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*(Incorporated in Hong Kong with limited liability)*

(Stock code: 345)

## **CLARIFICATION ANNOUNCEMENT**

Reference is made to the clarification announcement of the Company dated 16th January 2020 (the “Announcement”) in relation to certain allegations made in the report published by a short seller named Valiant Warriors on the same day (the “First Report”). The Company noted that a further report was published by Valiant Warriors on 17th January 2020 (the “Second Report”, together with the First report, the “Reports”) which intended to rebut the clarification made by the Company in the Announcement. Terms used herein shall have the same respective meanings as those defined in the Announcement.

Save as disclosed in this announcement, after having made all reasonable enquiries with the Company, the Board confirms that it is not aware of any other information which must be announced to avoid a false market in the Company’s securities or any inside information that needs to be disclosed under the Inside Information Provisions (as defined in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)) under Part XIVA of the Securities and Futures Ordinance.

## **BACKGROUND**

The Company noted from the Reports that Valiant Warriors made various allegations against the Company (the “Allegation(s)"). The Board vigorously denies all Allegations contained in the Reports and considers such Allegations completely unfounded and gravely misleading.

The Company wishes to point out that Valiant Warriors never contacted nor sought clarification from the Company nor the Board before or after the publication of the Reports.

## **CLARIFICATIONS**

The Company summarised the main Allegations in the Reports and the Company's response are as follows.

- (i) Profit and capital expenditure ("CAPEX") of the Company

### **Valiant Warriors's Allegation**

It is alleged that the Company overstated its Mainland China and Australia profit and capital expenditure.

### **Company's response**

Our consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules. Our annual consolidated financial statements during the period as mentioned in the Reports have been audited by our external auditors, KPMG. Our external auditors gave an opinion that our consolidated financial statements have provided a true and fair view of the consolidated financial performance of the Group.

The Company strongly disagrees with using data from the published information of Mainland China's State Administration for Market Regulation, formerly known as State Administration for Industry and Commerce ("SAIC") and Australia filings to compute the purported estimated segmental operating profit. The figures reported to SAIC and Australia authority were at local entity level and such estimation had not taken into account the elimination of inter-company transactions from a consolidated group perspective.

It is also alleged in the Reports that the Company had overstated its CAPEX investment in Mainland China. The quoted figures in the Reports are not comparing on a like-for-like basis. The reported figures of CAPEX in our audited financial statements represented additions of non-current assets while figures from SAIC included fixed assets depreciation but excluded newly acquired leasehold properties not to mention the inaccurate figures quoted by Valiant Warriors and the timing difference between two sets of data.

Valiant Warriors tried to demonstrate the purported overstatement of our Australia business operating profit in its Second Report. We wanted to stress that such illustration did not take into account the inter-company transactions such as payment for licence of intellectual property rights. All our disclosure in the consolidated financial statements have been strictly following requirements of applicable accounting and reporting standards and the Listing Rules.

The Company considers the Allegation relating to the purported overstatement in profit and CAPEX is completely incorrect and baseless.

- (ii) Cash flow and disposal of 15% equity interest in Vitasoy (Dongguan) Company Limited (“Dongguan Vitasoy”)

### **Valiant Warriors’s Allegation**

It is alleged that the Company was having cash flow problems and therefore 15% equity interest in Dongguan Vitasoy was disposed.

### **Company’s response**

Such Allegation is incorrect which is concluded based on incomplete information. Our external auditors gave an opinion that our consolidated financial statements have provided a true and fair view of the Group’s consolidated cash flows. As of 30th September 2019, our net cash position was at HK\$542 million which clearly demonstrated that we did not have any cash flow problems.

In our previous connected transaction announcement in relation to the disposal of 15% equity interests in Dongguan Vitasoy dated 31st December 2018, we clearly stated the main reason for the disposal of Dongguan Vitasoy shares was to maintain the same percentage shareholdings of our other joint venture company in Shenzhen. The Board also considered that the Group would benefit from the participation of the same local partner in developing a unified sales and marketing strategy of the Group’s products in Southern China market.

(iii) Gross Margin of the Company

**Valiant Warriors's Allegation**

It is alleged that the Company's gross profit margin is too good to be true.

**Company's response**

As mentioned above, SAIC data only represents entity-level information. The margin reported in our audited financial statements was an audited margin of our consolidated business with the elimination of inter-company transactions based on HKFRS.

The Reports also compared our gross margin to other two companies with a total different scale of operation and larger product portfolio. With our focused effort on core products under two flagship brands of VITASOY and VITA, we were able to increase production efficiency in the past few years. Dedicated contribution from our staff and ongoing support from business partners have helped us to control our raw material prices effectively.

Based on the above, the Company considers the purported overstatement in gross margin is untrue and groundless.

(iv) Slow revenue growth and intensified competition

**Valiant Warriors's Allegation**

It is doubtful that the Company will be able to sustain growth in Mainland China.

**Company's response**

Although competition in both soy and tea categories has been intensified, we could still register 14% growth in local currency during the first six months of FY2019/20. We believe the sophisticated and professional entries from the competitors will help to continuously grow the awareness of our operating categories. With our mission to provide sustainable plant-based products and the fact that sustainable plant-based nutrition is becoming ever more relevant in the context of the world's current climate and population challenges, we are confident that our unique positioning will be able to grow continuously in long term.

It is important for the shareholders of the Company (the “Shareholders”) to be aware that the relevant Allegations are the opinions of a short seller whose interests may not be aligned with those of the Shareholders in general, and that it may be intended to undermine the Shareholders’ confidence in the Company, the Board and the Company’s management, and to damage the Company’s reputation. Accordingly, Shareholders should treat all such Allegations with extra caution.

**The Board considers that the Reports contained certain factual error, misleading statements and unfounded allegations which may lead to unusual price movement. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

The Company will consider and adopt all reasonable measures to protect the interests of the Shareholders. The Company reserves its right to take legal action against Valiant Warriors and/or those responsible for making unfounded Allegations against the Group.

On behalf of the Board  
**Vitasoy International Holdings Limited**  
**Winston Yau-lai LO**  
*Executive Chairman*

Hong Kong, 17th January 2020

*As at the date of this announcement, Mr. Winston Yau-lai Lo, Mr. Roberto Guidetti and Mr. Eugene Lye are executive directors. Ms. Yvonne Mo-ling Lo, Mr. Peter Tak-shing Lo and Ms. May Lo are non-executive directors. Dr. the Hon. Sir David Kwok-po Li, Mr. Jan P. S. Erlund, Mr. Anthony John Liddell Nightingale, Mr. Paul Jeremy Brough and Dr. Roy Chi-ping Chung are independent non-executive directors.*