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**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 RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

**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 2013 (the “Period”) together with comparative figures for the corresponding period in 2012 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Six months ended 31 December</b>	
		<b>2013</b>	<b>2012</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	3	<b>8,338</b>	11,841
Cost of sales		<b>(4,585)</b>	(4,799)
Gross profit		<b>3,753</b>	7,042
Other income		<b>331</b>	736
Selling and distribution costs		<b>(2,453)</b>	(3,704)
Administrative expenses		<b>(6,711)</b>	(8,029)
Other operating expenses		<b>(87)</b>	(752)
<b>LOSS BEFORE TAX</b>	4	<b>(5,167)</b>	(4,707)

\* *For identification purpose only*

		<b>Six months ended 31 December</b>	
		<b>2013</b>	2012
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Income tax expense	5	—	—
<b>LOSS FOR THE PERIOD</b>		<b>(5,167)</b>	<b>(4,707)</b>
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(5,131)</b>	(4,638)
Non-controlling interests		<b>(36)</b>	(69)
		<b>(5,167)</b>	<b>(4,707)</b>
<b>DIVIDENDS</b>	6	—	—
<b>LOSS PER SHARE</b>			
Basic	7	<b>HK(0.36) cents</b>	HK(0.33) cents
Diluted		<b>N/A</b>	N/A
<b>LOSS FOR THE PERIOD</b>		<b>(5,167)</b>	<b>(4,707)</b>
Other comprehensive expense:			
Exchange translation differences recognized directly in equity		<b>8</b>	1,354
Total comprehensive loss for the period, net of tax		<b>(5,159)</b>	<b>(3,353)</b>
Total comprehensive loss attributable to:			
Owners of the Company		<b>(5,123)</b>	(3,284)
Non-controlling interests		<b>(36)</b>	(69)
		<b>(5,159)</b>	<b>(3,353)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2013 (Unaudited) <i>HK\$'000</i>	30 June 2013 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	1,982	2,288
Intangible assets		210	229
Available-for-sale investments		<u>24,336</u>	<u>24,336</u>
		<u>26,528</u>	<u>26,853</u>
<b>Current assets</b>			
Inventories	9	20,185	19,258
Trade receivables	10	2,018	1,415
Deposits, prepayments and other receivables		54,965	56,418
Cash and bank balances		<u>26,476</u>	<u>27,567</u>
		<u>103,644</u>	<u>104,658</u>
<b>Current liabilities</b>			
Trade payables	11	6,964	6,165
Accrued liabilities and other payables		11,754	8,718
Deposits received		<u>9,718</u>	<u>9,733</u>
		<u>28,436</u>	<u>24,616</u>
<b>Net current assets</b>		<u>75,208</u>	<u>80,042</u>
<b>Net assets</b>		<u><u>101,736</u></u>	<u><u>106,895</u></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	12	34,760	34,760
Reserves		<u>65,287</u>	<u>70,410</u>
		<u>100,047</u>	<u>105,170</u>
<b>Non-controlling interests</b>		<u>1,689</u>	<u>1,725</u>
<b>Total equity</b>		<u><u>101,736</u></u>	<u><u>106,895</u></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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2012 (Audited)	34,760	155,831	8,789	29	28,764	10,810	(121,412)	117,571	1,909	119,480
Total comprehensive loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,354</u>	<u>(4,638)</u>	<u>(3,284)</u>	<u>(69)</u>	<u>(3,353)</u>
At 31 December 2012 (Unaudited)	<u>34,760</u>	<u>155,831</u>	<u>8,789</u>	<u>29</u>	<u>28,764</u>	<u>12,164</u>	<u>(126,050)</u>	<u>114,287</u>	<u>1,840</u>	<u>116,127</u>
At 1 July 2013 (Audited)	34,760	155,831	8,789	29	28,764	12,813	(135,816)	105,170	1,725	106,895
Total comprehensive loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8</u>	<u>(5,131)</u>	<u>(5,123)</u>	<u>(36)</u>	<u>(5,159)</u>
At 31 December 2013 (Unaudited)	<u>34,760</u>	<u>155,831</u>	<u>8,789</u>	<u>29</u>	<u>28,764</u>	<u>12,821</u>	<u>(140,947)</u>	<u>100,047</u>	<u>1,689</u>	<u>101,736</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Six months ended 31 December

	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(1,099)	(5,097)
NET CASH GENERATED FROM INVESTING ACTIVITIES	–	139
NET CASH USED IN FINANCING ACTIVITIES	–	–
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,099)	(4,958)
CASH AND CASH EQUIVALENTS AT 1 JULY	27,567	41,236
EFFECT OF FOREIGN EXCHANGE	8	1,264
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>26,476</u>	<u>37,542</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	<u>26,476</u>	<u>37,542</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

#### (a) Basis of Preparation

The condensed consolidated 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 2013.

In the current Period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 July 2013. The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated statements of the Group for the current accounting periods.

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 four 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
Others:	trading of other healthcare products and other

	BIOenergy products		Healthcare food products		Multi-functional water generators		Others		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>5,378</u>	<u>7,825</u>	<u>552</u>	<u>780</u>	<u>2,016</u>	<u>1,824</u>	<u>392</u>	<u>1,412</u>	<u>8,338</u>	<u>11,841</u>
Segment results	<u>1,015</u>	<u>3,313</u>	<u>185</u>	<u>36</u>	<u>120</u>	<u>(238)</u>	<u>(34)</u>	<u>233</u>	<u>1,286</u>	<u>3,344</u>
Unallocated other income									<u>331</u>	<u>736</u>
Unallocated expense									<u>(6,784)</u>	<u>(8,787)</u>
Loss before tax									<u>(5,167)</u>	<u>(4,707)</u>
Income tax expenses									<u>-</u>	<u>-</u>
Loss for the Period									<u><u>(5,167)</u></u>	<u><u>(4,707)</u></u>

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 BEFORE TAX

The Group's unaudited loss from operating activities is arrived at after charging:

	<b>Six months ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b>4,585</b>	4,799
Amortisation of intangible assets	<b>19</b>	9
Depreciation of property, plant and equipment	<b>306</b>	235
Operating lease charges in respect of land and building	<b>717</b>	1,053
Impairment loss on goodwill	<b>–</b>	188
	<b>=====</b>	<b>=====</b>

### 5. INCOME TAX EXPENSE

	<b>Six months ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current – Mainland China		
Charge for the Period	<b>–</b>	–
	<b>=====</b>	<b>=====</b>

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Period (2012: 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.



## 6. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2012: 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\$5.13 million (2012: loss of HK\$4.64 million) and the weighted average number of 1,390,407,948 (2012: the weighted average number of 1,390,407,948) ordinary shares in issue during the Period.

The diluted loss per share for the Period ended 31 December 2013 and 2012 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 2013 (audited)	2,288
Additions	–
Depreciation	(306)
	<hr/>
<b>At 31 December 2013 (unaudited)</b>	<b>1,982</b>
	<hr/> <hr/>

## 9. INVENTORIES

	<b>31 December 2013 (Unaudited) HK\$'000</b>	<b>30 June 2013 (Audited) HK\$'000</b>
Raw materials	3,862	4,840
Work in progress	3,144	3,906
Finished goods	15,700	13,033
	<hr/>	<hr/>
	<b>22,706</b>	21,779
	<hr/>	<hr/>
Less: Provision for obsolete and slow-moving finished goods	(3,217)	(3,217)
Foreign exchange translation	696	696
	<hr/>	<hr/>
	<b>20,185</b>	19,258
	<hr/> <hr/>	<hr/> <hr/>

## 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:

	<b>31 December</b> <b>2013</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30 June 2013 (Audited) <i>HK\$'000</i>
<b>Outstanding balances with ages:</b>		
Within 30 days	147	38
Between 31 to 60 days	9	35
Between 61 to 180 days	10	85
Over 180 days	<u>1,852</u>	<u>1,257</u>
	<u><b>2,018</b></u>	<u><b>1,415</b></u>

Included in the balances are trade receivables with an aggregate carrying amount of HK\$1.86 million (2012: HK\$1.72 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 period is as follows:

	<b>31 December</b> <b>2013</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30 June 2013 (Audited) <i>HK\$'000</i>
<b>Outstanding balances with ages:</b>		
Within 30 days	151	248
Between 31 to 60 days	689	351
Between 61 to 180 days	441	971
Over 180 days	<u>5,683</u>	<u>4,595</u>
	<u><b>6,964</b></u>	<u><b>6,165</b></u>

## 12. SHARE CAPITAL

	Number of ordinary shares (Unaudited)	Share capital <i>HK\$'000</i> (Unaudited)
Authorised: Ordinary shares of HK\$0.025 each At 30 June 2013 and 31 December 2013	<u>20,000,000,000</u>	<u>500,000</u>
Issued and fully paid: Ordinary shares of HK\$0.025 each At 30 June 2013	<u>1,390,407,948</u>	<u>34,760</u>
<b>At 31 December 2013</b>	<b><u><u>1,390,407,948</u></u></b>	<b><u><u>34,760</u></u></b>

## 13. COMMITMENTS

### Operating Lease Commitment

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

As at 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2013 (Unaudited) <i>HK\$'000</i>	30 June 2013 (Audited) <i>HK\$'000</i>
Within one year	<b>889</b>	1,180
In the second to fifth years	<u><b>216</b></u>	<u>642</u>
	<b><u><u>1,105</u></u></b>	<b><u><u>1,822</u></u></b>

## MANAGEMENT DISCUSSION & ANALYSIS

### FINANCIAL REVIEW

#### *Revenue*

The Group's revenue for the Period was HK\$8.34 million, representing a decrease of 29.58% as compare to the same period of last year. The decrease was mainly attributable to the decrease in sales of Bioenergy bedding products and other healthcare products by 31.27% and 72.24% respectively as compared to the same period of last year.

#### *Gross profit and gross profit margin*

The gross profit of the Group for the Period was decreased by 46.71%, from HK\$7.04 million to HK\$3.75 million. The significant decrease in gross profit was mainly resulted from the decline in sales of Bioenergy bedding products and other healthcare products as resulted from the "Four prohibitions" which has badly battered consumers' interests in healthcare products.

The overall gross profit margin significant decreased by 14.46 percentage points to 45.01% as compare to same period of last year. Such significant decrease was mainly due to the decrease of gross profit margin in sales of Bioenergy bedding products by 21.53 percentage points to 50.18% from 71.71% for the period ended 31 December 2012.

#### *Selling and distribution costs*

Selling and distribution costs decreased by 33.78% from HK\$3.70 million in the same period last year to HK\$2.45 million, primarily due to the decreases in promotional and marketing expenses and travelling expenses which were a result of effective cost control of the Group.

#### *Administrative expenses*

Administrative expenses decreased by 16.44% from HK\$8.03 million in the same period last year to HK\$6.71 million, primarily as a result of the cost saving measures which were implemented in several stages during the Period.

#### *Loss for the Period*

The Group's loss for the Period amounted to HK\$5.17 million, representing an increase of 9.77% or HK\$0.46 million when compared to same period last year. The increase of the Group's loss was mainly attributed to the combined effects of the decrease in gross profit by HK\$3.29 million and the decrease in selling and distribution costs and administrative expenses by HK\$1.25 million and HK\$ 1.32 million respectively during the Period.

## **FUTURE PROSPECTS**

To ensure growth is sustained over the long term, the Group will continue to leverage its research and development expertise to develop products desired by consumers. The Group continues to explore new products this year and expecting these products will bring favourable results for the Group in the coming year. 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 different industry that could enhance corporate development and broaden the income base of the Group. Meanwhile, the management will continue to review the performance of existing businesses and seek for any 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.

## **SEEKING FOR INVESTMENT OPPORTUNITIES IN DIFFERENT INDUSTRIES THAT COULD ENHANCE CORPORATE DEVELOPMENT AND BROADEN THE INCOME BASE OF THE GROUP**

The management will from time to time seek for investment opportunity in different industry that could enhance corporate development and broaden the income base of the Group.

As disclosed in the announcement dated 12 August 2011 issued by the Company, the Company entered into a sale and purchase agreement on 2 August 2011 for the acquisition of 90% shareholding in Express Time Enterprises Limited ("Express Time") at the consideration of HK\$108.50 million, a company which indirectly owns 74% interest in a piece of land situated in Xuzhou City, Jiangsu, the People's Republic of China which can be used for commercial building development. The proposed acquisition constitutes a major acquisition for the Company.

The sale and purchase agreement for the proposed acquisition was subsequently amended by a first supplemental agreement dated 30 March 2012, a second supplemental agreement dated 27 December 2012, a third supplemental agreement dated 30 June 2013 and fourth supplemental agreement dated 30 December 2013, pursuant to which the long stop date for the fulfillment of the conditions precedent to the completion of the proposed acquisition has been postponed to 31 December 2014.

As disclosed in the Company's announcement of 30 December 2013, despatch of the circular for the aforesaid proposed acquisition would be postponed to a date not later than 30 April 2014. The Company is currently in the process of preparing the circular, as additional time is required to prepare the financial information of the Company and its subsidiaries and of Express Time and its subsidiaries to be included in the circular.

The board of directors is of the view that, notwithstanding the time lapse since August 2011, the proposed acquisition will still be beneficial to the Company and its shareholders as a whole when completed, since the board of directors expects that the commercial building development on the land in Xuzhou City and the entering into of the whole-sale market business can diversify the Group's business and will bring a sustainable and steady cash flow to the Company.

Although there has been an extended delay in completing the proposed acquisition, the Group has not incurred substantial amount of costs or fees in relation thereto since August 2011. Further, the extended delay is due to the vendor's failure to timely provide the outstanding financial information as aforementioned (despite repeated requests of the Company) and which is not within the control of the board of directors. The Company will continue to exert pressure on the vendor to obtain the outstanding financial information in order to publish the relevant circular and complete the proposed acquisition as soon as possible.

## **FOREIGN EXCHANGE RISK AND MANAGEMENT**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2013, the Group's current ratio was 3.64 (2012: 3.91), based on the current assets of HK\$103.64 million (2012: HK\$113.75 million) and current liabilities of HK\$28.44 million (2012: HK\$29.06 million). The Group's gearing ratio was 27.95% (2012: 25.02%), based on the total liabilities of HK\$28.44 million (2012: HK\$29.06 million) and total equity of HK\$101.74 million (2012: HK\$116.13 million).

As at 31 December 2013, the Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement. The Group's cash and bank balance at that date amounted to HK\$26.48 million (2012: HK\$37.54 million), which was denominated in mainly Hong Kong dollars and Renminbi. The Group had no outstanding bank borrowing and no banking facilities available.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2013 (2012: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2013, the Group employed a total of 110 (2012: 112) employees, of which 106 (2012: 108) are based in the Mainland China and 4 (2012: 4) are based in Hong Kong. Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. The Group has a share option scheme for the benefit of its directors and eligible employees of the Group.

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

During the six months ended 31 December 2013, 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 2013, 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.1.1, the board should meet regularly and board meetings should be held at least four times a year. During the period under review, the board held two formal meetings. Currently, the board is initiating to increase number of formal meetings to be held regularly at approximately quarterly intervals and will involve the active participation through electronic means of communication.

- (ii) Under code provision E.1.2 of the Corporate Governance Code, the Chairman of the Board should attend, and the chairmen of the audit and remuneration committees should be available to answer questions at the annual general meeting of the Company. Due to prior engagement, the Chairman of the Board, the audit committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 17 December 2013 in person, but the Chairman of the Board has already delegated to one of the executive directors of the Company to chair the meeting on his behalf and on behalf of the chairmen of the audit committee and the remuneration committee.
- (iii) During the Period under review, the Company has not separated the roles of the Chairman of the Board and the Chief Executive as required under code provision A.2.1 of the Code. The balance of power and authority between the Chief Executive and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors. As at the date of this announcement, a Chief Executive Officer has been appointed. The Company believes that separation of Chairman and the Chief Executive Officer would result in an enhanced efficiency and improved governance.
- (iv) 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.
- (v) 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.
- (vi) Code provision A.6.7 of the Code requires that independent nonexecutive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Zhu Jing Hua, Mr. Zhang Wen and Mr. Li Xin Zhong, all being the independent non-executive Directors, did not attend the Company's annual general meeting held on 17 December 2013 due to their other unexpected business engagement.



## **Directors' Securities Transaction**

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. After specific enquiry made by the Company, all directors have confirmed that they have fully complied with the Model Code during the six months ended 31 December 2013.

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

The audit committee, together with the management team of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed accounting issues, internal control and financial reporting matters with the Directors, including a review of the unaudited interim report for the six months ended 31 December 2013.

## **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The electronic version of this announcement which contains all the relevant information as required by paragraph 46 of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>). An interim report of the Company for the six months ended 31 December 2013 containing the information required under Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

## **MEMBERS OF THE BOARD**

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

By order of the Board  
**Han Xiaoyue**  
*Joint Chairman*

Hong Kong, 28 February 2014

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Han Qingyun as chairman; Dr. Han Xiaoyue as joint chairman; Mr. Zhang Wen, Mr. Xu Nianchun, Ms. Guo Yanni and Mr. Long Minfei as executive directors; and Ms. Zhu Jing Hua, Mr. Deng Zhiqiang and Mr. Li Xinzhong as independent non-executive directors.*