



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

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1178

**INTERIM REPORT**  
**2015/16**

## INTERIM RESULT

The board of directors (the "Board") of Vitop Bioenergy Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2015 (the "Period") together with comparative figures for the corresponding period in 2014 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 31 December	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
Revenue	3	<b>38,763</b>	9,827
Cost of sales		<b>(25,892)</b>	(6,270)
Gross profit		<b>12,871</b>	3,557
Other income		<b>1,243</b>	1,885
Selling and distribution costs		<b>(2,252)</b>	(1,844)
Administrative expenses		<b>(14,228)</b>	(15,968)
Other operating expenses		<b>(2,028)</b>	(452)
<b>LOSS FROM OPERATING ACTIVITIES</b>	<b>4</b>	<b>(4,394)</b>	(12,822)
Finance costs		<b>(434)</b>	(364)
Share of loss of an associate		<b>(4,828)</b>	(13,186)
		<b>–</b>	(768)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		<b>(4,828)</b>	(13,954)
Income tax expense	5	<b>–</b>	–
<b>LOSS FOR THE PERIOD</b>		<b>(4,828)</b>	(13,954)
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(4,747)</b>	(13,895)
Non-controlling interests		<b>(81)</b>	(59)
<b>LOSS FOR THE PERIOD</b>		<b>(4,828)</b>	(13,954)

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

	Notes	Six months ended 31 December	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>LOSS FOR THE PERIOD</b>		<b>(4,828)</b>	(13,954)
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss:</i> Exchange differences arising on translation		<b>(8,199)</b>	–
Total comprehensive loss for the period, net of tax		<b>(13,027)</b>	(13,954)
<b>LOSS PER SHARE</b>			
Basic	7	<b>HK(0.18) cents</b>	HK(0.69) cents
Diluted		<b>N/A</b>	N/A
<b>DIVIDENDS</b>	6	–	–

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	2,586	2,514
Investment properties		52,690	55,759
Intangible assets		130	153
Available-for-sale investments		21,700	21,700
		<b>77,106</b>	<b>80,126</b>
<b>Current assets</b>			
Inventories	9	49,571	48,042
Trade receivables	10	8,678	1,476
Deposits, prepayments and other receivables		70,948	43,122
Cash and bank balances		28,976	62,946
		<b>158,173</b>	<b>155,586</b>
<b>Current liabilities</b>			
Trade payables	11	9,162	7,667
Deposits received		8,814	9,145
Accrued liabilities and other payables		14,936	46,896
Amount due to directors		–	98
Secured bank borrowings		–	6,250
Tax payables		–	14
		<b>32,912</b>	<b>70,070</b>
<b>Net current assets</b>		<b>125,261</b>	<b>85,516</b>
<b>Total assets less current liabilities</b>		<b>202,367</b>	<b>165,642</b>
<b>Net assets</b>		<b>202,367</b>	<b>165,642</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
	Notes		
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	13	70,907	62,565
Reserves		<u>130,081</u>	<u>101,617</u>
		<b>200,988</b>	164,182
<b>Non-controlling interests</b>		<u>1,379</u>	<u>1,460</u>
<b>Total equity</b>		<u>202,367</u>	<u>165,642</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	Capital redemption reserve	Capital reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2014 (Audited)	41,710	180,045	8,789	29	28,764	13,215	(161,078)	111,474	1,519	112,993
Issue of shares pursuant to an open offer	20,855	62,565	-	-	-	-	-	83,420	-	83,420
Share issue expenses	-	(2,419)	-	-	-	-	-	(2,419)	-	(2,419)
Total comprehensive loss for the period	-	-	-	-	-	-	(13,895)	(13,895)	(59)	(13,954)
At 31 December 2014 (Unaudited)	62,565	240,191	8,789	29	28,764	13,215	(174,973)	178,580	1,460	180,040
At 1 July 2015 (Audited)	62,565	240,191	8,789	29	28,764	15,308	(191,464)	164,182	1,460	165,642
Issue of shares pursuant to subscription	8,342	41,710	-	-	-	-	-	50,052	-	50,052
Share issue expenses	-	(300)	-	-	-	-	-	(300)	-	(300)
Total comprehensive loss for the period	-	-	-	-	-	(8,199)	(4,747)	(12,946)	(81)	(13,027)
At 31 December 2015 (Unaudited)	70,907	281,601	8,789	29	28,764	7,109	(196,211)	200,988	1,379	202,367

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH GENERATED (USED IN)/FROM OPERATING ACTIVITIES	(74,097)	10,829
NET CASH USED IN INVESTING ACTIVITIES	(1,426)	(8,615)
NET CASH GENERATED FROM FINANCING ACTIVITIES	49,752	81,001
(DECREASE IN)/INCREASE IN CASH AND CASH EQUIVALENTS	(25,771)	83,215
CASH AND CASH EQUIVALENTS AT 1 JULY	62,946	3,896
EFFECT OF FOREIGN EXCHANGE	(8,199)	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	28,976	87,111
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	28,976	87,111

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

#### (a) Basis of Preparation

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

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

#### (b) Principal Accounting Policies

The basis of preparation and accounting policies adopted in preparing these condensed consolidated statements are consistent with those adopted in the preparation of the Group’s annual statements for the year ended 30 June 2015.

In the current Period, the Group has applied the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 July 2015. The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated statements of the Group for the current accounting period.

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

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



## 2. SEGMENT INFORMATION

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

The five reportable operating segments are listed as follows:

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

	BIOenergy products		Healthcare food products		Multi-functional water generators		Property rental		Others		Consolidated	
					Six months ended 31 December							
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment revenue:												
Sales to external customers	36,322	7,190	165	229	1,136	2,201	-	33	1,141	174	38,764	9,827
Segment results	12,246	1,635	71	6	93	(10)	-	33	461	49	12,871	1,713
Unallocated other income											1,243	1,885
Unallocated expense											(18,508)	(16,420)
Loss from operating activities											(4,394)	(12,822)
Finance cost											(434)	(364)
Share of loss of an associate											(4,828)	(13,186)
Income tax expenses											-	-
Loss for the period											(4,828)	(13,954)

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

### 3. REVENUE

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

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

### 4. LOSS FROM OPERATING ACTIVITIES

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>25,892</b>	6,270
Amortisation of intangible assets	<b>23</b>	19
Depreciation of property, plant and equipment	<b>1,295</b>	162
Operating lease charges in respect of land and building	<b>1,253</b>	1,156
Impairment loss on goodwill	–	61
Share of loss of an associate	–	768
Gain on disposal of property, plant and equipment	–	(625)
Gain on bargaining purchase arising from the acquisition of a subsidiary	–	(658)

## **5. INCOME TAX EXPENSE**

No provision of Hong Kong profits tax has been provided as no assessable profits arising in Hong Kong during the Period (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 Period. PRC Enterprise Income Tax has not been provided as the Group had tax loss arising in PRC during the Period (2014: Nil).

## **6. DIVIDENDS**

The Board has resolved not to declare any interim dividend for the Period (2014: Nil).

## **7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The calculation of basic loss per share is based on the loss attributable to owners for the Period of HK\$4.75 million (2014: loss of HK\$13.90 million) and the weighted average number of 2,564,318,724 (2014: the weighted average number of 2,026,571,610) ordinary shares in issue during the Period.

The diluted loss per share for the period ended 31 December 2015 and 2014 has not been disclosed as there were no potential dilutive shares in issue during the periods.

## 8. PROPERTY, PLANT AND EQUIPMENT

	<b>Total HK\$'000</b>
At 1 July 2015 (audited)	2,514
Additions (including addition through acquisition of subsidiaries)	1,426
Disposals	(59)
Depreciation	(1,295)
<b>At 31 December 2015 (unaudited)</b>	<b>2,586</b>

## 9. INVENTORIES

	<b>31 December 2015 (Unaudited) HK\$'000</b>	30 June 2015 (Audited) HK\$'000
Raw materials	<b>5,889</b>	5,132
Work in progress	<b>4,947</b>	12,859
Finished goods	<b>53,479</b>	44,836
	<b>64,315</b>	62,827
Less: Provision for obsolete and slow-moving finished goods	<b>(14,810)</b>	(14,631)
Foreign exchange translation	<b>66</b>	(154)
	<b>49,571</b>	48,042

## 10. TRADE RECEIVABLES

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

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
<b>Outstanding balances with ages:</b>		
Within 30 days	1,173	60
Between 31 to 60 days	185	41
Between 61 to 180 days	6,190	260
Over 180 days	1,130	1,115
	<b>8,678</b>	1,476

Included in the balances are trade receivables with an aggregate carrying amount of HK\$1.13 million (30 June 2015: HK\$1.12 million) which are past due at the reporting date for which the Group has not provided impairment loss as there has been no significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances. No interest is charged on the trade receivables.

## 11. TRADE PAYABLES

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

	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
<b>Outstanding balances with ages:</b>		
Within 30 days	3,148	1,445
Between 31 to 60 days	846	723
Between 61 to 180 days	1,009	465
Over 180 days	4,159	5,034
	<b>9,162</b>	7,667

## 12. SECURED BANK BORROWINGS

	<b>31 December 2015 (Unaudited) HK\$'000</b>	30 June 2015 (Audited) HK\$'000
Secured bank borrowings	–	6,250

The secured bank borrowings as at 30 June 2015 were secured by personal guarantee of RMB12.00 million (approximately equivalent to HK\$15.00 million) of a director of the Company and certain buildings held by third parties and were fully settled during the Period.

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

## 13. SHARE CAPITAL

	<b>Number of ordinary shares (Unaudited)</b>	<b>Share capital HK\$'000 (Unaudited)</b>
Authorised:		
Ordinary shares of HK\$0.025 each		
At 30 June 2015 and 31 December 2015	20,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.025 each		
At 30 June 2015	2,502,611,922	62,565
Issue of shares pursuant to the subscription	333,680,000	8,342
<b>At 31 December 2015</b>	<b>2,836,291,922</b>	<b>70,907</b>

## 14. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

As at 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>31 December 2015 (Unaudited) HK\$'000</b>	30 June 2015 (Audited) HK\$'000
Within one year	<b>3,411</b>	1,926
In the second to fifth years inclusive	<b>860</b>	3,525
	<b>4,271</b>	5,451

### The Group as lessor

As at 31 December 2015, the Group had contracted with tenants for the following minimum lease payments under non-cancellable operating leases in respect of the rented premises which fall due as follows:

	<b>31 December 2015 (Unaudited) HK\$'000</b>	30 June 2015 (Audited) HK\$'000
Within one year	–	530
In the second to fifth years inclusive	–	10,055
	–	10,585

Lease is negotiated for an average term of 1 year.

## 15. RELATED PARTY TRANSACTIONS

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

### (A) Related Party Balances

	Notes	31 December 2015 (Unaudited) HK\$'000	30 June 2015 (Audited) HK\$'000
Amount due to directors	(i)	–	98
Amount due to an associate	(i)	–	–

### (B) Related Party Transactions

	Notes	Six months ended 31 December 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Purchase of inventories from an associate	(ii)	61	638
		61	638

Notes:

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



## 15. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended	
	31 December	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total remuneration of directors and other members of key management during the period		
— Short term employee benefits	<b>4,329</b>	8,960
— Pension scheme contribution	<b>23</b>	18
	<b>4,352</b>	8,978

## 16. EVENTS AFTER REPORTING PERIOD

1. On 4 November, 2015, the Company entered into a placing agreement with a placing agent and a subscription agreement with a subscriber respectively, which are all independent third parties. Under the placing agreement, the placing agent conditionally agreed to procure, on a best effort basis, a total of not less than six placees to subscribe for a total of 1,600,000,000 new shares of the Company at a placing price of HK\$0.10 per share. And under the subscription agreement, the subscriber conditionally agreed to subscribe for 1,100,000,000 new shares of the Company at a subscription price of HK\$0.10 per share. The placing exercise was completed by successfully placing out all 1,600,000,000 new shares by the placing agent after this period end on 22 January, 2016. A gross proceeds of HK\$160 million was raised from this share placement and after deducting issue expenses, a net proceeds of approximately HK\$153.9 million was received by the Company. The subscription agreement was still pending completion as at the date of this report. Out of the net proceeds of the placing exercise, the Group has (a) designated not less than HK\$30 million at this stage to support the trading operation of Manuka honey; (b) reserved HK\$24 million as consideration for an intended acquisition of a Hong Kong local brand of healthcare food supplements business; and (c) maintained the remaining balance of about HK\$107.6 million as general working capital of the Group mainly for selling and distribution costs and administrative expenses of the Group's existing business, and for other business opportunities which may arise in the foreseeable future.

For details of the placement and subscription, please refer to the announcements and circular issued by the Company dated 5 November, 2015, 26 November, 2015, 15 December, 2015, 15 January, 2016, 22 January, 2016 and 29 January, 2016.

2. On 5 February, 2016, the Group entered into a conditional sales and purchase agreement with an independent third party to acquire Fine Treasure Asia Limited which, through its wholly owned subsidiary owns the trademark of a local brand of healthcare food supplements and operates the sales and distribution of such products through an established network in Hong Kong. The consideration of the acquisition is HK\$24,000,000 subject to satisfaction of certain conditions precedent. The transaction has not yet completed as at the reporting date.

## MANAGEMENT DISCUSSION & ANALYSIS

### BUSINESS REVIEW

For the six months ended 31 December, 2015, the Bioenergy products business recorded revenue of HK\$36.32 million with segmental profit of HK\$12.25 million, whereas the segmental revenue and profit of all other products for the six months ended 31 December, 2015 are HK\$2.44 million and HK\$0.62 million respectively. The increase was due to the Group's continual adoption of the policy of a slimmer gross profit margin in order to boost more sales. On the other hand, the market competition was still challenging. Non-bioenergy products business, however, faced even harder business environment during the period under review owing to even more fierce market competition.

During the six months ended 31 December, 2015, to the disappointment of the Board, the investment properties of the Group had not been able to produce any revenue, which main reason is due to the adverse turn in property demand in the region where such properties are located.

### FINANCIAL REVIEW

#### Revenue

The Group recorded sales revenue of HK\$38.76 million, representing an increase of 294.5% as compared with that of the same period of last year. The increase in overall sales revenue was mainly attributed to the successful pricing policy and successful market penetration policy.

#### Gross profit

The overall gross profit margin of the Group for the Period was further decreased by 3.0% to 33.2% as compared to the same period of last year. Such decrease reflects the effect of latest conservative pricing policy in order to promote sale volume. And it is encouraging that the gross profit of the Group for the Period was increased by 261.8% from HK\$3.56 million to HK\$12.87 million.

#### Selling and distribution expenses

Selling and distribution costs for the six months ended 31 December 2015 amounted to HK\$2.25 million, representing an increase of 22.1% from HK\$1.84 million. This is the result of increasing salaries expenses necessary to handle the increased sales volume.

## FINANCIAL REVIEW (CONTINUED)

### Administrative expenses

During the period under review, administrative expenses decreased by 11.1% to HK\$14.04 million as compared with HK\$15.97 million of same period last year, which was mainly due to the effect of overall tighter control in staff costs.

### Finance costs

Finance costs amounted to HK\$0.43 million was paid as interest on secured bank borrowings which had been fully repaid during the period. Finance costs was HK\$0.36 million for the same period last year.

### Loss for the period

The Group's loss for this six months' period ended 31 December, 2015 was HK\$4.75 million, representing a significant decrease of 65.4% from HK\$13.95 million which was the loss for the same period last year. The decrease was mainly attributed to the combined effect of the significant improvement in operating results and the successful control on overall selling, distribution and administrative expenses.

## FUTURE PROSPECTS

Facing the challenge of the recent slowing down of mainland China's economic growth, the Board believes the situation could still last for some time and could impact various industries and businesses to different magnitudes. While market sentiments currently tend to discourage new ventures, the Board, however, strongly believes that new opportunities always emerge under rippling business environment, and accordingly will take a proactive but cautious approach to steer the business development of the Group.

Even though growing number of strong competitors exists in the healthcare products industry, the Group is confident that the reputation of Vitop healthcare products are still deep-rooted in the minds of a vast number of consumers of China. With the encouraging sales growth of the Group during this period, the management shall continue to seek further advancement in this business segment.

## **FUTURE PROSPECTS (CONTINUED)**

On the other hand, in view of the huge demand in quality healthcare food and food supplements in China, the Board has, during this period, established a joint venture subsidiary in New Zealand to secure a stable source of Manuka honey for exporting into China market. And the Company is intended to acquire after this period end a Hong Kong local brand of healthcare food supplements business with the intention to introduce such high quality products into China. Both new lines of businesses, if both started as planned, are believed to start their contributions to the revenue of the Group in the second half of this financial year.

The management continues from time to time to seek new investment opportunities in different industries that could enhance corporate development and broaden the income base of the Group. Accordingly, the Board is proposing to change the Company's name to "Vitop Group Limited" to reflect the current status of the Group's business development and its direction of future evolution. Should any suitable business opportunity arise, the Group may diversify its existing business activities and deploy new resources to support such new opportunities. Meanwhile, the Directors are cautiously optimistic about perpetuating the Group's steady growth over the long term.

## **FOREIGN EXCHANGE RISK AND MANAGEMENT**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December, 2015, net current assets of the Group were HK\$125.26 million (30 June, 2015: HK\$85.52 million). The Group's cash and bank balance at that date amounted to HK\$28.98 million (30 June, 2015: HK\$62.95 million), which was mainly denominated in Hong Kong dollars and Renminbi, and the Group had no bank borrowings at the end of this period (30 June, 2015: HK\$6.25 million).

As at 31 December, 2015, the Group's current ratio and quick ratio were 4.81 (30 June, 2015: 2.22) and 3.30 (30 June, 2015: 1.53) respectively. The increase in these ratios were mainly due to the increase in liquid working capital for the increased level of business activities and settlement of all bank borrowings.

## LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

The gearing ratio, total bank borrowings divided by total assets at the end of each period, was 0% as at 31 December, 2015 (30 June, 2015: 2.65%), the decrease is due to the settlement of all bank borrowings during this period.

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

As at 31 December, 2015, other than the “Events After Reporting Period” being disclosed in this report, the Group had no other material capital commitments (30 June, 2015: Nil) or investment commitments. The operating lease commitment for the Group as at 31 December, 2015 was around HK\$4.27 million (30 June, 2015: HK\$5.45 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 to capture acquisition requirements.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for this reporting period.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December, 2015, the Group employed a total of 82 (30 June, 2015: 66) employees, of which 77 were working in Mainland China (30 June, 2015: 61) and 5 (30 June, 2015: 5) were stationed in Hong Kong. The total salaries (excluding directors’ emoluments) for the period was HK\$2.80 million (30 June, 2015: HK\$7.87 million). Remuneration packages comprises salary, mandatory provident fund, bonus, statutory contributions, medical allowance and share options.

## CONTINGENT LIABILITIES

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

## MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

At 21 October, 2015, the Group formed a 51% indirectly owned subsidiary with an independent third party in New Zealand with a total capital contribution of NZD51, which is principally engaged in developing, manufacturing, promoting and marketing a reputable brand of Manuka honey and honey-related products. It is the intention of the Group to deploy not more than HK\$80 million in this business through this subsidiary as the sourcing company of the Group for exporting into Hong Kong and China market.

Except for the above, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 31 December, 2015.

## CAPITAL STRUCTURE

During the six months ended 31 December, 2015, the Company issued 333,680,000 shares by way of subscription of new shares by an independent third party on the basis of HK\$0.15 per subscription share. The number of the Company's issued shares accordingly, increased from 2,502,611,922 to 2,836,291,922 during the Period.

The gross proceeds raised by the Company from the subscription of new shares amounted to HK\$50.05 million was completed on 5 August, 2015. The net proceeds raised in this exercise amounted to approximately HK\$49.37 million after deducting all the expenses incurred in the subscription. The Company had applied the net proceeds as general working capital for settlement of bank borrowings, selling and distribution costs, administrative expenses and other operating expenses of the Group. At 31 December, 2015, the Group still maintain a cash and bank balance of HK\$28.97 million as general working capital.

For further details of the share subscription exercise, please refer to the Company's announcements dated 28 May, 2015, 10 July, 2015, 16 July, 2015, 29 July, 2015, 31, July, 2015 and 5 August, 2015 respectively.

## SHARE OPTION SCHEME

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

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting on 31 December 2015, the Company adopted the refreshment of the limit on the grant of option under the Share Option Scheme as per New Scheme.

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



## DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 31 December 2015, as far as the directors of the Company are aware, none of the directors of the Company had any interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any director of the Company, as at 31 December 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 31 December 2015 was 2,836,291,922.

Name	Capacity	Number of shares held	Approximate percentage of interest
Cheung Kwan	Beneficial owner	318,680,000 (long position)	11.24%
City Winner Holdings Limited (Note 1)	Beneficial owner	258,680,000 (long position)	9.12%

Notes:

1. City Winner Holdings Limited is beneficial owned by Ms. Cheung Kwan.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 31 December 2015, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## **CORPORATE GOVERNANCE**

### **Overview of Corporate Governance**

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

### **Code on Corporate Governance Practices**

During the six months ended 31 December 2015, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules, except for the following code provision:

- (i) Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All non-executive directors of the Company were not appointed for a specific term, but every director of the Company will be subject to retirement no later than the third annual general meeting after his election, under the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are not less exacting than those in the Code.
- (ii) Code A.5.1 provides that the Company should establish a nomination committee. The Company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and the other directors review from time to time the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.

- (iii) 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. Ms. Zhu Yanzhou and Mr. Chau Yu-Lung Jimmy, being the independent non-executive Director and non-executive Director respectively, did not attend the Company's annual general meeting held on 31 December 2015 due to their other unexpected business engagements.

### **Directors' Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code for securities transactions by Directors. All members of the Boards have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the six months ended 31 December 2015.

### **Independent Non-executive Directors**

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

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

### **Audit Committee**

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

The audit committee comprises Mr. Wong Tat Yan Paul (chairman of the committee), Mr. Su Rujia and Ms. Zhu Yanzhou, all of whom are independent non-executive directors of the Company. Mr. Wong Tat Yan Paul possesses appropriate professional accounting qualifications and related financial management expertise as required under rules 3.10(2) of the Listing Rules.

The audit committee, together with the management team of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed accounting issues, internal control and financial reporting matters with the Directors, including a review of the unaudited interim report for the six months ended 31 December 2015.

### **Changes in information of directors**

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the changes in information of directors of the Company subsequent to the date of the 2015 Annual Report is set out below:

- (i) Mr. Li Xinzhong, being independent non-executive director, whose office was vacated on 6 November 2015.
- (ii) Mr. Zhang Wen, being executive director, chief executive officer and authorized representative, resigned on 16 November 2015.
- (iii) Ms. Zhu Yanzhou was appointed as independent non-executive director on 23 October 2015 with a monthly salary for HK\$10,000.
- (iv) Mr. Chau Yu-Lung Jimmy was appointed as non-executive director on 30 December 2015 with a monthly salary for HK\$12,000.
- (v) Mr. Xu Zhifeng's salary was adjusted to HK\$200,000 per month with effect from 1 August 2015.

## MEMBERS OF THE BOARD

As at the date of this interim report, the Board comprises Mr. Xu Zhifeng, Mr. Chan Shun Yee, Mr. Liu Min as executive Directors; Mr. Chau Yu-Lung Jimmy as non-executive Director; and Mr. Su Rujia, Mr. Wong Tat Yan Paul and Ms. Zhu Yanzhou as independent non-executive Directors.

By order of the Board

**Xu Zhifeng**

*Executive Director*

Hong Kong, 26 February 2016