486,400	33,785,856	35,137,290	36,542,782	38,004,493
EBITDA	41,961,600	54,062,784	68,524,105	85,777,664	106,333,634
Interest	7,520,000	7,520,000	7,520,000	7,520,000	7,520,000
Tax (16.5%)	(621,136)	1,475,559	3,861,677	6,708,515	10,100,250
Deprecation	37,600,000	37,600,000	37,600,000	37,600,000	37,600,000
Net Profit/(Loss)	(6,679,536)	10,418,343	27,265,782	33,949,150	51,113,384



The sales turnover is calculated by the following formula:

$$\text{Daily sales per Kiosk} \times 365 \times \text{Number of Kiosk} \times (1 + 0.18)^t$$

Where T= number of year

ARR	
Total Income of 10 Years	769,381,322
Average ARR	76,938,132
Initial Cost	376,000,000
ARR	20%

NPV					
Discount Rate	3%				
	Cash Flw	PV		Cash Flw	PV
Year1	(679,536)	(672,365)	Year6	71,538,054	59,911,994
Year2	10,418,343	9,820,287	Year7	95,816,874	77,907,887
Year3	27,265,782	24,952,053	Year8	124,650,699	98,400,413
Year4	33,949,150	30,163,380	Year9	158,866,823	121,758,191
Year5	51,113,384	44,090,854	Year10	199,441,747	148,403,390
NPV	235,836,085				

IRR and PBP		
IRR	9.87%	
PBP	Cash Flow	Cumulative cash flow
Year 1	(3,679,536)	(379,679,536)
Year 2	10,418,343	(369,261,193)
Year 3	27,265,782	(341,995,411)
Year 4	33,949,150	(308,046,261)
Year 5	51,113,384	(256,932,877)
Year 6	71,538,054	(185,394,823)
Year 7	95,816,874	(89,577,949)
Year 8	124,650,699	35,072,750
PBP	7.72 years	

According to the findings, this proposal's ARR is 20%, higher than the current Return on Assets but the first year return is negative and gradually uplifting, and IRR is 9.87 plus a positive Net Present Value with a Payback Period of 7.72 years. This positive return is also a new sales channel worthwhile VIHL to carry out this investment.

5.3 Project Financing

The suggested methods of financing is bank loans, for the low interest rate APPR fixed 2% offered by HSBC and since the ROA 12.7% is good enough and the gearing is low.



Chapter 6

FINANCING & CAPITAL MANAGEMENT

VIHL plans to raise a one-off cash or cash equivalents to build a new plant near a cargo wharf, the investment estimated HKD 176 million; it is about 3% of the total assets as at the end of FY 2018/19 (3% of HKD 5,878,209,000 = HKD 176,346,270). (*Vitasoy.com, 2019*) The followings are the pros and cons of each alternative suggested:

6.1 Profit of the Year

Use the Profit of the Year to self-finance the infrastructure project. At net cash status, the net debt ratio is negative.

Financing	
Building Cost Needed	176, 340, 270
Profit of the year	747, 695, 000
Dividend Payout Percentage	63. 72%
Actual Dividends Payouts	(476, 431, 254)
The amount contributed to Retained Earnings	271, 263, 746

This alternative has pros that at net cash status, the debt ratio is negative would not affect the dividend payouts but it would slow the increase of retained earnings. HK\$ 271,263,746 – HK\$ 176,340,270 = HK\$ 94,923,476 will be the amount contributed Retained Earnings instead. Self-finance so no interests to be pay which would not dilute Profit of the Year in the coming years. (*Kenton and Hayes, 2019*)

6.2 Retained Earnings

Use the retained earnings to self-finance the infrastructure project. According to the above calculations shown, using the Profit of the Year or Retained Earnings the effect to Retained Earnings will be the same impacts. At a very cash-sufficient and healthy financial situation, this impacts the company the least. Self-finance so no interests to be pay which would not dilute Profit of the Year in the coming years. (*Kenton and Hayes, 2019*)

6.3 Bank Loans

Use the major banker of VIHL, the bank loans to finance the infrastructure project. For a 3-year short-term loan, HSBC is APPR 4%, DBS 5% and Standard Chartered 6%. The interest expenses will be, the ratios are still seems good comparing with peers.

6.4 Debentures Issuance



Use debentures to finance the infrastructure project. No such experience and the initiative costs are higher than bank loans, takes long time to prepare the whole process; normally it is used to raise long-term funds, it would affect debt ratios. Hence, this alternative is not recommended in this case. (*Kenton and Hayes, 2019*)

6.5 New Shares Issuance

Issue new shares, can be Ordinary Shares or Preferred Shares; to issue Ordinary Share is using equity capital to finance the infrastructure project; to issue Preferred Share is more or less like a long-term debt and these shareholders have no rights to vote and would not share the Profit of the Year nor Retained Earnings, Preferred Shareholders only take a pre-determined lump sum or percentage like interest rate to payout for certain years no matter VIHL has positive or negative profits. Distribution and administrative costs are around 8 to 12% higher than the bank commercial loans. And also, dilute Share Values and Profit Sharing in future. This option would definitely affect the Shareholders' equity ratios, not recommending share capital fund-raising for short-term purposes or insignificant amount of funds, obviously not good for this scenario. (*Kenton and Hayes, 2019*)

6.6 Sales of Assets

Sell assets to finance the investment of infrastructure. Some assets have high scrap or resale value, for example, land property, buildings and so forth. Taking all considerations at the moment, there is no property, plant, production-lines or else suitable to dispose or resale to finance sufficient value to accomplish this project, hence not recommend at this stage.

6.7 Financing Approach Proposed

All in all consideration, under sufficient cash situation, self-finance using Retained Earnings should be the most preferred way of financing this proposed investment.



Chapter 7

RECOMMENDATION & AUDIT PLAN

7.1 Recommendation

VIHL operates in 40 jurisdictions however the production scale and market demands are very close to saturation; the findings indicate strong performance but foresee in the recent future market demands would be exceed VIHL's maximum production capacity whereas wider and deeper penetration her Mainland China market; increase production is a must.

The analysis shows inventory index ratio 10.5 times and relatively small finished products inventory in warehouse which are signs of insufficiency to market demands.

Outsource license-manufacturing is recommended. Once outsourcing is ready, VIHL can spare some of her production capacity to focus on manufacturing her flagship products.

7.2 Audit Plan

This is a one-year quarterly audit plan for urgent outsourcing license-manufacturing to meet with the increasing market demands.

The 1st quarter, it is a planning phase, technical personnel focus on all the production data, such like product specifications, volume of each product and/product series, manufacturing manuals, and so forth, on the other side, Contract and Compliance staff focus on designing a checklist, application form, and due diligent documents for candidates to apply for the manufacturing license also a score sheet for assessment; the Management Team are responsible for setting criteria and standards to the license.

In the 2nd quarter, Management Team search appropriate organizations directly and contacts trade unions to find appropriate candidates and approach them and starts screening. Contract and Compliance staff draft the outsourcing/license agreement. Technical personnel prepare training-materials.

In the 3rd quarter, Management Team conduct interviews and meetings, counter-check due diligent information, discuss terms and communicate required standards and criteria with prospects. Contract and Compliance Team finalize the license and prepare the outsourcing contract. Technical personnel perform technical visits at the production plants of applicant-companies.

In the 4th quarter, starting a half-month production run-in training by the Technical personnel, Quality-check personnel assist the 2 successful applicant-companies to adopt and ensure totally meet VIHL's requirements. The initial production should be distributed at the end of the first month of the quarter.



Chapter 8

CONCLUSION

Vitasoy (維他奶) with her initial mission of helping the poor in 1940 to now VIHL a listed company worth market value of HKD 38.54 billion, VIHL is a role model in the industry and a hot choice very much appreciated by investors. 92% of her revenue is made up of the areas of the Mainland China, Hong Kong and Macau, VIHL benefits from the developing middle class size and income in the Mainland China, the brand value to the local population, the intolerant of dairy products, and growing health conscious growth, the Group's revenue has double-digit growth for 2 consecutive years. *Vitasoy.com(2019)* Even though Sino-U Trade War and the Hong Kong Riots over 2 months, VIHL still continue to stand firm on the share price of HKD 36.15 as at today the closing price of 13/08/2019 and sustains strong growth momentum. *Quote.morningstar.com (2019)*

VIHL has most statistics and ratios above the industry average with clear and transparent corporate governance following closely with the guidelines of the authority, the Securities Exchange of Hong Kong.

From the peer review, HFJ in the same industry focus in wellness food and drinks also a manufacturer and seller her company size is about one-tenth of VIHL and doing quite well but as comparing VIHL, only a very few ratios are better than or well as VIHL.

In the review another peer, CHJ, also in the food and beverages industry focus in juices, she is a manufacturer and seller also plants her own fruits and vegetables to produce juices. Her company size is similar with VIHL but from the financial analysis findings CHJ doing dreadful, no category of ratios is better than VIHL.

In the near future, VIHL will encounter an unbalance of supply and demand of her products, so proposed her to launching the AI-based mini-production kiosks project funding by a 10-year bank loan, suggested her to build one more plant near a cargo wharf by internal financing, and recommended her to subcontract out some production of the VIHL products then she can increase selling more to catch up with the swift development in the Mainland China market.

VIHL is a very strong company!



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Appendix A : 0345.HK VITASOY INTERNATIONAL HOLDINGS LIMITED : Fiscal Years 2016 - 2018

Fiscal Year from 1st April to 31st March	FY 2018/19		FY 2017/18		FY 2016/17	
	HKD ' 000	%	HKD ' 000	%	HKD ' 000	%
<u>Consolidated Statement of Profit or Loss</u>						
Revenue	7, 526, 495	100	6, 464, 525	100	5, 406, 090	100
Cost of Sales	(3, 484, 665)	(46. 30)	(3, 044, 767)	(47. 10)	(2, 532, 704)	(46. 85)
Gross Profit	4, 041, 830	53. 70	3, 419, 758	52. 90	2, 873, 386	53. 15
Other Income	40, 144	0. 53	27, 829	0. 43	34, 638	0. 64
Net Gain on Disposal of Assets & Liabilities Classified as Held for Sale	0	0. 00	0	0. 00	189, 595	3. 51
Marketing, Selling & Distribution Expenses	(2, 104, 514)	(27. 96)	(1, 729, 371)	(26. 75)	(1, 491, 517)	(27. 59)
Administrative Expenses	(635, 281)	(8. 44)	(559, 096)	(8. 65)	(487, 795)	(9. 02)
Other Operating Expenses	(365, 019)	(4. 85)	(336, 872)	(5. 21)	(270, 273)	(5. 00)
Profit from Operations	977, 160	12. 98	822, 248	12. 72	848, 034	15. 69
Finance Costs	(2, 086)	(0. 03)	(1, 700)	(0. 03)	(3, 730)	(0. 07)
Share of Losses of Joint Venture	(19, 236)	(0. 26)	(17, 814)	(0. 28)	(627)	(0. 01)
Profit before Taxation	955, 838	12. 70	802, 734	12. 42	843, 677	15. 61
Income Tax	(208, 143)	(2. 77)	(160, 679)	(2. 49)	(190, 383)	(3. 52)
Profit for the Year	747, 695	9. 93	642, 055	9. 93	653, 294	12. 08

Appendix A : 0345.HK VITASOY INTERNATIONAL HOLDINGS LIMITED : Fiscal Years 2016 - 2018

Fiscal Year from 1st April to 31st March	FY 2018/19		FY 2017/18		FY 2016/17	
	HKD ' 000	%	HKD ' 000	%	HKD ' 000	%
<u>Consolidated Statement of Financial Position</u>						
<i>Non-current Assets</i>						
Property, Plant & Equipment	2,939,306	50.00	2,348,875	45.33	2,053,276	45.76
Deposits for the Acquisition of Property, Plant & Equipment	1,601	0.03	1,586	0.03	1,125	0.03
Intangible Assets	3,417	0.06	3,922	0.08	4,010	0.09
Goodwill	18,375	0.31	18,983	0.37	35,293	0.79
Interest in Joint Venture	59,290	1.01	45,291	0.87	148	0.00
Bank Deposits	0	0.00	0	0.00	0	0.00
Deferred Tax Assets	81,169	1.38	103,362	1.99	56,451	1.26
	3,103,158	52.79	2,522,019	48.67	2,150,303	47.93
<i>Current Assets</i>						
Inventories	748,284	12.73	709,312	13.69	582,446	12.98
Trade & Other Receivables	984,008	16.74	954,944	18.43	900,003	20.06
Current Tax Recoverable	37,727	0.64	10,209	0.20	736	0.02
Cash & Bank Deposits	1,005,032	17.10	985,694	19.02	853,119	19.01
Assets of Disposal Group Classified as Held for Sale	0	0.00	0	0.00	0	0.00
	2,775,051	47.21	2,660,159	51.33	2,336,304	52.07
<i>Total Assets</i>						
	5,878,209	100	5,182,178	100	4,486,607	100
<i>Current Liabilities</i>						
Trade & Other Payables	2,213,401	37.65	1,863,772	35.97	1,466,904	32.70
Bank Loans	44,508	0.76	27,085	0.52	7,329	0.16
Obligations under Financial Leases	0	0.00	921	0.02	1,221	0.03
Current Tax Payable	29,135	0.50	31,265	0.60	37,781	0.84

	2,287,044	38.91	1,923,043	37.11	1,513,235	33.73
<i>Net Current Assets</i>	488,007	8.30	737,116	14.22	823,069	18.35
<i>Total Assets less Current Liabilities</i>	3,591,165	61.09	3,259,135	62.89	2,973,372	66.27
<i>Non-current Liabilities</i>						
Bank Loans	0	0.00	0	0.00	200,000	4.46
Obligations under Finance Leases	0	0.00	0	0.00	909	0.02
Employee Retirement Benefit Liabilities	22,624	0.38	16,066	0.31	22,065	0.49
Deferred Tax Liabilities	98,981	1.68	73,923	1.43	60,692	1.35
	121,605	2.07	89,989	1.74	283,666	6.32
<i>Net Assets</i>	3,469,560	59.02	3,169,146	61.15	2,689,706	59.95
<i>Capital & Reserves</i>						
Share Capital	898,961	15.29	857,335	16.54	774,246	17.26
Reserves	2,266,451	38.56	2,052,422	39.61	1,697,123	37.83
Total Equity Attributable to Equity Shareholders of the Company	3,165,412	53.85	2,909,757	56.15	2,471,369	55.08
Non-controlling Interests	304,148	5.17	259,389	5.01	218,337	4.87
<i>Total Equity</i>	3,469,560	59.02	3,169,146	61.15	2,689,706	59.95

Appendix B : 1446.HK Hung Fook Tung Groups Holding Limited : Fiscal Years 2016 - 2018

Fiscal Year from 1st Jan to 31st December	FY 2018		FY 2017		FY 2016	
	HKD ' 000	%	HKD ' 000	%	HKD ' 000	%
<u>Consolidated Statement of Profit or Loss</u>						
Revenue	783,383	100	729,776	100	715,207	100
Cost of Sales	(307,036)	(39.19)	(275,137)	(37.70)	(274,276)	(38.35)
Gross Profit	476,347	60.81	454,639	62.30	440,931	61.65
Other Income/(Loss)	(1,326)	(0.17)	453	0.06	9,190	1.28
Marketing, Selling & Distribution Expenses	(84,739)	(10.82)	(77,215)	(10.58)	(76,506)	(10.70)
Administrative & Operating Expenses	(380,232)	(48.54)	(366,540)	(50.23)	(367,422)	(51.37)
Profit from Operations	10,050	1.28	11,337	1.55	6,193	0.87
Finance Costs	(193)	(0.02)	(817)	(0.11)	(1,825)	(0.26)
Profit before Taxation	9,857	1.26	10,520	1.44	4,368	0.61
Income (Tax)/Rebates	2,888	0.37	(149)	(0.02)	4,275	0.60
Losses from those closed businesses	(4,437)	(0.57)	(2,369)	(0.32)	0	0.00
Profit for the Year	8,308	1.06	8,002	1.10	8,643	1.21

Appendix B : 1446.HK Hung Fook Tung Groups Holding Limited : Fiscal Years 2016 - 2018

Fiscal Year from 1st Jan to 31st December	FY 2018		FY 2017		FY 2016	
	HKD ' 000	%	HKD ' 000	%	HKD ' 000	%
<u>Consolidated Statement of Financial Position</u>						
<i>Non-current Assets</i>						
Property, Plant & Equipment	288,562	45.28	236,843	42.02	226,990	40.99
Deposits	28,271	4.44	28,273	5.02	17,507	3.16
Leases of land	56,059	8.80	58,054	10.30	48,387	8.74
Deferred Tax Assets	11,438	1.79	8,753	1.55	9,016	1.63
	384,330	60.30	331,923	58.88	301,900	54.52
<i>Current Assets</i>						
Inventories	32,942	5.17	29,899	5.30	27,921	5.04
Receivables	89,939	14.11	86,228	15.30	87,291	15.76
Current Tax Recoverable	1,715	0.27	986	0.17	4,400	0.79
Cash & Bank Deposits	128,391	20.15	114,658	20.34	132,226	23.88
	252,987	39.70	231,771	41.12	251,838	45.48
<i>Total Assets</i>	637,317	100	563,694	100	553,738	100
<i>Current Liabilities</i>						
Trade & Other Payables	266,778	41.86	236,210	41.90	222,180	40.12
Bank Loans	35,477	5.57	20,783	3.69	22,813	4.12
Current Tax Payable	837	0.13	2,356	0.42	2,922	0.53
	303,092	47.56	259,349	46.01	247,915	44.77

<i>Net Current Assets</i>	(50, 105)	(7. 86)	(27, 578)	(4. 89)	3, 923	0. 71
<i>Total Assets less Current Liabilities</i>	334, 225	52. 44	304, 345	53. 99	305, 823	55. 23
<i>Non-current Liabilities</i>						
Bank Loans	58, 615	9. 20	31, 659	5. 62	44, 942	8. 12
Provision for Maintenance and Repairs	3, 830	0. 60	4, 994	0. 89	3, 521	0. 64
Deferred Tax Liabilities	86	0. 01	441	0. 08	378	0. 07
	62, 531	9. 81	37, 094	6. 58	48, 841	8. 82
<i>Net Assets</i>	271, 694	42. 63	267, 251	47. 41	256, 982	46. 41
<i>Capital & Reserves</i>						
Share Capital	6, 559	1. 03	6, 559	1. 16	6, 559	1. 18
Reserves	265, 368	41. 64	259, 654	46. 06	249, 618	45. 08
Total Equity Attributable to Equity Shareholders of the Company	271, 927	42. 67	266, 213	47. 23	256, 177	46. 26
Non-controlling Interests	(233)	(0. 04)	1, 038	0. 18	805	0. 15
<i>Total Equity</i>	271, 694	42. 63	267, 251	47. 41	256, 982	46. 41

Appendix C : 0359.HK China Haisheng Juice Holdings Company Limited Fiscal Years 2016 - 2018

Fiscal Year from 1st Jan to 31st December	FY 2018		FY 2017		FY 2016	
	RMB ' 000	%	RMB ' 000	%	RMB ' 000	%
<u>Consolidated Statement of Profit or Loss</u>						
Revenue	1, 752, 807	100	1, 382, 676	100	1, 127, 434	100
Cost of Sales	(1, 500, 567)	(85. 61)	(1, 090, 905)	(78. 90)	(886, 627)	(78. 64)
Gross Profit	252, 240	14. 39	291, 771	21. 10	240, 807	21. 36
Other Income	239, 727	13. 68	310, 040	22. 42	149, 131	13. 23
Other Gains/Losses	291, 746	16. 64	89, 695. 00	6. 49	44, 366	3. 94
Marketing, Selling & Distribution Expenses	(292, 622)	(16. 69)	(181, 428)	(13. 12)	(128, 602)	(11. 41)
Administrative Expenses	(253, 033)	(14. 44)	(199, 929)	(14. 46)	(157, 320)	(13. 95)
Other Operating Expenses	(3, 830)	(0. 22)	(4, 534)	(0. 33)	(7, 320)	(0. 65)
Profit from Operations	234, 228	13. 36	305, 615	22. 10	141, 062	12. 51
Finance Costs	(139, 078)	(7. 93)	(108, 298)	(7. 83)	(91, 644)	(8. 13)
Share of Losses of Joint Venture	(1, 638)	(0. 09)	(8, 678)	(0. 63)	(1, 535)	(0. 14)
Profit before Taxation	93, 512	5. 33	188, 639	13. 64	47, 883	4. 25
Income Tax	(15, 726)	(0. 90)	(12, 479)	(0. 90)	25	0. 00
Profit for the Year	77, 786	4. 44	176, 160	12. 74	47, 908	4. 25

Appendix C : 0359.HK China Haisheng Juice Holdings Company Limited Fiscal Years 2016 - 2018

Fiscal Year from 1st Jan to 31st December	FY 2018		FY 2017		FY 2016	
<u>Consolidated Statement of Financial Position</u>						
<i>Non-current Assets</i>						
Property, Plant & Equipment	3,101,839	48.23	2,394,742	44.72	2,115,312	46.62
Deposits for the Property	176,621	2.75	151,754	2.83	121,908	2.69
Cultivation plants and deposits	1,256,954	19.54	950,955	17.76	627,011	13.82
Interest in Joint Venture	7,749	0.12	9,387	0.18	8,465	0.19
	4,543,163	70.63	3,506,838	65.48	2,872,696	63.31
<i>Current Assets</i>						
Inventories	748,092	11.63	1,110,670	20.74	1,079,545	23.79
Trade & Other Receivables	451,175	7.01	417,701	7.80	265,338	5.85
Current Tax Recoverable	0	0.00	0	0.00	162	0.00
Cash & Bank Deposits	657,662	10.22	287,728	5.37	304,602	6.71
Biological Assets	31,842	0.50	32,611	0.61	14,862	0.33
	1,888,771	29.37	1,848,710	34.52	1,664,509	36.69
<i>Total Assets</i>	6,431,934	100	5,355,548	100	4,537,205	100
<i>Current Liabilities</i>						
Trade & Other Payables	1,499,510	23.31	1,209,036	22.58	1,034,397	22.80
Bank Loans	1,509,873	23.47	1,555,339	29.04	1,151,680	25.38
Deferred Government Subsidies	7,409	0.12	4,671	0.09	1,029	0.02
Current Tax Payable	277	0.00	68	0.00	0	0.00
	3,017,069	46.91	2,769,114	51.71	2,187,106	48.20

<i>Net Current Assets</i>	(1, 128, 298)	(17. 54)	(920, 404)	(17. 19)	(522, 597)	(11. 52)
<i>Total Assets less Current Liabilities</i>	3, 414, 865	53. 09	2, 586, 434	48. 29	2, 350, 099	51. 80
<i>Non-current Liabilities</i>						
Bank Loans	1, 375, 882	21. 39	907, 635	16. 95	974, 526	21. 48
Other Debts	47, 995	0. 75	20, 462	0. 38	9, 985	0. 22
Deferred Government Subsidies	143, 472	2. 23	125, 621	2. 35	129, 175	2. 85
Deferred Tax Liabilities	26, 805	0. 42	22, 119	0. 41	15, 296	0. 34
	1, 594, 154	24. 78	1, 075, 837	20. 09	1, 128, 982	24. 88
<i>Net Assets</i>	1, 820, 711	28. 31	1, 510, 597	28. 21	1, 221, 117	26. 91
<i>Capital & Reserves</i>						
Share Capital	13, 296	0. 21	13, 296	0. 25	13, 061	0. 29
Reserves	1, 226, 968	19. 08	1, 143, 898	21. 36	999, 198	22. 02
	1, 240, 264	19. 28	1, 157, 194	21. 61	1, 012, 259	22. 31
Total Equity Attributable to Equity Shareholders of the Company	580, 447	9. 02	353, 403	6. 60	208, 858	4. 60
Non-controlling Interests						
<i>Total Equity</i>	1, 820, 711	28. 31	1, 510, 597	28. 21	1, 221, 117	26. 91