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**

2015
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhang Wen
Liu Min (appointed on 27 April 2015)
Chan Shun Yee (appointed on 27 April 2015)
Xu Zhifeng (appointed on 14 May 2015)
Han Xiaoyue (resigned on 1 December 2014)
Long Mingfei (resigned on 4 May 2015)
Xu Nianchun (resigned on 4 May 2015)
Guo Yanni (resigned on 14 May 2015)
Han Qingyun (resigned on 7 September 2015)

Independent Non-executive Directors

Wong Tat Yan Paul (appointed on 14 May 2015)
Su Rujia (appointed on 23 July 2015 and further appointed as Chairman on 7 September 2015)
Li Xinzhong
Zhu Jinghua (resigned on 23 July 2015)
Deng Zhiqiang (resigned on 23 July 2015)

AUDIT COMMITTEE

Wong Tat Yan Paul *(Chairman)* (appointed on 14 May 2015)
Su Rujia (appointed on 23 July 2015)
Li Xinzhong
Zhu Jinghua (resigned on 23 July 2015)
Deng Zhiqiang (resigned on 23 July 2015)

REMUNERATION COMMITTEE

Wong Tat Yan Paul *(Chairman)* (appointed on 14 May 2015)
Su Rujia (appointed on 23 July 2015)
Li Xinzhong
Zhu Jinghua (resigned on 23 July 2015)
Deng Zhiqiang (resigned on 23 July 2015)

COMPANY SECRETARY

Kwan Yiu Ming, Patrick (resigned on 24 September 2015)
Yeung Shun Kee (appointed on 24 September 2015)

AUTHORISED REPRESENTATIVES

Zhang Wen
Yeung Shun Kee

AUDITOR

Elite Partners CPA Limited
Certified Public Accountants

Suites 2B–4A, 20/F, Tower 5
China Hong Kong City
33 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Dah Sing Bank, Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1237–1240, 12/F
Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong
Tel: (852) 2868 2588
Fax: (852) 2991 4711

HEAD OFFICE IN MAINLAND CHINA

Floor 8, Convention and Exhibition Centre,
No. 1, Software Road, Zhuhai, Guangdong
The People's Republic of China

SHARE REGISTRARS AND TRANSFER OFFICES

Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong

Union Registrars Limited
A18/F., Asia Orient Tower, Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

1178

WEBSITE ADDRESS

http://www.vitop.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 30 June 2015, the BIOenergy products business recorded revenue of HK$22.21 million and segmental profit of HK$4.57 million whereas the revenue and segmental profit for the year ended 30 June 2014 were HK$7.58 million and HK$0.17 million respectively. The increase was due to the fact that the Group reduced the gross profit margin to attract more sales. The revenue of other business units were decreased slightly for the year ended 30 June 2015 as they were still facing intense market competition. This year the Group began to have the rental letting business unit which contributed a segmental profit of HK$0.38 million to the Group.

FINANCIAL REVIEW

Revenue

The Group recorded sales revenue of HK$27.74 million, representing an increase of HK$13.32 million or 92.37% as compared with that of last year. The increase in overall sale revenue was mainly due to the decrease in gross profit margin to attract more sales.

Gross profit

The Group's gross profit margin for the year was 30.53% (2014: 42.90%), representing a decrease of 12.37 percentage points from last year as the Group had to reduce the gross profit margin due to keen market competition to attract sales.

Selling and distribution costs

Selling and distribution costs for the year of amount HK$4.79 million representing a decrease of 33.66% or HK$2.43 million when compared to last year (2014: HK$7.22 million). The decrease of HK$2.43 million was mainly attributed to the decrease in travelling expenses and sales development expenses during the year.

Administrative expenses

During the year, administrative expenses amounted to HK$27.85 million (2014: HK$15.52 million), representing an increase of HK$12.33 million, which were mainly due to the increase in directors remuneration that included the discretionary bonus of HK$8.30 million paid to the directors.

Loss for the year

The Group's loss for the year amounted to HK$30.45 million, representing an increase of 19.55% or HK$4.98 million compared to last year (2014: loss of HK$25.47 million). The increase of the Group's loss was mainly attributed to the combined effects of the increase in sales which in turn lead to the increase in gross profit; the decrease in sales development expenses which was included in selling and distribution costs; the increase in directors' remuneration which was included in administrative expenses; and the increase in the provision for obsolete and slow-moving inventories, increase in impairment loss of other receivables, increase in impairment loss of available-for-sale investments which were included in other operating expenses during the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group employed a total of 66 (2014: 84) employees, of which 61 were deployed in Mainland China (2014: 79) and 5 (2014: 5) were deployed in Hong Kong. The total salaries (excluding directors' emoluments) for the year was HK$7.87 million (2014: HK$8.39 million). Remuneration packages comprised salary, mandatory provident fund, bonus, medical allowance and share options.

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 pays regular and active attention to Renminbi exchange rate fluctuation and consistently assesses exchange risks.

LIQUIDITY AND FINANCIAL RESOURCE

As at 30 June 2015, net current assets were HK$85.52 million (2014: HK$84.08 million). The Group's cash and bank balance at that date amounted to HK$62.95 million (2014: HK$3.90 million), which was denominated in mainly Hong Kong dollars and Renminbi, and the Group had bank and other borrowings of HK$6.25 million (2014: HK$8.75 million) which was denominated in Renminbi. The bank borrowings bore fixed interest rate.

As at 30 June 2015, the Group's current ratio and quick ratio were 2.22 (2014: 3.10) and 1.53 (2014: 1.85) respectively. The decrease in these ratios were mainly due to the increase in accrued liabilities and other payables.

The gearing ratio, total bank borrowings divided by total assets at the end of each year, was 2.65% as at 30 June 2015 (2014: 5.71%), the decrease is due to the less bank and other borrowings for the year and the increase in assets due to the funds received on the open offer.

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

As at 30 June 2015, the Group had no material capital commitments (2014: Nil) or investment commitments. The operating lease commitment for the Group as at 30 June 2015 was around HK$5.45 million (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.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

During the year ended 30 June 2015, the Group had acquired 100% equity interest in Guangzhou Zhan'ao 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.

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 year ended 30 June 2015.

CAPITAL STRUCTURE

During the year ended 30 June 2015, 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 year ended 30 June 2015.

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. As at 30 June 2015, HK$47.92 million was used for the acquisition of properties in Nansha District, Guangzhou City, Guangdong Province, the PRC for rental purposes which has been announced on 11 February 2015 and the balance of HK$31.72 million for general working capital.

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

On 28 May 2015, the Company entered into the subscription agreement with the subscriber, namely City Winner Holdings Limited, pursuant to which the subscriber had conditionally agreed to subscribe for and the Company had conditionally agreed to allot and issue an aggregate of 333,680,000 ordinary shares at the subscription price of HK$0.225 per subscription share, a discount of approximately 19.64% over the closing price of HK$0.280 per share as quoted on the Stock Exchange on 28 May 2015, being the date of the subscription agreement.

The Company entered into the new subscription agreement on 10 July 2015 with the subscriber, namely City Winner Holdings Limited, pursuant to which the subscriber had conditionally agreed to subscribe, and the Company had conditionally agreed to allot and issue an aggregate of 333,680,000 ordinary shares at the subscription price of HK$0.15 per subscription share, a discount of approximately 17.58% over the closing price of HK$0.182 per share as quoted on the Stock Exchange on 10 July 2015, being the date of the new subscription agreement. The Directors considered that the subscription offered a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development. The subscription shares would be issued under the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company's annual general meeting on 2 December 2014. The subscription was completed on 5 August 2015. The aggregate gross proceeds from the subscription was HK$50.05 million and the aggregate nominal value was HK$8.34 million and the net proceeds was approximately HK$49.37 million, i.e., net price of HK$0.148 per share, after deducting all the professional fees incurred in the subscription. The Company intended to use the said net proceeds for general working capital purpose and when suitable opportunity arises, for potential acquisitions in the future.

EVENT AFTER REPORTING PERIOD

Subsequent to the end of 30 June 2015, the subscription agreement dated 28 May 2015 could not be continued in accordance with the terms therein on 10 July 2015 owing to the fluctuated market conditions.

On 10 July 2015, the Company entered into the new subscription agreement with the subscriber, namely City Winner Holdings Limited, pursuant to which the subscriber had conditionally agreed to subscribe for and the Company had conditionally agreed to allot and issue an aggregate of 333,680,000 ordinary shares at the subscription price of HK$0.15 per subscription share. The subscription was completed on 5 August 2015.

For details, please refer to the announcements of the Company dated 10 July 2015, 16 July 2015, 29 July 2015, 31 July 2015 and 5 August 2015.

CONTINGENT LIABILITIES

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

FINAL DIVIDEND

The board of directors (the "Board") did not recommend any final dividend for the year ended 30 June 2015.

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.

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 difference industry that could enhance corporate development and broaden the income base of the Group. During the year ended 30 June 2015, 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$6.58 million for a total consideration of HK$7.84 million. The main assets of Guangzhou Zhanao are the two commercial units and two duplex residential units in Nansha District, Guangzhou, the PRC. The properties are used for rental purposes. The Group begins to step into the property rental business. In addition, the Group further purchased commercial units 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 at a consideration of approximately HK$47.88 million from an independent third party for rental purposes. 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.

The directors present their report and the audited consolidated financial statements of Vitop Bioenergy Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing and trading of multifunctional water generators, BIOenergy products, healthcare food products, other healthcare products and letting properties for rental income in the People's Republic of China, excluding Hong Kong and Macau.

RESULT AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2015 and the state of affairs of the Group and the Company as at that date are set out in the audited consolidated financial statements on pages 31 to 38.

The directors do not recommend the payment of any dividends to shareholders of the Company for the year ended 30 June 2015.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 94. This summary does not form part of the audited consolidated financial statements.

DONATION

No donation has been made by the Group during the year ended 30 June 2015 (2014: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year are set out in note 14 to the audited consolidated financial statements.

INTANGIBLE ASSETS

Details of the movement in the Group's intangible assets during the year is set out in note 16 to the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year, together with the reasons therefore, are set out in note 28 to the audited consolidated financial statements.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant Options to the directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group ("Participants") who, in the sole discretion of the Board, have made or may make contribution to the Group as well as to provide incentives and help the Group in retaining its existing employees and recruiting new employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

Under the Share Option Scheme, the Board has the authority to set terms and conditions in the grant of the Options, in particular, the terms in relation to the minimum period of the Options to be held, the performance targets to be achieved before such Options can be exercised and the subscription price. With such authority and flexibility, the Board may assess the circumstance of each Participant and impose different terms and conditions in the grant of the Options to the Participants as they consider appropriate with a view to achieving the purpose of the Share Option Scheme.

The principal terms of the Share Option Scheme are as follows:

(i) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. in nominal amount of the aggregate of the Shares in issue on the annual general meeting held on 2 December 2014 ("Adoption Date") (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) At any time, the maximum number of the Shares which may be issued upon exercise of all Options which then has been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. (or such higher percentage as may be allowed under the Listing Rules) of the Shares in issue from time to time (the "Scheme Limit").

(iii) Subject to (iv) below, the maximum number of the Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1 per cent. of the Shares in issue for the time being (the "Individual Limit").

(iv) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such proposed Grantee must be fixed before the Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the Date of Grant for the purpose of calculating the Subscription Price.

(v) The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

(a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 Business Days immediately preceding the Date of Grant; and

(c) the nominal value of the Shares.

(vi) On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the Option Period, subscribe for such number of the Shares as the Board may determine at the Subscription Price. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include, among other things, (i) the minimum period for which an Option must be held before it can be exercised; and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

(vii) An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of 7 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme has been terminated in accordance with the terms hereof or after the Participant for whom the Offer is made has ceased to be a Participant.

(viii) An Offer is deemed to be accepted when the Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of the Shares in respect of which the Offer is accepted and a remittance to the Company of HK$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances.

(ix) The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the 10 year period.

No share options have been granted under the Share Option Scheme since its adoption.

The total number of Shares available for issue under the Share Option Scheme is 166,840,794, representing approximately 5.88 % of the issued Shares as at the date of this report.

The Company did not issue any share options during the year ended 30 June 2015 and did not have any outstanding share options as at 30 June 2015.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision is in force for the benefit of all directors during the year ended 30 June 2015 and at the date of approval of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, there were no purchase, sale or redemption by the Company, or any its subsidiaries, of the Company's listed securities.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 30 to the audited financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2015, the Company's reserve available for distribution, calculated in accordance with the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$155 million. This includes the Company's share premium account, in the capital amount of HK$259 million as at 30 June 2015, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the percentage of sales to the Group's five largest customers accounted for 41.78% of the Group's total sales for the year and sales to the largest customer included therein amounted to 9.22%. Purchases from the Group's five largest suppliers accounted for 32.79% of the total purchases for the year and purchases from the largest supplier included therein amounted to 11.30%.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Mr. Zhang Wen
Mr. Liu Min (appointed on 27 April 2015)
Mr. Chan Shun Yee (appointed on 27 April 2015)
Mr. Xu Zhifeng (appointed on 14 May 2015)
Dr. Han Xiaoyue (resigned on 1 December 2014)
Mr. Long Mingfei (resigned on 4 May 2015)
Mr. Xu Nianchun (resigned on 4 May 2015)
Ms. Guo Yanni (resigned on 14 May 2015)
Mr. Han Qingyun (resigned on 7 September 2015)

Independent Non-executive Directors

Mr. Wong Tat Yan Paul (appointed on 14 May 2015)
Mr. Su Rujia (appointed on 23 July 2015 and further appointed as chairman on 7 September 2015)
Mr. Li Xinzhong
Ms. Zhu Jinghua (resigned on 23 July 2015)
Mr. Deng Zhiqiang (resigned on 23 July 2015)

In accordance with article 83(3) of the article of association of the Company, Mr. Liu Min, Mr. Chan Shun Yee, Mr. Xu Zhifeng who were appointed by the Board on 27 April 2015, 27 April 2015 and 14 May 2015 respectively as executive Directors and Mr. Wong Tat Yan Paul and Mr. Su Rujia who were appointed by the Board on 14 May 2015 and 23 July 2015 respectively as Independent Non-executive Directors, shall retire from office at the forthcoming annual general meeting of the Company and shall offer themselves for re-election.

In accordance with article 84(1) of the article of association of the Company, Mr. Zhang Wen will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Zhang Wen being eligible, will offer himself for re-election at the meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 17 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Liu Min, Mr. Chan Shun Yee, Mr. Xu Zhifeng, Mr. Wong Tat Yan Paul, Mr. Su Rujia and Mr. Li Xinzhong, has not entered into a director's service agreement with the Company. They are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Zhang Wen had entered into a service contract with the Group for an initial fixed terms of contract from 1 January 2014 for two years.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive director the annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company based on such confirmation, considers that the three independent non-executive directors of the Company are independent as at the date of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interests, whether directly or indirectly subsisted at the end of the year or at any time during the year.

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

As at 30 June 2015, 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:

Long Positions in the Shares and Underlying Shares of the Company

Name of director	**Capacity**	**Number of shares held**	**Approximate percentage of interest**
Han Qingyun (note)	Beneficial owner	27,234,246 (long position)	1.09%

Note: Mr. Han Qingyun resigned on 7 September 2015.

Save as disclosed above, as at 30 June 2015, 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.

DIRECTORS' REMUNERATION

The directors' fee is subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's Board or its remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate and none of the directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL MEMBERS' INTERESTS

So far as is known to any director of the Company, as at 30 June 2015, 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 30 June 2015 was 2,502,611,922.

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of interest
City Winner Holdings Limited	Beneficial owner	333,680,000 (long position)	13.33%
Cheung Kwan	Interest in controlled corporation	333,680,000 (long position)	13.33%

EMPLOYEES AND REMUNERATION POLICIES

The remuneration policy of the employees of the Group is set up by the Remuneration Committee on the basis of the merits, qualifications and competence of employees. The emoluments of the directors of the Company are decided by the Remuneration Committee with regard to the Group's operating results, individual performance and comparable market statistics. None of the directors of the Company or any of their associates, and executive is involved in deciding his own remuneration. As at 30 June 2015, the Group had 66 employees (2014: 84 employees). The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report of this annual report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, none of the directors of the Company is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares are required under the Listing Rules.

CHANGES IN INFORMATION OF DIRECTOR

There were no changes in information of directors since the date of 2015 interim report of the Company pursuant to Rule 13.51(B)(1) of the Listing Rules.

INDEPENDENT AUDITOR

On 7 December 2012, Pan-China (H.K.) CPA Limited ceased to be the auditor of the Company. Elite Partners CPA Limited was appointed as the auditor of the Company on 18 February 2013.

The Company's auditor, Elite Partners CPA Limited, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Elite Partners CPA Limited as the Company's auditor will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Shun Yee
Director

Hong Kong, 25 September 2015

EXECUTIVE DIRECTORS

Mr. Zhang Wen (張文), aged 47, has-been appointed as an independent non-executive director of the Company since April 2008 and re-designated as an executive director of the Company on 1 January 2014. He was also appointed as the chief executive officer of the Company on 1 January 2014. He is also the director of certain subsidiaries of the Group. Mr. Zhang graduated from the University of Hong Kong with a master of business and administration and from the postgraduate class of the postgraduate department of the Shenzhen University. From 2012 till 2013, he has been the deputy general manager of Harmonic Strait Financial Holdings Limited (stock code: 0033). From 2009 till 2012, he has been the legal person-general manager (法人總經理) of a subsidiary of New Times Energy Corporation Limited (stock code: 0166). From 2006 till 2009, he has been the deputy general manager of International Standard Resources Holdings Limited (formerly known as "New Smart Energy Group Limited") (stock code: 0091). From 2002 till 2006, he was the deputy general manager of a company jointly invested by China Petroleum Pipeline Bureau (中國石油管道局) and China Oil And Gas Group Limited (stock code: 0603).

Mr. Liu Min (劉敏), aged 45, has been appointed as an executive director of the Company since April 2015. He is also the director of a subsidiary of the Group. Mr. Liu has a MBA from China Europe International Business School. He has over 20 years experience in the financial industry, including the areas of international finance, investment banking, asset management, and has served as presidents of a number of large financial institutions, including the stated-owned financial institutions, the listed financial institutions and foreign financial institutions in China. Mr. Liu possesses strong skills and experience in the management and operations of financial institutions. Mr. Liu had lead and organized projects involved in the fields of construction of infrastructure, mining, traditional energy, new energy and internet information industry, health care and etc.

Mr. Chan Shun Yee (陳信義), aged 43, has been appointed as an executive director of the Company since April 2015. He is also the director of a subsidiary of the Group. Mr. Chan has a MBA and Bachelor of Arts in Finance Major graduated from Seattle University in U.S.A. Mr. Chan has been appointed as directors for several companies in Hong Kong for the past 18 years focusing in management and company restructuring.

Mr. Xu Zhifeng (許志峰), aged 52, has been appointed as an executive director of the Company since May 2015. He is also the directors of certain subsidiaries of the Group. Mr. Xu graduated from Jinan University. He has over 30 years of experience in production management, especially rich in practical experience in terms of internal management, risk control, integration between corporates and restructuring.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Tat Yan Paul (黃達仁), aged 45, has been appointed as an independent non-executive director of the Company since May 2015. Mr. Wong obtained a bachelor's degree in commerce from James Cook University of North Queensland in Australia in 1993 and a master's degree in business administration from the University of Queensland in Australia in 2004. Mr. Wong is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a fellow member of the Taxation Institute of Australia. He has over 20 years of experience in auditing, accounting and taxation gained by taking up various positions in a number of accounting firms in Hong Kong and is currently the proprietor of Paul Wong & Co. CPAs, a certified public accountants firm in Hong Kong. Mr. Wong currently also serves as an independent non-executive director of South West Eco Development Limited (stock code : 1908) which is listed on the main board of the Stock Exchange.

Mr. Su Rujia (蘇汝佳), aged 65, has been appointed as an independent non-executive director of the Company since July 2015 and further appointed as the chairman of the board on 7 September 2015. Mr. Su holds a Master in Business Administration degree from International East-West University of America (美國國際東西方大學). He had been appointed as a Committee Member of The Communist Party of Committee of Shenzhen (中共深圳市委委員), a Committee Member of Political of Association Shenzhen Committee (政協深圳市委員會常委) and a Deputy Director of Main Branch of Economic Technology Committee (經濟科技委員會正局級副主任). He has extensive managerial experience in government and enterprises. Mr. Su currently serves as an independent non-executive director of Applied Development Holdings Limited (stock code: 519) which is listed on the main board of the Stock Exchange.

Mr. Li Xinzhong (李新中), aged 57, has been appointed as an independent non-executive director of the Company since February 2008. After graduating from Nankai University in 1983 with a degree in Economics, Mr. Li spent seven years working in Mainland China as a lecturer, part-time lawyer and the deputy general manager of a consulting firm in Tianjian before receiving his LL.M. degree at the University of London in 1991. Mr. Li joined Miramar Group as an advisor of China affairs in 1992 and then joined Peregrine Capital Limited in 1993 and became a director in 1996. He spent two years with Alta Capital (H.K.) Limited as an executive director before joining BNP Paribas Peregerine Capital Limited in 2000 as an executive director. He joined Anglo Chinese Corporate Finance Limited in 2003 as a director and then joined DBS Asia Capital Limited as China Team Head of Mergers and Acquisitions in June 2004 responsible for origination of China related corporate finance transactions. He is currently a director and senior consultant of Shenzhen Sino-Source Investment Consulting Company. Mr. Li has over 18 years of experience in corporate finance.

SENIOR MANAGEMENT

Mr. Yeung Shun Kee, aged 56, has been appointed as the authorized representative, company secretary and chief financial officer of the company since 24 September 2015. Mr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung has extensive experience in accounting, auditing, taxation and company secretarial works.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to establishing and maintaining high standards of corporate governance. The directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

During the year, the Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules, except for the deviations from code provisions A.4.1, A.5.1, A.6.7 and E.1.2 as stated and explained below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers at 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 year.

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Wen
Mr. Liu Min (appointed on 27 April 2015)
Mr. Chan Shun Yee (appointed on 27 April 2015)
Mr. Xu Zhifeng (appointed on 14 May 2015)
Dr. Han Xiaoyue (resigned on 1 December 2014)
Mr. Long Mingfei (resigned on 4 May 2015)
Mr. Xu Nianchun (resigned on 4 May 2015)
Ms. Guo Yanni (resigned on 14 May 2015)
Mr. Han Qingyun (resigned on 7 September 2015)

Independent Non-executive Directors

Mr. Wong Tat Yan Paul (appointed on 14 May 2015)
Mr. Su Rujia (appointed on 23 July 2015 and further appointed as chairman on 7 September 2015)
Mr. Li Xinzhong
Ms. Zhu Jinghua (resigned on 23 July 2015)
Mr. Deng Zhiqiang (resigned on 23 July 2015)

The Board assumes responsibility for leadership and control of the Company and shall be collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board formulates overall strategies and policies of the Group and monitors the performance and activities of the management. With delegating authorities from the Board, the management of the Company is responsible for the day-to-day operations of the Group.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationships among members of the Board.

During the year ended 30 June 2015, 17 full board meetings (including two regular board meetings) were held and the individual attendance of each director at the board meetings was as follows:

Directors	Board meeting Attendance	General meeting Attendance
Executive Directors		
Mr. Zhang Wen	17/17	1/1
Mr. Liu Min (appointed on 27 April 2015) (note 1)	1/3	N/A
Mr. Chan Shun Yee (appointed on 27 April 2015) (note 2)	3/3	N/A
Mr. Xu Zhifeng (appointed on 14 May 2015) (note 3)	1/1	N/A
Dr. Han Xiaoyue (resigned on 1 December 2014) (note 4)	5/8	0/1
Mr. Long Mingfei (resigned on 4 May 2015) (note 5)	10/15	0/1
Mr. Xu Nianchun (resigned on 4 May 2015) (note 6)	5/15	0/1
Ms. Guo Yanni (resigned on 14 May 2015) (note 7)	16/16	1/1
Mr. Han Qingyun (resigned on 7 September 2015)	11/17	0/1
Independent Non-executive Directors		
Mr. Wong Tat Yan Paul (appointed on 14 May 2015) (note 8)	1/1	N/A
Mr. Su Rujia (appointed on 23 July 2015 and further appointed as chairman on 7 September 2015) (note 9)	N/A	N/A
Mr. Li Xinzhong	0/17	0/1
Ms. Zhu Jinghua (resigned on 23 July 2015)	11/17	1/1
Mr. Deng Zhiqiang (resigned on 23 July 2015)	11/17	1/1

Notes:

1. Mr. Liu Min was appointed on 27 April 2015 and he was eligible to attend 3 board meetings.
2. Mr. Chan Shun Yee was appointed on 27 April 2015 and he was eligible to attend 3 board meetings.
3. Mr. Xu Zhifeng was appointed on 14 May 2015 and he was eligible to attend 1 board meeting.
4. Dr. Han Xiaoyue resigned on 1 December 2014 and he was eligible to attend 8 board meetings.
5. Mr. Long Mingfei resigned on 4 May 2015 and he was eligible to attend 15 board meetings.
6. Mr. Xu Nianchun resigned on 4 May 2015 and he was eligible to attend 15 board meetings.
7. Ms. Guo Yanni resigned on 14 May 2015 and she was eligible to attend 16 board meetings.
8. Mr. Wong Tat Yan Paul was appointed on 14 May 2015 and he was eligible to attend 1 board meeting.
9. Mr. Su Rujia was appointed on 23 July 2015 and he was not eligible to attend any board meeting.

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 Xinzhong, 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.

Under code provision E.1.2 of the 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 business engagement, the then Chairman of the Board was unable to attend the annual general meeting of the Company held on 2 December 2014 in person, but the then Chairman of the Board has already delegated to one of the executive directors of the Company to chair the meeting on his behalf.

For a regular board meeting, notice of at least fourteen days is given to all directors of the Company, who are given an opportunity to include matters in the agenda for discussion, and an agenda and accompanying board papers are sent to all directors of the Company at least three days before the intended date of a regular board meeting.

Minutes of board meetings and meetings of board committees are kept by the secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any director of the Company. Draft and final versions of minutes of board meetings are sent to all directors of the Company for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Appropriate insurance cover has been arranged in respect of legal action against the directors and officers of the Group.

Non-executive Directors

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and be subject to re-election.

The three independent non-executive directors of the Company were not appointed for a specific term, but are subject to retirement no later than the third annual general meeting after his election, under the Company's articles of association. 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.

Listing Rules 3.10A

Pursuant to Rules 3.10A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company is required to appoint independent non-executive directors representing at least one-third of the board. Following the appointment of Mr. Liu Min and Mr. Chan Shun Yee as executive directors of the Company on 27 April 2015, the composition of the Board comprised seven (7) executive directors and three (3) independent non-executive directors. The number of independent non-executive directors on the Board represented less than one-third of the members of the Board as required under rule 3.10A of the Listing Rules. Subsequent to the resignation of Mr. Long Mingfei and Mr. Xu Nianchun as executive directors of the Company on 4 May 2015, the above Rules have been duly complied with.

Independent Non-executive Directors

The Board 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, 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.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors of the Company, namely Mr. Wong Tat Yan Paul, Mr. Su Rujia and Mr. Li Xinzhong.

The Remuneration Committee meets at least once a year. The terms of reference of Remuneration Committee are available on the Company's website at www.vitop.com.hk and the website of the Stock Exchange.

The role and function of the Remuneration Committee primarily include reviewing, considering and approving proposals as well as making recommendations to the Board on the Company's policy and structure relating to the remuneration of directors and senior management. During the year ended 30 June 2015, the Remuneration Committee held three meetings.

The individual attendance of each member at the Remuneration Committee meetings was as follows:

Members	Attendance
Mr. Wong Tat Yan Paul (appointed on 14 May 2015) (note 1)	0/0
Mr. Su Rujia (appointed on 23 July 2015) (note 2)	N/A
Mr. Li Xinzhong	0/3
Ms. Zhu Jinghua (resigned on 23 July 2015)	3/3
Mr. Deng Zhiqiang (resigned on 23 July 2015)	3/3

Notes:

1 Mr. Wong Tat Yan Paul was appointed on 14 May 2015 and he was not eligible to attend any Remuneration Committee meeting.

2. Mr. Su Rujia was appointed on 23 July 2015 and he was not eligible to attend any Remuneration Committee meeting.

During the meetings, the Remuneration Committee reviewed the remuneration packages for all directors of the Company and senior management of the Group, the employee's salary increment proposal and relevant reports.

Details of remuneration paid to members of senior management fell within the following bands:

	Number of individuals
HK$0 – HK$1,000,000	2
HK$1,000,000 – HK$2,000,000	1

AUDIT COMMITTEE

The Audit Committee of the Company was established on 18 January 2002. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Wong Tat Yan Paul (chairman of the committee), Mr. Su Rujia and Mr. Li Xinzhong. Mr. Wong Tat Yan Paul possesses appropriate professional accounting qualifications and related financial management expertise as required under rule 3.10 (2) of the Listing Rules.

The Audit Committee meets at least two times a year. The terms of reference of Audit Committee are available on the Company's website at www.vitop.com.hk and the website of the Stock Exchange.

The primary duties of the Audit Committee include the review and supervision of the financial reporting process and internal control system, and the review of the interim and annual reports of the Group.

During the year ended 30 June 2015, two meetings were held by the Audit Committee to review the annual report of the Group for the year ended 30 June 2014 and the interim report of the Group for the six months ended 31 December 2014 before submission to the Board for approval, and to provide advice and comments thereon to the Board. The individual attendance of each member at the Audit Committee meetings was as follows:

Members	Attendance
Mr. Wong Tat Yan Paul (appointed on 14 May 2015) (note 1)	0/0
Mr. Su Rujia (appointed on 23 July 2015) (note 2)	N/A
Mr. Li Xinzhong	0/2
Ms. Zhu Jinghua (resigned on 23 July 2015)	2/2
Mr. Deng Zhiqiang (resigned on 23 July 2015)	2/2

Notes:

1. Mr. Wong Tat Yan Paul was appointed on 14 May 2015 and he was not eligible to attend any Audit Committee meeting.

2. Mr. Su Rujia was appointed on 23 July 2015 and he was not eligible to attend any Audit Committee meeting.

For the year ended 30 June 2015, the work performed by the Audit Committee included:

- reviewing the annual report which comprised the audited consolidated financial statements for the year ended 30 June 2014; and
- reviewing the final result announcement; and
- reviewing the interim report and interim result announcement; and
- reviewing the significant accounting issues raised by the management; and
- reviewing the Company's compliance with regulatory and statutory requirements; and
- reviewing the Group's risk management process; and
- reviewing the Group's internal control system.

The Audit Committee of the Company has reviewed the Group's financial results for the year ended 30 June 2015.

NOMINATION OF DIRECTORS

Code A.5.1 provides that the Company should establish a nomination committee. The Board is empowered under the articles of association of the Company to appoint any person as a director of the Company either to fill a casual vacancy or as an addition to the existing Board. No nomination committee was established by the Company. The Board as a whole is responsible for considering the suitability of an individual to act as a director of the Company, and approving and terminating the appointment of a director of the Company.

The executive directors of the Company are responsible for selecting and recommending suitable candidates for members of the Board based on their characters, qualifications, experience and background, when there is a vacancy or an additional director is considered necessary. The recommendations of the executive directors are then put forward for consideration 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.

AUDITOR'S REMUNERATION

During the year ended 30 June 2015, the remuneration paid/payable to the Company's auditor, Elite Partners CPA Limited, is set out as follows:

Nature of Services	**Fee paid/payable**
	HK$'000
Audit services	740
Non-audit services	163
Total:	903

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE ACCOUNTS

The directors of the Company acknowledge their responsibility for preparing the accounts of the Group for the year ended 30 June 2015.

The statement by Messrs. Elite Partners CPA Limited, the existing external auditor of the Company, with regard to its reporting responsibilities on the accounts of the Group is set out in the Independent Auditor's Report on pages 34 and 35.

As at 30 June 2015, the directors of the Company confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors of the Company have prepared the accounts of the Group on a going concern basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed director of the Company receives induction on the first occasion of his/her appointment, so as to ensure that he/she has an appropriate understanding of the business and operations of the Company.

To assist directors' continuing professional development ("CPD"), the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the Company Secretary of the Company.

During the year ended 30 June 2015, all directors have participated in continuous professional development by attending CPD sessions or reading the relevant materials to develop and refresh their knowledge and skills.

All the directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and

(d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

BUSINESS MODEL AND STRATEGY

The Group has the mission to excelling the maintaining and trading of multifunctional water generators, BIOenergy products, healthcare food products, other healthcare products and letting properties for rental income business whilst maintaining long term profitability and assets growth with adoption of flexible business model and strategy and prudential risk and capital management framework. The Board have played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group in serving customers well with premium service quality; the Group's business strategic drive for business expansion and opportunities; and the Group's setting of strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets. Details of the Group's Business Review and Financial Review in the year 2015 are set out in the "Management Discussion and Analysis" section of this annual report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

According to Article 84(1), one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every Annual General Meeting provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Mr. Zhang Wen as Executive Director shall retire from office at Annual General Meeting and shall offer himself for re-election.

According to Article 83(3), Mr. Liu Min, Mr. Chan Shun Yee and Mr. Xu Zhifeng who were appointed by the Board on 27 April 2015, 27 April 2015 and 14 May 2015 respectively as executive directors and Mr. Wong Tat Yan Paul and Mr. Su Rujia who were appointed by the Board on 14 May 2015 and 23 July 2015 respectively shall retire from office at the Annual General Meeting and shall offer themselves for re-election.

The Independent Non-executive Directors were not appointed for a fixed term but are subject to re-election at general meetings.

Board Diversity Policy

The Board has adopted a Board Diversity Policy in 26 September 2014 which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives based on four focus areas: gender, age, working experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

COMPANY SECRETARY

Mr. Yeung Shun Kee was appointed as the company secretary of the Company on 24 September 2015. The biographical details of Mr. Yeung are set out under the section headed "Biography of Directors and Senior Management". According to the Rule 3.29 of the Listing Rules, Mr. Yeung has taken no less than 15 hours of relevant professional training during the financial year ended 30 June 2015.

INTERNAL CONTROLS

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the management on an on-going basis.

The Board confirms that it has reviewed the effectiveness of the internal control system of the Company and its subsidiaries for the year and that the Board considers such system to be sound and effective. The review covered all material controls, including financial, operational, compliance control and risk management functions.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an Annual General Meeting, shall be called an Extraordinary General Meeting ("EGM").

— Right to convene Extraordinary General Meeting

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Suites 1237 — 1240, 12/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner within two months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

— Right to put forward proposals at general meetings

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Company's Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Investor Relations

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at http://www.vitop.com.hk.

Constitutional Documents

During the year, the Company's constitutional documents have been amended in order to bring the constitution of the Company in line with certain amendments made to the Listing Rules, to incorporate certain housekeeping amendments and to consolidate the proposed amendments and all previous amendments made to the Articles of Association. The Shareholders at the Annual General Meeting held on 2 December 2014 have approved the amendment by way of special resolutions to amend the Articles of Association and to adopt the amended and restated Articles of Association.

For details, please refer to the circular of the Company dated 29 October 2014.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Vitop Bioenergy Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Vitop Bioenergy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 93, which comprise the consolidated and company statements of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with agreed term of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2015 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong, 25 September 2015

Yip Kai Yin
Practising Certificate Number: P05131

Suites 2B–4A, Floor 20th,
Tower 5, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Revenue	6(a)	**27,739**	14,420
Cost of sales		**(19,271)**	(8,234)
Gross profit		**8,468**	6,186
Other income	6(b)	**2,710**	616
Selling and distribution costs		**(4,794)**	(7,218)
Administrative expenses		**(27,851)**	(15,524)
Other operating expenses		**(7,438)**	(9,252)
Loss from operations	7	**(28,905)**	(25,192)
Finance costs	8	**(758)**	(38)
		(29,663)	(25,230)
Share of loss of an associate	20	**(768)**	(238)
Loss before income tax		**(30,431)**	(25,468)
Income tax expense	9	**(14)**	–
Loss for the year		**(30,445)**	(25,468)
Attributable to:			
Owners of the Company	10	**(30,386)**	(25,262)
Non-controlling interests		**(59)**	(206)
Loss for the year		**(30,445)**	(25,468)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation		**2,093**	402
		2,093	402
Total comprehensive loss for the year		**(28,352)**	(25,066)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Attributable to:			
Owners of the Company		**(28,293)**	(24,860)
Non-controlling interests		**(59)**	(206)
		(28,352)	(25,066)
			Restated
Loss per share attributable to owners of the Company during the year	12		
Basic		**HK(1.34) cents**	HK(1.47) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Non-current assets			
Property, plant and equipment	14	**2,514**	1,951
Investment properties	15	**55,759**	–
Intangible assets	16	**153**	191
Available-for-sale investments	19	**21,700**	24,336
Interests in an associate	20	**–**	2,432
		80,126	28,910
Current assets			
Inventories	21	**48,042**	49,807
Trade receivables	22	**1,476**	2,052
Deposits, prepayments and other receivables	23	**43,122**	68,443
Cash and bank balances	24	**62,946**	3,896
		155,586	124,198
Current liabilities			
Trade payables	25	**7,667**	7,041
Deposits received		**9,145**	9,667
Accrued liabilities and other payables		**46,896**	8,450
Amount due to a director	35	**98**	6,067
Amount due to an associate	20	**–**	140
Secured bank and other borrowings	26	**6,250**	8,750
Tax payables		**14**	–
		70,070	40,115
Net current assets		**85,516**	84,083
Total assets less current liabilities		**165,642**	112,993
Net assets		**165,642**	112,993

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Capital and reserves			
Share capital	28	**62,565**	41,710
Reserves	30	**101,617**	69,764
		164,182	111,474
Non-controlling interests		**1,460**	1,519
Total equity		**165,642**	112,993

Approved and authorised for issue by the Board on 25 September 2015

Zhang Wen
Director

Chan Shun Yee
Director

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Non-current assets			
Property, plant and equipment		**18**	–
Interests in subsidiaries	18	**13,000**	13,000
Available-for-sale investments	19	**21,700**	24,336
		34,718	37,336
Current assets			
Amounts due from subsidiaries	18	**184,780**	93,912
Deposits, prepayments and other receivables	23	**3,301**	32,634
Cash and bank balances	24	**15,129**	640
		203,210	127,186
Current liabilities			
Amounts due to subsidiaries	18	**3,926**	3,926
Accrued liabilities and other payables		**16,615**	1,196
		20,541	5,122
Net current assets		**182,669**	122,064
Total assets less current liabilities		**217,387**	159,400
Net assets		**217,387**	159,400
Capital and reserves			
Share capital	28	**62,565**	41,710
Reserves	30	**154,822**	117,690
Total equity		**217,387**	159,400

Approved and authorised for issue by the Board on 25 September 2015

Zhang Wen
Director

Chan Shun Yee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Attributable to owners of the Company									
	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	34,760	155,831	8,789	29	28,764	12,813	(135,816)	105,170	1,725	106,895
Placing of shares	6,950	24,214	–	–	–	–	–	31,164	–	31,164
Total comprehensive loss for the year	–	–	–	–	–	402	(25,262)	(24,860)	(206)	(25,066)
At 30 June 2014 and 1 July 2014	41,710	180,045	8,789	29	28,764	13,215	(161,078)	111,474	1,519	112,993
Issue of share pursuant to an open offer	20,855	60,146	–	–	–	–	–	81,001	–	81,001
Total comprehensive loss for the year	–	–	–	–	–	2,093	(30,386)	(28,293)	(59)	(28,352)
At 30 June 2015	**62,565**	**240,191**	**8,789**	**29**	**28,764**	**15,308**	**(191,464)**	**164,182**	**1,460**	**165,642**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	2015 HK$'000	2014 HK$'000
Cash flows from operating activities		
Loss before tax	**(30,431)**	(25,468)
Adjustments for:		
Depreciation	**375**	395
Interest income	**(38)**	(57)
Amortisation of intangible assets	**38**	38
Loss/(gain) on disposal of property, plant and equipment	**37**	(117)
Impairment loss of interests in an associate	**–**	392
Impairment loss for available-for-sale investments	**2,636**	–
Impairment loss of goodwill	**61**	–
Impairment loss of deposits, prepayments and other receivables	**1,886**	–
Finance costs	**758**	38
Share of loss of an associate	**768**	238
Provision for obsolete and slow moving inventories	**2,780**	8,822
Reversal of provision for impairment of trade receivables	**(836)**	–
Reversal of provision for obsolete and slow moving inventories	**(188)**	–
Gain on bargin purchase arising from acquisition of a subsidiary	**(654)**	–
Operating loss before working capital changes	**(22,808)**	(15,719)
Decrease/(increase) in inventories	**600**	(39,371)
Decrease/(increase) in trade receivables	**1,833**	(637)
Decrease/(increase) in deposits, prepayments and other receivables	**24,102**	(12,025)
Increase in trade payables	**475**	876
Increase/(decrease) in accrued liabilities and other payables	**38,228**	(268)
(Decrease)/increase in amount due to a director	**(5,969)**	6,067
(Decrease)/increase in amount due to an associate	**(140)**	140
Decrease in deposits received	**(522)**	(66)
Cash generated from/(used in) operations	**35,799**	(61,003)
Interest paid	**(758)**	(38)
Net cash generated from/(used in) operating activities	**35,041**	(61,041)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	2015	2014
	HK$'000	HK$'000
Cash flows from investing activities		
Interest received	**38**	57
Purchase of property, plant and equipment	**(94)**	(193)
Proceeds from sales of property, plant and equipment	**5**	252
Purchase of investment properties	**(47,922)**	–
Net cash outflow arising from acquisition of subsidiaries (Note 31)	**(8,615)**	–
Payment for acquisition of an associate	**–**	(3,062)
Net cash used in investing activities	**(56,588)**	(2,946)
Cash flows from financing activities		
Net proceed from placing	**–**	31,164
Net proceed from issuance of shares through open offer	**81,000**	–
Repayment of secured bank and other borrowings	**(8,750)**	–
Proceed from secured bank and other borrowings	**6,250**	8,750
Net cash generated from financing activities	**78,500**	39,914
Net increase/(decrease) in cash and cash equivalents	**56,953**	(24,073)
Cash and cash equivalents at 1 July	**3,896**	27,567
Effect of foreign exchange rate changes, net	**2,097**	402
Cash and cash equivalents at 30 June	**62,946**	3,896
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**62,946**	3,896

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 February 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company withdrew the listing of its shares on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 February 2003, and on the same date, by way of introduction, listed its entire issued share capital on the Main Board of the Stock Exchange.

The Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Islands. The Company's principal place of business in Hong Kong is Suites 1237–1240, 12/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are manufacturing and trading of BIOenergy products, healthcare food products, multi-functional water generators, other healthcare products and properties investments in the People's Republic of China (the "PRC"), excluding Hong Kong and Macau.

The consolidated financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Standards and Interpretations adopted in current year

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to and effective for the Group financial period beginning on 1 July 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-INT 21	Levies
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Standards and Interpretations is issued but not yet adopted

The Group has not early applied any of the following new and revised standards, amendments and interpretations which have been issued but are not yet effective for annual periods beginning on 1 July 2014:

HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its or Associate Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]

[1] Effective for accounting periods beginning on or after 1 January 2016
[2] Effective for first annual financial statements beginning on or after 1 January 2016
[3] Effective for accounting periods beginning on or after 1 January 2017
[4] Effective for accounting periods beginning on or after 1 January 2018

The directors of the Company anticipate that the application of the above new and revised standards will have no material impact on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non- controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in subsidiaries

Business combinations are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's statement of financial position, subsidiaries are carried at cost less impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivables at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in subsidiaries *(Continued)*

Non-controlling interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned by the Group and are not the Group's financial liabilities.

Non-controlling interests presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non- controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total comprehensive income for the year between non-controlling interests and the owners of the Company even if this results in the non-controlling interests having a deficit balance.

Interests in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in an associate *(Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, provided that the Group maintains neither managerial involvement to the degree usually associated with the ownership, nor effective control over the goods sold;

Operating lease rental income is recognised on a straight-line basis over the term of lease agreement. Contingent rental income (representing income over and above base rent) such as turnover rent, is recognised according to terms of the lease agreements when the amount can be reliably measured, in the accounting period in which it is earned. Lease incentives provided, such as rent-free periods, are amortised on a straight-line basis are recognised as a reduction of rental income over the respective term of lease; and

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rate applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates:

Leasehold improvement	5 years or over the lease terms, whichever is shorter
Machinery and equipment	8 to 12 years
Furniture and office equipment	3 to 8 years
Motor vehicle	8 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Investment properties

A property that is held for long-term rental yields or for capital appreciation or both, is classified as an investment property.

Investment property comprises land held under government leases and treated under finance lease and buildings held under finance leases.

An investment property is measured initially at its cost, including related transaction costs.

After initial recognition, an investment property is carried at fair value, representing open market value determined at each reporting date. The carrying value of the investment property is reviewed every six months and is independently valued by external valuers at least annually.

Changes in fair values of the investment properties are recognised in the consolidated income statement.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated income statement during the reporting period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method and, in the case of work in progress and finished goods, comprise direct materials, where applicable, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets and research and development costs

Intangible assets

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment as described below. Amortisation commences when the intangible assets are available for use. Patents and technical know-how are recognised as intangible assets and amortised on a straight line basis over their useful lives.

Research and development costs

Costs associated with research activities are expensed in the profit or loss as they occur.

Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets. Development costs recognised as intangible assets are amortised on a straight-line basis over their useful lives. All other development costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Retirement Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Retirement Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Retirement Scheme. The assets of the Retirement Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Retirement Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Retirement Scheme.

Pursuant to the relevant regulations of the government of the PRC, subsidiaries of the Group operating in the PRC are required to participate in an employee pension scheme operated by the relevant local government authorities in the PRC and to make contributions for employees who are registered as permanent residents in the PRC. Such contributions are charged to profit or loss as they become payable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount of initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets are either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit- taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group 's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "revenue" line item in the consolidated statement of profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of the each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including deposits and other receivables, cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as deposits and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the reporting period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is revered does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for- sale investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gain and losses" line item in the consolidated statement of profit or loss.

Other financial liabilities

Other financial liabilities (including other payables and others) are subsequently measured at amortised cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the reporting period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

For the purposes of these consolidated financial statements, related parties include a person and entity as defined below:

(i) A person or a close member of that person's family is related to the Group if that person:

   (a) has control or joint control over the Group;

   (b) has significant influence over the Group; and

   (c) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group (reporting entity) if any of the following conditions applies:

   (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

   (b) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member);

   (c) both entities are joint ventures of a third entity;

   (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   (e) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan;

   (f) the entity is controlled or jointly controlled by a person identified in (i); and

   (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transaction

The Company issues equity-settled share-based payments to eligible employees including directors of the Company and its subsidiaries, and other persons including consultants, advisors, agents, customers, suppliers etc. to subscribe for shares in the Company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effort of non market-based vesting conditions.

For share options that are vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Leasing

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate. Specifically, government grant whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent liabilities and contingent assets *(Continued)*

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as provision.

A contingent asset is a possible asset that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits or other distributable reserves, where appropriate, within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that any entity incurs in connection with the borrowing of funds.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the consolidated financial statements. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that is probable that some portion or all of the deferred tax assets will ultimately be realised, such as existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the consolidated statement of comprehensive income.

(iii) Depreciation and amortisation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(iv) Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

(v) Impairment test of assets

The management determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

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.

(a) Segment revenue, results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segment. Head office and corporate expenses are not allocated to individual segments.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment. All liabilities are allocated to unallocated corporate liabilities.

5. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue, results, assets and liabilities *(Continued)*

The five reportable operating segments are listed as follows:

(i) BIOenergy products: manufacturing and trading of bedding products, underclothing and body protection accessories containing the BIOenergy compound;

(ii) Healthcare food products: trading of healthcare food products, including polypeptide products;

(iii) Multi-functional water generators: manufacturing and trading of multi-functional water generators;

(iv) Rental: letting properties for rental income; and

(v) Others: trading of other healthcare products and others.

Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments:

	BIOenergy products		Healthcare food products		Multi-functional water generators		Rental		Others		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue:												
Sales to external customers	**22,205**	7,579	**260**	645	**4,082**	3,999	**384**	–	**808**	2,197	**27,739**	14,420
Segment result	**4,570**	169	**(16)**	202	**366**	(1,053)	**384**	–	**(1,630)**	(350)	**3,674**	(1,032)
Unallocated other income											**2,710**	616
Unallocated expenses											**(35,289)**	(24,776)
Loss from operations											**(28,905)**	(25,192)
Finance costs											**(758)**	(38)
											(29,663)	(25,230)
Share of loss of an associate											**(768)**	(238)
Loss before income tax											**(30,431)**	(25,468)
Income tax expense											**(14)**	–
Loss for the year											**(30,445)**	(25,468)

5. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue, results, assets and liabilities *(Continued)*

	BIOenergy products		Healthcare food products		Multi-functional water generators		Rental		Others		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	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 assets	**100,650**	48,949	**1,182**	4,168	**18,508**	27,465	**1,735**	–	**3,659**	14,190	**125,734**	94,772
Unallocated assets											**109,978**	58,336
Total assets											**235,712**	153,108
Segment liabilities	**38,055**	16,507	**447**	1,405	**6,998**	11,351	**656**	–	**1,383**	4,784	**47,539**	34,047
Unallocated liabilities											**22,531**	6,068
Total liabilities											**70,070**	40,115
Other segment information												
Depreciation	**155**	17	**–**	–	**–**	–	**–**	–	**–**	–	**155**	17
Unallocated amount of depreciation											**220**	378
											375	395
Amortisation of intangible assets	**–**	–	**38**	38	**–**	–	**–**	–	**–**	–	**38**	38
Capital expenditure*	**887**	–	**–**	–	**–**	–	**–**	–	**–**	–	**887**	–
Unallocated amounts of capital expenditure											**94**	193
											981	193

* Capital expenditure consists of additions to property, plant and equipment and investment properties, including assets from the acquisition of subsidiaries.

(b) Geographical segments

A geographical analysis of the Group's revenue from external customers, certain asset and expenditure information is not presented as the Group's revenue and assets in geographical segments other than Mainland China are less than 10% of the aggregate amount of all segments.

(c) Information about major customers

The Group has a very wide customer base, and no single customer contributed more than 10% of the Group's revenue for each of the years ended 30 June 2015 and 2014.

6. REVENUE AND OTHER INCOME

(a) Revenue

	Group	
	2015	2014
	HK$'000	HK$'000
Sales of goods	**27,355**	14,420
Rental income	**384**	–
	27,739	14,420

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; the rental income represents the properties leasing income. All significant intra-group transactions have been eliminated on consolidation.

Turnover made in 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 Company on purchases ("input VAT").

(b) Other Income

	Group	
	2015	2014
	HK$'000	HK$'000
Interest income	**38**	57
Government grant	**135**	–
Gain on bargain purchase arising from the acquisition of a subsidiary	**654**	–
Gain on disposal of property, plant and equipment	**–**	117
Income on cancellation of franchise deposit	**445**	–
Reversal of provision of obsolete and slow moving inventories	**188**	–
Reversal of provision of impairment in respect of trade receivables	**836**	–
Others	**414**	442
	2,710	616

7. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

	Group	
	2015	2014
	HK$'000	HK$'000
Auditor's remuneration		
Audit services	**740**	700
Non-audit services	**163**	400
Cost of inventories sold	**13,610**	7,731
Staff costs (including directors' remuneration)		
Wages and salaries	**20,342**	7,872
Pension scheme contributions	**883**	826
	21,225	8,698
Depreciation	**375**	395
Amortisation	**38**	38
Operating lease charges in respect of land and buildings	**2,312**	3,043
Impairment loss recognised in respect of other receivables*	**1,886**	–
Impairment loss of interest in an associate*	**–**	392
Impairment loss recognised in respect of available-for-sale investments*	**2,636**	–
Impairment for goodwill arising from acquisition of a subsidiary	**61**	–
Share of loss of an associate*	**768**	238
Loss on disposal of property, plant and equipment*	**37**	–
Provision for obsolete and slow moving inventories*	**2,780**	8,822

* included in other operating expenses

8. FINANCE COSTS

	Group	
	2015	2014
	HK$'000	HK$'000
Interest on secured bank and other borrowings	**758**	38

9. INCOME TAX EXPENSE

No provision of Hong Kong profits tax has been provided as no assessable profits arising in Hong Kong during the year (2014: 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 year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2014: 25%).

	Group	
	2015	2014
	HK$'000	HK$'000
Current tax:		
Hong Kong	**–**	–
PRC Enterprise Income Tax	**14**	–
	14	–

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Loss before income tax	**(30,431)**	(25,468)
Tax at the applicable tax rate (Note)	**(5,635)**	(5,828)
Tax effect of non-deductible expenses	**493**	2,578
Tax effect of non-taxable income	**(612)**	(239)
Tax effect of tax losses not recognised	**5,768**	3,489
Income tax expense	**14**	–

The Group had not recognised deferred tax assets in respect of the tax losses due to unpredictability of the future profit streams.

Note:

The applicable rates are the rates prevailing in the jurisdictions in which the Company and its subsidiaries operate.

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of HK$30.39 million (2014: loss of HK$25.26 million), a loss of HK$23.02 million (2014: loss of HK$3.81 million) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the years presented in these financial statements (2014: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on loss attributable to owners of the Company for the year ended 30 June 2015 of HK$30.39 million (2014: loss of HK$25.26 million) and the weighted average number of 2,264,947,974 (2014: the weighted average number of 1,726,857,176 (restated)) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic loss share for both years have been retrospectively adjusted for the effect of open offer in December 2014.

The diluted loss per share for the years ended 30 June 2015 and 2014 has not been disclosed as there were no potential dilutive shares in issue during the years.

13. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(a) Directors' emoluments

The directors' remuneration disclosed pursuant to the Listing Rules and Section 383(1) of the Hong Kong Companies Ordinance is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Fees	**8,300**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**3,444**	300
Pension scheme contributions	**27**	8
	11,771	308

13. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments of each director, on a named basis, for the years ended 30 June 2015 and 2014 are set out below:

Year ended 30 June 2015

	Notes	**Director fees HK$'000**	**Salaries, allowances and benefits in kind HK$'000**	**Pension scheme contributions HK$'000**	**Total HK$'000**
Han Qingyun	i	**2,000**	**1,800**	**9**	**3,809**
Zhang Wen		**2,000**	**1,380**	**18**	**3,398**
Liu Min	ii	**–**	**107**	**–**	**107**
Chan Shun Yee	iii	**–**	**75**	**–**	**75**
Xu Zhifeng	iv	**–**	**63**	**–**	**63**
Wong Tat Yan Paul	v	**–**	**19**	**–**	**19**
Han Xiaoyue	vi	**–**	**–**	**–**	**–**
Guo Yanni	vii	**2,000**	**–**	**–**	**2,000**
Long Mingfei	viii	**1,000**	**–**	**–**	**1,000**
Xu Nianchun	ix	**1,000**	**–**	**–**	**1,000**
Zhu Jinghua		**100**	**–**	**–**	**100**
Deng Zhiqiang		**100**	**–**	**–**	**100**
Li Xinzhong		**100**	**–**	**–**	**100**
		8,300	**3,444**	**27**	**11,771**

Year ended 30 June 2014

	Director fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Han Qingyun	–	–	–	–
Han Xiaoyue	–	–	–	–
Zhang Wen	–	300	8	308
Guo Yanni	–	–	–	–
Long Mingfei	–	–	–	–
Xu Nianchun	–	–	–	–
Zhu Jinghua	–	–	–	–
Deng Zhiqiang	–	–	–	–
Li Xinzhong	–	–	–	–
	–	300	8	308

13. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(i) Mr. Han Qingyun was resigned as executive director on 7 September 2015.

(ii) Mr. Liu Min was appointed as an executive director on 27 April 2015.

(iii) Mr. Chan Shun Yee was appointed as an executive director on 27 April 2015.

(iv) Mr. Xu Zhifeng was appointed as an executive director on 14 May 2015.

(v) Mr. Wong Tat Yan Paul was appointed as an independent non-executive director on 14 May 2015.

(vi) Dr. Han Xiaoyue was resigned as executive director on 1 December 2014.

(vii) Ms. Guo Yanni was resigned as executive director on 14 May 2015.

(viii) Mr. Long Mingfei was resigned as executive director on 4 May 2015.

(ix) Mr. Xu Nianchun was resigned as executive director on 4 May 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 30 June 2015 and 2014.

During the year, no director (2014: Nil) has been granted with share options in respect of their services to the Group. Further details of the share option scheme were set out in Note 29 to the financial statements.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year have included two directors (2014: Nil), details of whose emoluments have been disclosed in Note (a) above. The emoluments paid to the remaining three (2014: five) non-directors, highest paid individuals for the year are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,585**	2,380
Pension scheme contributions	**80**	111
	2,665	2,491

The number of the remaining highest paid individuals whose emoluments fell within the following band is as follows:

	2015	2014
Nil to HK$1,000,000	**2**	5
HK$1,000,001 to HK$2,000,000	**1**	–
	3	5

During the years ended 30 June 2015 and 2014, no emoluments were paid by the Group to the directors or any of the five highest paid employees of the Group as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvement HK$'000	Machinery and equipment HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:					
As at 1 July 2013	17,557	155	12,465	3,822	33,999
Addition	64	–	129	–	193
Disposal	(129)	–	(1,885)	(466)	(2,480)
As at 30 June 2014 and 1 July 2014	17,492	155	10,709	3,356	31,712
Addition	14	–	80	–	94
Acquisition through business combination	–	788	99	–	887
Disposal	–	–	(878)	–	(878)
As at 30 June 2015	17,506	943	10,010	3,356	31,815
Accumulated Depreciation:					
At 1 July 2013	17,483	139	10,535	3,554	31,711
Charge for the year	50	–	278	67	395
Reversal due to disposal	(129)	–	(1,791)	(425)	(2,345)
As at 30 June 2014 and 1 July 2014	17,404	139	9,022	3,196	29,761
Charge for the year	45	109	170	51	375
Reversal due to disposal	–	–	(835)	–	(835)
As at 30 June 2015	17,449	248	8,357	3,247	29,301
Net book value:					
As at 30 June 2015	**57**	**695**	**1,653**	**109**	**2,514**
As at 30 June 2014	88	16	1,687	160	1,951

15. INVESTMENT PROPERTIES

	Group	
	2015	2014
	HK$'000	HK$'000
At fair value:		
Balance at beginning of the year	**–**	–
Acquisition of a subsidiary (Note 31)	**7,837**	–
Addition	**47,922**	–
Balance at end of the year	**55,759**	–

All of the Group's investment properties held to earn rental are classified and accounted for investment properties.

The fair value of the Group's investment properties as at 30 June 2015 has been arrived at on the basis of a valuation carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected to the Group (2014: Nil).

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

During the year, the Group's investment properties of amount HK$7.8 million had been pledged secure general loan facilities granted to the Group which had disclosed in note 26.

The entire amount of fair value measurement of the Group's investment properties is categorised as level 3 hierarchy defined in HKFRS 13.

Information about level 3 fair value measurements

	Valuation Technique(s)	Unobservable input(s)	Range
Investment properties	Direct comparison	Premium (discount) on characteristic of the properties	–28.7% to 3.4%

The fair value of investment properties is determined using direct comparison approach to value these properties in their respective existing states and uses on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and others factors collectively. Higher premium for properties with better characteristic will result in a higher fair value measurement.

16. INTANGIBLE ASSETS

Group

	Patents and technical know-how HK$'000	Deferred Development costs HK$'000	Total HK$'000
At cost:			
At 1 July 2013, at 30 June 2014, at 1 July 2014 and at 30 June 2015	7,113	7,792	14,905
Accumulated amortisation:			
At 1 July 2013	6,884	7,792	14,676
Charge for the year	38	–	38
At 30 June 2014 and 1 July 2014	6,922	7,792	14,714
Charge for the year	38	–	38
At 30 June 2015	6,960	7,792	14,752
Net carrying amount:			
At 30 June 2015	**153**	**–**	**153**
At 30 June 2014	191	–	191

17. GOODWILL

	HK$'000
Cost:	
At 1 July 2013, at 30 June 2014 and at 1 July 2014	**–**
Arising from acquisition of subsidiaries	**61**
At 30 June 2015	**61**
Accumulated impairment:	
At 1 July 2013, at 30 June 2014 and at 1 July 2014	**–**
Impairment loss recognised	**61**
At 30 June 2015	**61**
Net carrying value:	
At 30 June 2015	**–**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generated units ("CGUs") that are expected to benefit from that business combination.

For the year ended 30 June 2015, the management considers that the carrying amount of goodwill should be fully impaired. This impairment loss has been included in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK$'000	HK$'000
Unlisted investment, at cost	**39,952**	39,952
Less: Accumulated impairment loss	**(26,952)**	(26,952)
	13,000	13,000
Amounts due from subsidiaries	**184,780**	93,912
Amounts due to subsidiaries	**(3,926)**	(3,926)

18. INTERESTS IN SUBSIDIARIES *(Continued)*

As at 30 June 2015, the balances with subsidiaries are unsecured, interest-free and repayable on demand.

Accordingly, the amounts due from/(to) subsidiaries are classified as current assets/liabilities.

Particulars of the principal subsidiaries as at 30 June 2015 are as follows:

Name	Place of incorporation/ establishment and operations	Particulars of issued capital/ registered capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
Vitop Bioenergy Limited	British Virgin Islands	1 ordinary share of US$1	100%	–	Investment holding
Vitop Bioenergy (China) Limited* ("Vitop China")	PRC	Registered capital of HK$95,000,000	–	100%	Manufacturing and trading of BIOenergy® products, and trading of multi-functional water generators, healthcare food products and other healthcare products
Vitop Healthcare Product Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Trading of BIOenergy® product
Hefei Vitop Meiling Technology Limited**	PRC	Registered capital of RMB5,840,000	–	80%	Manufacturing and trading of multi-functional water generators
Zhuhai Detox Bioenergy Technology Limited*	PRC	Registered capital of RMB1,000,000	–	100%	Trading of healthcare product
Topgold Industrial Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Investment holding
Zhuhai Wei Tuo Po Technology Limited*	PRC	Registered capital of RMB5,000,000	–	100%	Manufacturing and trading of multi-functional water generators and ionisers
Guangzhou Zhan'ao Trade Commerce Company Limited*	PRC	Registered capital of RMB1,000,000	–	100%	Properties investments

* Registered as wholly-foreign owned enterprise ("WFOE") under the PRC law.

** Registered as Sino-foreign joint venture under the PRC law.

The above table lists the subsidiaries of the Company which have, in the opinion of the Company's directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Company's directors, results in particulars of excessive length.

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities				
— Unlisted securities	**31,036**	31,036	**31,036**	31,036
Less: Accumulated impairment loss	**(9,336)**	(6,700)	**(9,336)**	(6,700)
	21,700	24,336	**21,700**	24,336

Available-for-sale investments at the end of the reporting period represent investments in unlisted companies. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. INTERESTS IN AN ASSOCIATE

	Group	
	2015	2014
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	3,062
Share of loss of an associate	**–**	(238)
Accumulated impairment loss on interests in an associate	**–**	(392)
	–	2,432
Amount due to an associate	**–**	(140)
Total	**–**	2,292

Particulars of the associate of the Group are set out as at 30 June 2014 below:

Name of associate:	Zhuhai Wei Tuo Po Technology Limited ("Wei Tuo Po")
Particular of paid-up capital:	Registered capital of RMB5,000,000
Place of incorporation:	PRC
Proportion of interest held:	49%
Principal activities:	Manufacturing and trading of multi-functional water generators and Ionisers

20. INTERESTS IN AN ASSOCIATE *(Continued)*

Summarised financial information of the associate

	2015	2014
	HK$'000	HK$'000
As at 30 June		
Total assets	–	6,168
Total liabilities	–	(1,203)

	2015	2014
	HK$'000	HK$'000
For the year ended 30 June		
Revenue	–	504
Total comprehensive loss for the year	–	(485)

Reconciliation of the above summarised financial information to the carrying amount of the interests in an associate recognised in the consolidated financial statements:

	2015	2014
	HK$'000	HK$'000
Net assets	–	4,964
Proportion of the Group's ownership interest in an associate	–	49%
	–	2,432
Goodwill	–	392
Impairment loss on interests in an associate	–	(392)
	–	2,432

On 31 December 2014, the Company further acquired 51% equity interests in Wei Tuo Po and from the start of the following month, i.e. 1 January 2015, Wei Tuo Po was consolidated in the accounts of the Group as a wholly-owned subsidiary.

21. INVENTORIES

	Group	
	2015	2014
	HK$'000	HK$'000
Raw materials	**5,132**	4,402
Work in progress	**12,859**	3,601
Finished goods	**44,836**	53,998
	62,827	62,001
Less: Provision for obsolete and slow-moving inventories	**(14,631)**	(12,039)
Foreign exchange translation	**(154)**	(155)
	48,042	49,807

22. TRADE RECEIVABLES

	Group	
	2015	2014
	HK$'000	HK$'000
Trade receivables	**10,115**	11,527
Less: Accumulated impairment loss	**(8,639)**	(9,475)
	1,476	2,052

The credit terms that the Group offers to customers are generally less than 90 days.

22. TRADE RECEIVABLES *(Continued)*

An aging analysis of trade receivables is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
0–30 days	**60**	32
31–60 days	**41**	32
61–180 days	**260**	129
Over 180 days	**1,115**	1,859
	1,476	2,052

Included in the balances are trade receivables with an aggregate carrying amount of HK$1.12 million (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 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.

Aging of trade receivables which are past due but not impaired:

	Group	
	2015	2014
	HK$'000	HK$'000
91–180 days	**4**	21
Over 180 days	**1,115**	1,859
	1,119	1,880

Movement in the allowance for doubtful debts

	Group	
	2015	2014
	HK$'000	HK$'000
Balance at the beginning of the year	**9,475**	9,475
Reversal of impairment loss recognised	**(836)**	–
Balance at the end of the year	**8,639**	9,475

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits for rental and utilities	**738**	923	**466**	661
Deposits for the proposed acquisition of subsidiaries (Note)	**–**	24,600	**–**	24,600
Prepayments for purchases	**17,122**	12,275	**–**	–
Prepayments for potential projects	**12,075**	–	**2,200**	–
Other receivables	**15,073**	30,645	**635**	7,373
	45,008	68,443	**3,301**	32,634
Less: Accumulated impartment loss	**(1,886)**	–	**–**	–
	43,122	68,443	**3,301**	32,634

Note:

The Company paid an initial deposit of HK$15.00 million for the proposed acquisition of 90% shareholding in a target company, from an independent third party at the consideration of HK$108.50 million. Details of the agreement are set out in the Company's announcements dated 12 August 2011, 2 April 2012, 27 December 2012, 12 July 2013 and 30 December 2013. In September 2014, the Company terminated the agreement due to the due diligence result on the project company was not satisfactory. The Company requested for immediate return of the deposit for the acquisition.

The Company signed a memorandum of understanding and paid a deposit of HK$9.60 million for proposed acquisition of 70% shareholding in a target company. Pursuant to the memorandum of understanding, the Company would have the right to demand full refund of the deposit if the acquisition is eventually unsuccessful. In November 2014, the Company terminated the agreement due to the due diligence result on the project company was not satisfactory. The Company requested for immediate return of the deposit for the acquisition.

24. CASH AND BANK BALANCES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**62,946**	3,896	**15,129**	640

As at the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$46.99 million (2014: HK$2.90 million). The RMB is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. 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 the reporting period is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
0–30 days	**1,445**	2,174
31–60 days	**723**	138
61–180 days	**465**	648
Over 180 days	**5,034**	4,081
	7,667	7,041

26. SECURED BANK AND OTHER BORROWINGS

	Group	
	2015	2014
	HK$'000	HK$'000
Secured bank and other borrowings, repayment within one year	**6,250**	8,750

The secured bank and other borrowings of RMB5.00 million (approximately equivalent to HK$6.25 million) is secured by five properties provided by one of subsidiaries with an aggregate fair value RMB6.27 million (approximately equivalent to HK$7.84 million).

The effective interest rate of the bank and other borrowings is 16% per annum and repayable within one year.

27. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of HK$68.08 million (2014: HK$66.07 million) available for offsetting against future taxable profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

28. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Authorised:			
At 1 July 2013, 30 June 2014, 1 July 2014 and 30 June 2015, at HK$0.025 each		20,000,000,000	500,000
Issued and fully paid:			
At 1 July 2013 at HK$0.025 each		1,390,407,948	34,760
Placing of new ordinary shares	i	278,000,000	6,950
At 30 June 2014 and 1 July 2014 at HK$0.025 each		1,668,407,948	41,710
Issue of shares pursuant to the open offer	ii	834,203,974	20,855
At 30 June 2015		2,502,611,922	62,565

Notes:

(i) On 22 April 2014, the Company entered into a placing agreement with a placing agent for placing an aggregate of 278,000,000 shares to ultimate beneficial owners at a price HK$0.1121 per placing share. The placing was subsequently completed on 30 April 2014.

(ii) On 4 December 2014, the Company entered into an open offer with an aggregate of 834,203,974 shares to ultimate beneficial owners at a price HK$0.1 per share. The open offer was subsequently completed on 22 December 2014.

29. SHARE OPTION SCHEME

In connection with the listing of the Company's shares on the Main Board of the Stock Exchange, the Company conditionally adopted a share option scheme (the "Scheme") pursuant to an ordinary resolution passed by the shareholders of the Company on 23 January 2003. The Scheme became effective on 10 February 2003 upon the listing of the Company's shares on the Main Board of the Stock Exchange by way of introduction and, unless otherwise cancelled or amended, the Scheme remains in force for ten years from that date.

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution to the Group or any entity in which the Group has an equity interest (the "Invested Entity") and/or to enable the Group or an Invested Entity to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or an Invested Entity.

29. SHARE OPTION SCHEME *(Continued)*

The participants of the Scheme include: (a) any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (b) any non-executive director (including any independent non- executive director) of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000, in any twelve-month period up to the date of grant, are subject to shareholders' approval in advance in a general meeting.

The total number of shares of the Company in respect of which options may be granted under the Scheme must not exceed 88,278,596 shares, being 10% of the total number of shares of the Company in issue on the date when the 10% Scheme limit has been refreshed. The 10% Scheme limit was refreshed at the extraordinary general meeting of the Company held on 30 October 2009.

The total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted to each participant (including exercised and outstanding options) in any twelve-month period up to the date of grant shall not exceed 1% of the total number of shares of the Company in issue as at the date of grant (the "Individual Limit"). Any further grant of options in excess of the Individual Limit must be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting.

An option may be exercised at any time during a period as the Board of the Company may determine which shall not be more than ten years from the date of grant of the option.

Save as determined by the Board, there is no minimum period for which an option must be held before it can be exercised.

The acceptance of an offer of the grant of an option must be made within 28 days from the date upon which such offer is made with a non-refundable payment of HK$1.00 from the grantee to the Company by way of consideration for the grant thereof.

The subscription price of a share of the Company in respect of any option shall be such price as the Board in its absolute discretion shall determine, save that such price will not be lower than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a trading day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and (c) the nominal value of the share.

29. SHARE OPTION SCHEME *(Continued)*

Subject to earlier termination of the Company by resolution in general meeting, the Scheme shall be valid and effective till 9 February 2013. After the expiry of such valid period, no further options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Binominal option price model, taking into accounts the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessary be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

The Company did not have any outstanding share options at 30 June 2015 and 30 June 2014. No share options were granted during the years ended 30 June 2015 and 30 June 2014.

30. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

The share premium account of the Group mainly includes: (i) shares issued at a premium; and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") in preparation for the public listing of the Company's shares on the GEM of the Stock Exchange over the nominal value of the share capital of the Company issued in exchange therefore.

The Group's capital reserve represented the amount of retained earnings of Vitop China applied for the increase in its registered and paid-up capital.

In accordance with the relevant PRC regulations applicable to WOFE, Vitop China, being the wholly-owned subsidiary of the Company, is required to transfer 10% of their profit after tax, if any, to the statutory reserve until the balance of the fund reach 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against their respective accumulated losses.

30. RESERVES *(Continued)*

Company

	Share premium	**Capital redemption reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2013 and 1 July 2013	174,782	29	(77,528)	97,283
Placing of shares	24,214	–	–	24,214
Loss for the year	–	–	(3,807)	(3,807)
At 30 June 2014 and 1 July 2014	198,996	29	(81,335)	117,690
Issue of shares pursuant to an open offer	60,146	–	–	60,146
Loss for the year	–	–	(23,014)	(23,014)
At 30 June 2015	259,142	29	(104,349)	154,822

The share premium account of the Company mainly includes: (i) shares issued at a premium; and (ii) the difference between the nominal value of the share capital of the Company issued in exchange for the issued share capital of the subsidiaries and the value of the underlying net assets of the subsidiaries acquired pursuant to the Group Reorganisation. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

31. ACQUISITION OF SUBSIDIARIES

(a) ACQUISITION OF ZHUHAI WEI TUO PO TECHNOLOGY LIMITED

On 30 June 2014, the Group acquired 49% equity interest of Wei Tuo Po, for a consideration of RMB2.45 million (equivalent to HK$3.06 million) in cash. On 31 December 2014, the Group acquired a further 51% equity interest and obtained the control of Wei Tuo Po with a consideration of RMB0.86 million (equivalent to HK$1.08 million) in cash.

Wei Tuo Po is a company established in the PRC, and it is manufacturing and trading of multi-functional water generators and ionisers. The acquisition of Wei Tuo Po allows the Group have a stable source of supply, increase its presence in the market and reduce cost in purchase.

The following table summaries the consideration paid for Wei Tuo Po, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

	HK$'000
Consideration:	
At 31 December 2014	
Cash	1,075
Fair value of previously interests in an associate	1,661
Total consideration	2,736

The fair value of the identifiable assets and liabilities of Wei Tuo Po as at date of acquisition were as follows:

	HK$'000
Property, plant and equipment	887
Inventories	1,427
Cash and bank balances	266
Trade receivables	421
Other receivables	559
Amount due from a shareholder	106
Trade payables	(151)
Accrued liabilities and other payables	(125)
	3,390
Gain on bargaining purchase arising from the acquisition	(654)
Net cash outflow arising from acquisition	
Cash and cash equivalent acquired	266
Cash consideration	(1,075)
	(809)

31. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) ACQUISITION OF GUANGZHOU ZHAN'AO TRADE COMMERCE COMPANY LIMITED

On 27 November 2014, the Group completed the acquisition of 100% equity interest in Guangzhou Zhan'ao Trade Commerce Company Limited ("Guangzhou Zhan'ao") from an independent third party at a consideration of RMB6.27 million (approximately equivalent to HK$7.84 million) and the amount due to then shareholder in the amount of RMB5.26 million (approximately equivalent to HK$6.58 million).

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

	HK$'000
At 27 November 2014	
Cash	7,840
The fair value of the identifiable assets and liabilities of "Guangzhou Zhan'ao" as at date of acquisition were as follows:	
Investment properties	7,837
Cash and bank balances	34
Other payables	(92)
Amount due to a shareholder	(6,576)
	1,203
Amount due to a shareholder	6,576
Goodwill	61
	7,840
Net cash outflow arising from acquisition	
Cash and cash equivalent acquired	34
Cash consideration	(7,840)
	(7,806)

32. COMMITMENTS

(a) Operating lease commitment

(i) 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 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Within one year	**1,926**	2,285
In the second to fifth year	**3,525**	5,426
	5,451	7,711

(ii) The Group as lessor

Property rental income earned during the year was HK$383,474 (2014: Nil) and with committed tenants with the longest tenure for 14 years.

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payment:

	2015	2014
	HK$'000	HK$'000
Within one year	**530**	–
In the second to fifth year	**10,055**	–
	10,585	–

(b) Capital commitment

The Group did not have any significant capital commitment as at the end of the reporting period (2014: Nil).

33. CONTINGENT LIABILITIES

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

34. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. During the year ended 30 June 2015, the Group's strategy, which was unchanged from previous years, was to reduce the gearing ratio. The ratio is calculated based on total debt and shareholders equity.

The gearing ratio at the year end was as follows:

	2015	2014
	HK$'000	HK$'000
Total debt	**70,070**	40,115
Shareholders' equity	**164,182**	111,474
Gearing ratio	**42.68%**	35.99%

35. RELATED PARTY TRANSACTIONS

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

(a) Related party balances

	2015	2014
	HK$'000	HK$'000
Amount due to a director (Note)	**98**	6,067
Amount due to an associate (Note)	**–**	140

Note:

The amount is unsecured, interest free and repayable on demand.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

	2015	2014
	HK$'000	HK$'000
Purchase of inventories from an associate (Note)	**298**	1,877

Note:

The Group's transaction with an associate was made in accordance with the mutually agreed terms.

(c) Compensation of key management personnel of the Group:

	2015	2014
	HK$'000	HK$'000
Total remuneration of directors and other members of key management during the year		
— Short term employee benefits	**3,135**	1,367
— Pension scheme contribution	**123**	43
	3,258	1,410

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Group	
	2015	2014
	HK$'000	HK$'000
Financial assets		
Available-for-sales investments	**21,700**	24,336
Trade receivables	**1,476**	2,052
Deposits and other receivables	**13,925**	68,443
Cash and bank balances	**62,946**	3,896
	100,047	98,727
Financial liabilities		
Trade payables	**7,667**	7,041
Accrued liabilities and other payables	**46,896**	8,450
Amount due to a director	**98**	6,067
Amount due to an associate	**–**	140
Secured bank and other borrowings	**6,250**	8,750
Deposits received	**9,145**	9,667
	70,056	40,115

(b) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Market risk exposures are measured by sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk management

Except as disclosed below, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's cash flow interest-rate risk mainly arises from bank balances. The Group regularly seeks out the most favourable interest rates available for its bank balances. Bank balances issued at variable rates expose the Group to cash flow interest rate risk. Information relating to the interest rates and terms of the Group's bank balances are disclosed in Note 24. As at 30 June 2015, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$314,728 (2014: HK$20,000) lower/higher, mainly as a result of higher/lower interest income on bank balances and cash net off with interest expense on fixed rate bank and other borrowings.

The Group's financial liabilities bore at fixed interest rate which merely comprise secured bank and other borrowings. Accordingly, management considers the Group has no significant fair value interest rate risk from financial liabilities and no sensitivity analysis has been presented.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

Foreign exchange risk management

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group's sales and purchases are denominated primarily in Renminbi, which expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2015	2014
	HK$'000	HK$'000
Assets		
RMB	**2,840**	90,553
Liabilities		
RMB	**–**	37,185

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Sensitivity analysis on foreign currency risk management

The following table details the Group's sensitivity to a 5% increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen 5% against the relevant currency. For a 5% weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be positive.

	2015	2014
	HK$'000	HK$'000
Impact of RMB		
Profit and loss[#]	**142**	2,668

[#] This is mainly attributable to the exposure outstanding on receivables and payables denominated in RMB.

Credit risk

As at 30 June 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs period credit evaluations of its customers. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities loans and commitments as the Group. The Group also monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows.

The following table details the Group 's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	**Within 1 year**	**2 to 5 year**	**Total undiscounted cash flows**	**Carrying value**
	%	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2015					
Non-interest bearing	**–**	**63,806**	**–**	**63,806**	**63,806**
Interest bearing	**16**	**6,667**	**–**	**6,667**	**6,667**
		70,473	**–**	**70,473**	**70,473**
At 30 June 2014					
Non-interest bearing	–	31,365	–	31,365	31,365
Interest bearing	7.8	8,750	–	8,750	8,750
		40,115	–	40,115	40,115

36. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) Financial instruments carried at fair value

The following table presents the carrying value of the financial instruments measured at fair value at the consolidated statement of financial position date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instruments categorised in its entirely based on the lowest level of input that is significant to that fair value measurement.

The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable data.

— Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not on based observable market data.

The Group does not have financial instruments recorded at fair value as at 30 June 2015 and 2014.

(ii) Financial instruments carried at other than fair value

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2015 and 2014, except for the balances due to a director, an associate and accrued liabilities and other payables, which are interest-free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose their fair values.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in this entirety.

37. EVENTS AFTER THE REPORTING PERIOD

The Group completed subscription of shares on 5 August 2015 for an aggregate of 333,680,000 shares by four tranches. First subscription of 105,000,000 shares completed on 16 July 2015, second subscription of 50,000,000 shares completed on 29 July 2015, third subscription of 70,000,000 shares completed on 31 July 2015, and fourth subscription of 108,680,000 shares completed on 5 August 2015.

All four tranche subscriptions were allotted and issued to the subscriber at the subscription price of HK$0.15 per subscription share.

SUMMARY OF FINANCIAL INFORMATION

	Year ended 30 June				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**27,739**	14,420	19,823	20,484	27,217
Loss before income tax	**(30,431)**	(25,468)	(14,588)	(20,039)	(23,502)
Income tax expenses	**(14)**	–	–	–	–
Loss for the year	**(30,445)**	(25,468)	(14,588)	(20,039)	(23,502)
Attributable to:					
Owners of the Company	**(30,386)**	(25,262)	(14,404)	(19,860)	(23,315)
Non-controlling interests	**(59)**	(206)	(184)	(179)	(187)
	(30,445)	(25,468)	(14,588)	(20,039)	(23,502)

	At 30 June				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**235,712**	153,108	131,511	140,550	87,653
Total liabilities	**(70,070)**	(40,115)	(24,616)	(21,070)	(55,822)
Non-controlling interests	**(1,460)**	(1,519)	(1,725)	(1,909)	(2,088)
Equity attributable to owners of the Company	**164,182**	111,474	105,170	117,571	29,743