



VITOP BIOENERGY HOLDINGS LIMITED
(天年生物控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1178

Interim Report
2014/15

** For identification purpose only*

INTERIM RESULT

The board of directors (the "Board") of Vitop Bioenergy Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2014 (the "Period") together with comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 31 December	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	3	9,827	8,338
Cost of sales		(6,270)	(4,585)
Gross profit		3,557	3,753
Other income		1,885	331
Selling and distribution costs		(1,844)	(2,453)
Administrative expenses		(15,968)	(6,711)
Other operating expenses		(452)	(87)
LOSS FROM OPERATING ACTIVITIES	4	(12,822)	(5,167)
Finance costs		(364)	–
Share of loss of an associate		(13,186)	(5,167)
		(768)	–
LOSS BEFORE INCOME TAX EXPENSE		(13,954)	(5,167)
Income tax expense	5	–	–
LOSS FOR THE PERIOD		(13,954)	(5,167)
ATTRIBUTABLE TO:			
Owners of the Company		(13,895)	(5,131)
Non-controlling interests		(59)	(36)
LOSS FOR THE PERIOD		(13,954)	(5,167)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Notes	Six months ended 31 December	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
LOSS FOR THE PERIOD		(13,954)	(5,167)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		—	8
Total comprehensive loss for the period, net of tax		<u>(13,954)</u>	<u>(5,159)</u>
Total comprehensive loss attributable to:			
Owners of the Company		(13,895)	(5,123)
Non-controlling interests		(59)	(36)
		<u>(13,954)</u>	<u>(5,159)</u>
			(Restated)
LOSS PER SHARE			
Basic	7	HK(0.69) cents	HK(0.31) cents
Diluted		N/A	N/A
DIVIDENDS	6	—	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2014 (Unaudited) HK\$'000	30 June 2014 (Audited) HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	10,509	1,951
Intangible assets		172	191
Available-for-sale investments		24,336	24,336
Interests in an associate		–	2,432
		<u>35,017</u>	<u>28,910</u>
Current assets			
Inventories	9	52,631	49,807
Trade receivables	10	343	2,052
Deposits, prepayments and other receivables		48,850	68,443
Cash and bank balances		87,111	3,896
		<u>188,935</u>	<u>124,198</u>
Current liabilities			
Trade payables	11	7,794	7,041
Deposits received		9,246	9,667
Accrued liabilities and other payables		16,316	8,450
Amount due to directors		1,806	6,067
Amount due to an associate		–	140
Secured bank borrowings		8,750	8,750
		<u>43,912</u>	<u>40,115</u>
Net current assets		<u>145,023</u>	<u>84,083</u>
Total assets less current liabilities		<u>180,040</u>	<u>112,993</u>
Net assets		<u>180,040</u>	<u>112,993</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		31 December 2014 (Unaudited) HK\$'000	30 June 2014 (Audited) HK\$'000
	Notes		
EQUITY			
Capital and reserves			
Share capital	13	62,565	41,710
Reserves		116,015	69,764
		178,580	111,474
Non-controlling interests		1,460	1,519
Total equity		180,040	112,993

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	Capital redemption reserve	Capital reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2013 (Audited)	34,760	155,831	8,789	29	28,764	12,813	(135,816)	105,170	1,725	106,895
Total comprehensive loss for the period	-	-	-	-	-	8	(5,131)	(5,123)	(36)	(5,159)
At 31 December 2013 (Unaudited)	34,760	155,831	8,789	29	28,764	12,821	(140,947)	100,047	1,689	101,736
At 1 July 2014 (Audited)	41,710	180,045	8,789	29	28,764	13,215	(161,078)	111,474	1,519	112,993
Issue of shares pursuant to an open offer	20,855	62,565	-	-	-	-	-	83,420	-	83,420
Share issue expenses	-	(2,419)	-	-	-	-	-	(2,419)	-	(2,419)
Total comprehensive loss for the period	-	-	-	-	-	-	(13,895)	(13,895)	(59)	(13,954)
At 31 December 2014 (Unaudited)	62,565	240,191	8,789	29	28,764	13,215	(174,973)	178,580	1,460	180,040

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED FROM/(USED IN)		
OPERATING ACTIVITIES	10,829	(1,099)
NET CASH USED IN INVESTING		
ACTIVITIES	(8,615)	–
NET CASH GENERATED FROM FINANCING		
ACTIVITIES	81,001	–
	<hr/>	<hr/>
INCREASE IN/(DECREASE IN) CASH AND		
CASH EQUIVALENTS	83,215	(1,099)
CASH AND CASH EQUIVALENTS AT 1 JULY	3,896	27,567
EFFECT OF FOREIGN EXCHANGE	–	8
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS		
AT 31 DECEMBER	87,111	26,476
	<hr/>	<hr/>
ANALYSIS OF THE BALANCES OF CASH AND		
CASH EQUIVALENTS		
CASH AND BANK BALANCES	87,111	26,476
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated statements are unaudited but have been reviewed by the Company’s audit committee.

(b) Principal Accounting Policies

The basis of preparation and accounting policies adopted in preparing these condensed consolidated statements are consistent with those adopted in the preparation of the Group’s annual statements for the year ended 30 June 2014.

In the current Period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 July 2014. The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated statements of the Group for the current accounting period.

The Group has not early applied the new and revised HKFRSs relevant to the Group’s financial statements, that have been issued but not yet effective in the Period covered by these interim financial statements.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

2. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

The five reportable operating segments are listed as follows:

BIOenergy products:	manufacturing and trading of bedding products, underclothing and body protection accessories containing the BIOenergy compound
Healthcare food products:	trading of healthcare food products, including polypeptide products
Multi-functional water generators:	manufacturing and trading of multi-functional water generators
Property rental:	letting properties for rental income
Others:	trading of other healthcare products and other

	BIOenergy products		Healthcare food products		Multi-functional water generators		Property rental		Others		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	7,190	5,378	229	552	2,201	2,016	33	-	174	392	9,827	8,338
Segment results	1,635	1,015	6	185	(10)	120	33	-	49	(34)	1,713	1,286
Unallocated other income											1,885	331
Unallocated expense											(16,420)	(6,784)
Loss from operating activities											(12,822)	(5,167)
Finance cost											(364)	-
Share of loss of an associate											(13,186)	(5,167)
											(768)	-
Loss before income tax expenses											(13,954)	(5,167)
Income tax expenses											-	-
Loss for the period											(13,954)	(5,167)

No geographical analysis is presented as all of the Group's revenue and contribution to loss is attributable to markets in the People's Republic of China (the "Mainland China").

3. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable. All significant intragroup transactions have been eliminated on consolidation.

Turnover made in the Mainland China is subject to value added tax ("VAT") at a rate of 17% ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Group on purchases ("input VAT").

4. LOSS FROM OPERATING ACTIVITIES

The Group's unaudited loss from operating activities is arrived at after charging/ (crediting):

	Six months ended	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	6,270	4,585
Amortisation of intangible assets	19	19
Depreciation of property, plant and equipment	162	306
Operating lease charges in respect of land and building	1,156	717
Impairment loss on goodwill	61	–
Share of loss of an associate	768	–
Gain on disposal of property, plan and equipment	(625)	–
Gain on bargaining purchase arising from the acquisition of a subsidiary	(658)	–
	<u> </u>	<u> </u>

5. INCOME TAX EXPENSE

No provision of Hong Kong profits tax has been provided as no assessable profits arising in Hong Kong during the Period (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the Period. PRC Enterprise Income Tax has not been provided as the Group had tax loss arising in PRC during the Period (2013: Nil).

6. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2013: Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to owners for the Period of HK\$13.90 million (2013: loss of HK\$5.13 million) and the weighted average number of 2,026,571,610 (2013: the weighted average number of 1,668,489,537 (restated)) ordinary shares in issue during the Period.

The weighted average number of ordinary shares for the purposes of calculating basic loss per share in 2013 has been adjusted for the open offer as completed and disclosed in the announcement of the Company dated 23 December 2014.

The diluted loss per share for the period ended 31 December 2014 and 2013 has not been disclosed as there were no potential dilutive shares in issue during the periods.

8. PROPERTY, PLANT AND EQUIPMENT

	Total HK\$'000
At 1 July 2014 (audited)	1,951
Additions (including addition through acquisition of subsidiaries)	8,764
Disposals	(44)
Depreciation	(162)
At 31 December 2014 (unaudited)	10,509

9. INVENTORIES

	31 December 2014 (Unaudited) HK\$'000	30 June 2014 (Audited) HK\$'000
Raw materials	5,267	4,402
Work in progress	3,559	3,601
Finished goods	55,844	53,998
	64,670	62,001
Less: Provision for obsolete and slow-moving finished goods	(12,039)	(12,039)
Foreign exchange translation	–	(155)
	52,631	49,807

10. TRADE RECEIVABLES

The credit terms that the Group offers to customers are generally not more than 90 days. Details of the ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) are as follows:

	31 December 2014 (Unaudited) HK\$'000	30 June 2014 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	51	32
Between 31 to 60 days	3	32
Between 61 to 180 days	19	129
Over 180 days	270	1,859
	<u>343</u>	<u>2,052</u>

Included in the balances are trade receivables with an aggregate carrying amount of HK\$0.28 million (30 June 2014: HK\$1.88 million) which are past due at the reporting date for which the Group has not provided impairment loss as there has been no significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances. No interest is charged on the trade receivables.

11. TRADE PAYABLES

The credit terms of trade payables varies according to the terms agreed with different suppliers. The ageing analysis of the Group's trade payables as at the end of reporting periods are as follows:

	31 December 2014 (Unaudited) HK\$'000	30 June 2014 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	996	2,174
Between 31 to 60 days	557	138
Between 61 to 180 days	930	648
Over 180 days	5,311	4,081
	<u>7,794</u>	<u>7,041</u>

12. SECURED BANK BORROWINGS

	31 December 2014 (Unaudited) HK\$'000	30 June 2014 (Audited) HK\$'000
Secured bank borrowings	<u>8,750</u>	<u>8,750</u>

The secured bank borrowings of RMB7.00 million (approximately equivalent to HK\$8.75 million) is secured by personal guarantee of RMB12.00 million (approximately equivalent to HK\$15.00 million) of a director of the Company and certain buildings held by third parties.

The effective interest rate of the bank borrowings is 7.8% per annum and repayable within one year.

13. SHARE CAPITAL

	Number of ordinary shares (Unaudited)	Share capital HK\$'000 (Unaudited)
Authorised:		
Ordinary shares of HK\$0.025 each		
At 30 June 2014 and 31 December 2014	<u>20,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.025 each		
At 30 June 2014	1,668,407,948	41,710
Issue of shares pursuant to the open offer	<u>834,203,974</u>	<u>20,855</u>
At 31 December 2014	<u>2,502,611,922</u>	<u>62,565</u>

14. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases certain of its offices and warehouses under non-cancellable operating lease arrangements with lease terms ranging from one to five years.

As at 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2014 (Unaudited) HK\$'000	30 June 2014 (Audited) HK\$'000
Within one year	2,775	2,285
In the second to fifth years inclusive	3,468	5,426
	6,243	7,711

The Group as lessor

As at 31 December 2014, the Group had contracted with tenants for the following minimum lease payments under non-cancellable operating leases in respect of the rented premises which fall due as follows:

	31 December 2014 (Unaudited) HK\$'000	30 June 2014 (Audited) HK\$'000
Within one year	358	–
In the second to fifth years inclusive	–	–
	358	–

Lease is negotiated for an average term of 1 year.

15. ACQUISITION OF SUBSIDIARIES

- (i) The Company paid an amount of HK\$7,840,000 as consideration for the acquisition of 100% interest in Guangzhou Zhanao Trade Commerce Company Limited and the amount due to the then shareholder in the amount of HK\$6,576,000 during the six month ended 31 December 2014.

The fair value of the net assets acquired and consideration in the transaction are as follows:

	HK\$'000
Purchase consideration	
Cash	7,840
Recognised amounts of identifiable assets acquired and liabilities assumed	
Fixed assets	7,837
Cash and bank balances	34
Goodwill	61
Other payables	(92)
Shareholder's loan	(6,576)
	1,264
Shareholder's loan	6,576
	7,840
Net cash outflow arising on acquisition	
Cash and cash equivalent acquired	34
Cash consideration	(7,840)
	(7,806)

15. ACQUISITION OF SUBSIDIARIES (CONTINUED)

- (ii) During the six months ended 31 December 2014, the Group entered into an acquisition agreement to further acquire 51% equity interest in Zhuhai Wei Tuo Po Technology Limited (“Wei Tuo Po”), an associate of the Group (the “Acquisition”), which is principally engaged in manufacturing and trading of multi-functional water generators and ionisers.

The fair value of the net assets acquired and consideration in the Acquisition are as follows:

	HK\$'000
Purchase consideration	
Cash consideration for acquisition 51% equity interest in Wei Tuo Po	1,075
Fair value of previously interest in an associate (note)	<u>1,664</u>
Total consideration	<u>2,739</u>
Recognised amount of identifiable assets acquired and liabilities assumed	
Fixed assets	884
Inventories	1,427
Cash and bank balances	266
Other receivables	1,071
Trade payables	(151)
Accrual and other payables	<u>(100)</u>
	<u>3,397</u>
Gain on bargaining purchase arising from the Acquisition	<u>(658)</u>
Net cash outflow arising on the Acquisition	
Cash and cash equivalent acquired	266
Cash consideration	<u>(1,075)</u>
	<u>(809)</u>

Note:

The directors of the Company considered the fair value of the 49% interest held in Wei Tuo Po on the date of Acquisition was approximately equal to the carrying value of HK\$1,664,000.

16. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following material transactions and balances with certain related parties:

(A) Related Party Balances

	Notes	31 December 2014 (Unaudited) HK\$'000	30 June 2014 (Audited) HK\$'000
Amount due to directors	<i>i</i>	1,806	6,067
Amount due to an associate	<i>i</i>	<u>–</u>	<u>140</u>

(B) Related Party Transactions

	Notes	Six months ended 31 December 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Purchase of inventories from an associate	<i>ii</i>	<u>638</u>	<u>–</u>
		<u>638</u>	<u>–</u>

Notes:

- (i) The amount is unsecured, interest-free and repayable on demand.
- (ii) The Group's transaction with an associate was made in accordance with the mutually agreed terms.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(C) Compensation of Key Management Personnel of the Group:

	Six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000

Total remuneration of directors and other members of key management during the period

— Short term employee benefits	8,960	686
— Pension scheme contribution	18	22
	8,978	708

17. EVENTS AFTER REPORTING PERIOD

The Group has entered into the sale and purchase agreement with an independent third party pursuant to which the Group agreed to acquire the properties which comprise commercial unit with a total gross floor area of 1,473.16 square meters in Yitao Peninsula, Huanshi Avenue Central, Nansha District, Guangzhou City, Guangdong Province, the PRC for a consideration of HK\$47,875,000 on 11 February 2015. The properties are currently vacant. The Group intends to use these properties for rental purposes upon completion.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

For the six months ended 31 December 2014, the BIOenergy products business recorded revenue of HK\$7.19 million and segmental profit of HK\$1.64 million whereas the revenue and segmental profit for the six months ended 31 December 2013 were HK\$5.38 million and HK\$1.02 million respectively. The increase was due to the fact that we lowered our gross profit margin to attract more sales. We are still facing keen market competition. Although the revenue of other business units were rather stable for the six months ended 31 December 2014 but they were also facing intense market competition.

For the six months ended 31 December 2014, the Group completed the acquisition of two commercial units and two duplex residential units in Nan Sha District, Guangzhou, the PRC. The above-mentioned properties have been rented to independent third party. The acquisition marked the Group's first step into the property rental business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was HK\$9.83 million, representing an increase of 17.86% as compare to the same period of last year. The increase was mainly attributable to the increase in sales of BIOenergy products by 33.69% as compared to the same period of last year.

Gross profit and gross profit margin

The gross profit of the Group for the Period was decreased by 5.22%, from HK\$3.75 million to HK\$3.56 million as we have to lower the gross profit margin to attract more sales.

The overall gross profit margin decreased by 8.81 percentage points to 36.20% as compare to same period of last year. Such decrease was mainly due to the decrease of gross profit margin in sales of BIOenergy products by 8.60 percentage points to 41.58% from 50.18% for the six months ended 31 December 2014.

Selling and distribution costs

Selling and distribution costs decreased by 24.83% from HK\$2.45 million in the same period last year to HK\$1.84 million, primarily due to the decreases in salaries expenses and travelling expenses which were a result of effective cost control of the Group.

FINANCIAL REVIEW (CONTINUED)

Administrative expenses

Administrative expenses increased by 137.94% from HK\$6.71 million in the same period last year to HK\$15.97 million, primarily as a result of the discretionary bonus of HK\$8.30 million paid to the directors during the Period.

Finance costs

Finance costs amounted to HK\$0.36 million whereas there was none in the same period last year. The interest was paid on a secured bank borrowings of HK\$8.75 million.

Loss for the Period

The Group's loss for the Period amounted to HK\$13.95 million, representing an increase of 170.06% or HK\$8.79 million when compared to same period last year. The increase of the Group's loss was mainly attributed to the combined effects of the decrease in gross profit by HK\$0.20 million, the decrease in selling and distribution costs by HK\$0.61 million, the increase in finance cost of HK\$0.36 million and the increase in administrative expenses by HK\$9.26 million.

FUTURE PROSPECTS

Mainland China's economic growth still tends to slow. As the people increasingly concern their health, the Mainland China's healthcare product market will become larger and larger. However, new strong competitors will also introduce to the market and the Group will face huge challenges.

To ensure growth is sustained over the long term, the Group will continue to leverage its research and development expertise to develop new products desired by consumers. The Group continues to optimize its product mix and put more efforts to develop higher profit margin's products to improve its sales and its profitability.

FUTURE PROSPECTS (CONTINUED)

The Group also adopted measures and exploring other means to meet these challenges and to turn them into opportunities. The management will from time to time seek for investment opportunity in different industry that could enhance corporate development and broaden the income base of the Group. During the six months ended 31 December 2014, the Group completed the acquisition of two commercial units and two duplex residential units in Nansha District, Guangzhou, the PRC at a consideration of approximately HK\$7.84 million from an independent third party for rental purposes. The units are now rented to an independent third party. The Group began to step into the property rental business. In addition, the Group has entered into the sale and purchase agreement with an independent third party pursuant to which the Group agreed to acquire the properties which comprise commercial unit with a total gross floor area of 1,473.16 square meters in Yitao Peninsula, Huanshi Avenue Central, Nansha District, Guangzhou City, Guangdong Province, the PRC for a consideration of HK\$47,875,000 on 11 February 2015. The properties are currently vacant. The Group intends to use these properties for rental purposes upon completion. It is expected that the acquisition will broaden the property portfolio and/or income base of the Group. Moreover, in September 2014, the Group terminated the sale and purchase agreement dated 2 August 2011 which was subsequently amended by a first supplemental agreement dated 30 March 2012, a second supplemental agreement dated 27 December 2012, a third supplemental agreement dated 30 June 2013 and a fourth supplemental agreement dated 30 December 2013, pursuant to which the long stop date for the fulfillment of the conditions precedent to the completion of the proposed acquisition has been postponed to 31 December 2014, for the acquisition of 90% shareholding in Express Time Enterprises Limited, a company which indirectly owns 74% interest in a piece of land situated in Xuzhou City, Jiangsu, the People's Republic of China which can be used for commercial building development, at the consideration of HK\$108.5 million due to the Group did not satisfy the due diligent result of the target company. Meanwhile, the management will continue to review the performance of existing businesses and seek for any other investment opportunity in fast growing industry. Should any suitable business opportunity arise, the Group may change its existing business activities and redeploy any assets of the Group. The management remains cautiously optimistic about perpetuating the Group's steady growth over the long term.

FOREIGN EXCHANGE RISK AND MANAGEMENT

The majority of the Group's operations are located in Mainland China, and the main operational currencies are Hong Kong Dollars and Renminbi. The Company is paying regular and active attention to Renminbi exchange rate fluctuation and consistently assess exchange risks.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, net current assets were HK\$145.02 million (30 June 2014: HK\$84.08 million). The Group's cash and bank balance at that date amounted to HK\$87.11 million (30 June 2014: HK\$3.90 million), which was denominated in mainly Hong Kong dollars and Renminbi, and the Group had bank borrowings of HK\$8.75 million (30 June 2014: HK\$8.75 million) which was denominated in Renminbi. The bank borrowings bore fixed interest rate.

As at 31 December 2014, the Group's current ratio and quick ratio were 4.30 (30 June 2014: 3.10) and 3.10 (30 June 2014: 1.85) respectively. The increase in these ratios were mainly due to the increase in cash and bank balances resulting from the cash received from the open offer.

The gearing ratio, total bank borrowings divided by total assets at the end of each period, was 3.91% as at 31 December 2014 (30 June 2014: 5.71%), the decrease is due to the cash received from the open offer for the period.

The performance and future prospects of the Group's available-for-sale investments are within reasonable expectation.

The Group continued to have no structured investment products, foreign exchange contracts and investments in listed shares, bond and debentures.

As at 31 December 2014, the Group had no material capital commitments (30 June 2014: Nil) or investment commitments. The operating lease commitment for the Group as at 31 December, 2014 was around HK\$6.24 million (30 June 2014: HK\$7.71 million).

It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity to meet operation requirements and acquisition opportunities.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2014 (2013: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed a total of 85 (30 June 2014: 84) employees, of which 80 (30 June 2014: 79) are based in the Mainland China and 5 (30 June 2014: 5) are based in Hong Kong. Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. The Group has a share option scheme for the benefit of its directors and eligible employees of the Group.

CONTINGENT LIABILITIES

Neither the Group nor the Company had any significant contingent liabilities at the end of the reporting period.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

During the six months ended 31 December 2014, the Group had acquired 100% equity interest in Guangzhou Zhanao Trade Commerce Company Limited ("Guangzhou Zhanao") from an independent third party and the amount due to the then shareholder in the amount of HK\$6,576,000 for a total consideration of HK\$7,840,000 during the six months ended 31 December 2014.

In addition, the Group further acquired 51% interest in Zhuhai Wei Tuo Po Technology Limited ("Wei Tuo Po") from an independent third party at a consideration of HK\$1,075,000 and Wei Tuo Po became a wholly-owned indirect subsidiary of the Group in December 2014.

Except for the above, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 31 December 2014.

CAPITAL STRUCTURE

During the six months ended 31 December 2014, the Company issued 834,203,974 Shares at HK\$0.1 each per share by way of an open offer exercise on the basis of one offer share for every two existing shares held on 3 December 2014. The number of the Company's issued shares increased from 1,668,407,948 to 2,502,611,922 during the Period.

The gross proceeds raised by the Company from the open offer amounted to approximately HK\$83.4 million (before expenses). The net proceeds raised by the Company from the open offer amounted to approximately HK\$79.64 million (after expenses). The Company intended to apply the net proceeds from the open offer as to HK\$19.64 million for the general working capital of the Group and as to HK\$60.00 million for future investments pursuant to the investment objectives of the Company.

For further details of the open offer exercise, please refer to the Company's prospectus dated 4 December 2014.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 23 January 2003, the Company adopted a share option scheme (the "Old Scheme") which became effective on 10 February 2003. The Old Scheme was expired on 9 February 2013 and there was no outstanding share options pursuant to the Old Scheme.

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting on 2 December 2014, the Company adopted a new share option scheme (the "New Scheme"). Under the New Scheme, the directors of the Company may, at their absolute discretion, grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue on date of the aforesaid annual general meeting.

During the Period, there was no share options were granted, cancelled, exercised or lapsed pursuant to the New Scheme.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of Listing Rules, were as follows:

Name of director	Capacity	Number of shares held	Approximate percentage of interest
Han Qingyun	Interest of controlled corporation	382,565,754 (long position) (Note 1)	15.29%
		382,565,754 (short position)	15.29%
	Beneficial owner	46,434,246 (long position)	1.86%
		19,200,000 (short position)	0.77%

Note 1: 382,565,754 shares held by Wide Cosmos International Holding Company Limited which is owned by Mr. Han Qingyun.

Save as disclosed above, as at 31 December 2014, as far as the directors of the Company are aware, none of the directors of the Company had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any director of the Company, as at 31 December 2014, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO. The number of issued share capital as at 31 December 2014 was 2,502,611,922.

Name	Capacity	Number of shares held	Approximate percentage of interest
Wide Cosmos International Holding Company Limited (Note 1)	Beneficial owner	382,565,754 (long position)	15.29%
		382,565,754 (short position)	15.29%
Super Express Limited	Beneficial owner	374,400,000 (long position)	14.96%
Chua Lucy Tin (Note 2)	Interest in controlled corporation	374,400,000 (long position)	14.96%
Willfame Group Limited	Person having a security interest in shares	267,843,836 (long position)	10.70%
Ting Juvy Ngo (Note 3)	Interest in controlled corporation	267,843,836 (long position)	10.70%

Notes:

- Wide Cosmos International Holding Company Limited is beneficial owned by Mr. Han Qingyun, the chairman of the Company.
- Super Express Limited is 100% controlled by Ms. Chua Lucy Tin. Pursuant to Part XV of the SFO, Ms. Chua is deemed to be interested in the 374,400,000 Shares held by Super Express Limited.
- Willfame Group Limited is 100% controlled by Ms. Ting Juvy Ngo. Pursuant to Part XV of the SFO, Ms. Ting is deemed to be interested in the security interest in 267,843,836 Shares held by Willfame Group Limited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31 December 2014, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Overview of Corporate Governance

The Company recognises the importance of the provision of transparency and accountability to its shareholders. The Company is committed to achieving high standards of corporate governance and believes that sound corporate governance is essential for the Company to maximize shareholders' value.

Code on Corporate Governance Practices

During the six months ended 31 December 2014, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules, except for the following code provision:

- (i) Under code provision E.1.2 of the Corporate Governance Code, the Chairman of the Board should attend and should be available to answer questions at the annual general meeting of the Company. Due to prior engagement, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 2 December 2014 in person, but the Chairman of the Board has already delegated to one of the executive directors of the Company to chair the meeting on his behalf.
- (ii) Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All non-executive directors of the Company were not appointed for a specific term, but every director of the Company will be subject to retirement no later than the third annual general meeting after his election, under the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are not less exacting than those in the Code.

CORPORATE GOVERNANCE (CONTINUED)

Code on Corporate Governance Practices (Continued)

- (iii) Code A.5.1 provides that the Company should establish a nomination committee. The Company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and the other directors review from time to time the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.

- (iv) Code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Li Xinzong, being the independent non-executive Director, did not attend the Company's annual general meeting held on 2 December 2014 due to his other unexpected business engagement.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code for securities transactions by Directors. All members of the Boards have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the six months ended 31 December 2014.

Independent Non-executive Directors

The board of directors has been in compliance with Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive directors in the board of directors, and with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialised in accounting or relevant financial management.

The Company has received the confirmation of each of the independent non-executive directors confirming that they are in compliance with Rule 3.13 of the Listing Rules in respect of their independence. The Company is of the opinion that all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee

The Company has established an audit committee in compliance with the Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the board of directors.

The audit committee comprises Ms. Zhu Jinghua (chairman of the committee), Mr. Deng Zhiqiang and Mr. Li Xinzhong, all of whom are independent non-executive directors of the Company. Ms. Zhu Jinghua possesses appropriate professional accounting qualifications and related financial management expertise as required under rules 3.10(2) of the Listing Rules.

The audit committee, together with the management team of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed accounting issues, internal control and financial reporting matters with the Directors, including a review of the unaudited interim report for the six months ended 31 December 2014.

Changes in information of directors

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the changes in information of directors of the Company subsequent to the date of the 2014 Annual Report is set out below:

- (i) The salaries of Mr. Han Qingyun was adjusted to HK\$300,000 per month with effect from 1 January 2015.
- (ii) The salaries of Mr. Zhang Wen was adjusted to HK\$180,000 per month with effect from 1 January 2015.
- (iii) Each of Mr. Han Qingyun, Mr. Zhang Wen, Ms. Guo Yanni, Mr. Long Mingfei, Mr. Xu Nianchun, Ms. Zhu Jinghua, Mr. Deng Zhiqiang and Mr. Li Xinzhong received a discretionary bonus of HK\$2,000,000, HK\$2,000,000, HK\$2,000,000, HK\$1,000,000, HK\$1,000,000, HK\$100,000, HK\$100,000 and HK\$100,000 respectively during the six month ended 31 December 2014.

MEMBERS OF THE BOARD

As at the date of this interim report, the board of directors of the Company comprises Mr. Han Qingyun as chairman; Mr. Zhang Wen, Ms. Guo Yanni, Mr. Long Mingfei and Mr. Xu Nianchun as executive directors; and Ms. Zhu Jinghua, Mr. Deng Zhiqiang and Mr. Li Xinzhong as independent non-executive directors.

By order of the Board
Zhang Wen
Executive Director

Hong Kong, 27 February 2015