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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 FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

INTERIM RESULTS

The board of directors (the “Board”) of Vitop Bioenergy Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2008 (the “Period”) together with comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31 December	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	52,183	61,752
Cost of sales		<u>(31,081)</u>	<u>(36,135)</u>
Gross profit		21,102	25,617
Other income		2,092	6,228
Selling and distribution costs		(13,047)	(10,669)
Administrative expenses		(14,481)	(18,325)
Other operating expenses		<u>(572)</u>	<u>(747)</u>
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	4	(4,906)	2,104
Finance costs	5	<u>(56)</u>	<u>(109)</u>
(LOSS)/PROFIT BEFORE TAXATION		(4,962)	1,995
Taxation	6	<u>(39)</u>	<u>(322)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(5,001)</u>	<u>1,673</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		(5,087)	1,476
Minority interests		<u>86</u>	<u>197</u>
		<u>(5,001)</u>	<u>1,673</u>
(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD	8		
Basic		HK(0.65) cents	HK0.20 cents
Diluted		<u>N/A</u>	<u>N/A</u>

* For identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET

		31 December 2008 (Unaudited) HK\$'000	30 June 2008 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	4,997	6,568
Intangible assets		1,700	2,397
Available-for-sale financial assets		21,700	21,700
Financial assets at fair value through profit or loss		2,162	2,162
Pledged bank deposit		20	20
		<u>30,579</u>	<u>32,847</u>
Current assets			
Inventories	10	17,416	16,398
Trade receivables	11	12,401	4,342
Deposits, prepayments and other receivables		25,996	20,319
Cash and bank balances		24,375	10,196
		<u>80,188</u>	<u>51,255</u>
Current liabilities			
Trade payables	12	6,283	5,550
Accrued liabilities and other payables		24,839	8,436
Deposits received		9,048	8,975
Interest-bearing bank loans		2,827	3,265
Provision for income tax		22	66
		<u>43,019</u>	<u>26,292</u>
Net current assets		<u>37,169</u>	<u>24,963</u>
Net assets		<u>67,748</u>	<u>57,810</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	22,070	18,392
Reserves		43,493	37,319
		<u>65,563</u>	<u>55,711</u>
Minority interests		<u>2,185</u>	<u>2,099</u>
Total equity		<u>67,748</u>	<u>57,810</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(64)	3,626
NET CASH USED IN INVESTING ACTIVITIES	(258)	(22,149)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>14,297</u>	<u>13,090</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,975	(5,433)
CASH AND CASH EQUIVALENTS AT 1 JULY	10,196	30,563
EFFECT OF FOREIGN EXCHANGE	<u>204</u>	<u>(2,064)</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u><u>24,375</u></u>	<u><u>23,066</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	<u><u>24,375</u></u>	<u><u>23,066</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

The basis of preparation and accounting policies adopted in preparing these condensed financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 30 June 2008.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the “new HKFRSs”), which are effective for the Group’s financial year beginning on the 1 July 2008. The adoption of the new HKFRSs has no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior adjustment has been required.

The Group has not early applied the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

The Group’s unaudited revenue and (loss)/profit for the Period analysed by business segment are as follows:

	BIOenergy products		Healthcare food products		Multi-functional water generators		Others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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>6,320</u>	12,892	<u>13,440</u>	14,728	<u>31,696</u>	33,760	<u>727</u>	372	<u>52,183</u>	61,752
Segment results	<u>1,731</u>	4,619	<u>3,224</u>	3,704	<u>5,781</u>	6,684	<u>(309)</u>	(59)	<u>10,427</u>	14,948
Unallocated other income									<u>2,092</u>	6,228
Unallocated expenses									<u>(17,481)</u>	(19,181)
(Loss)/profit before taxation									<u>(4,962)</u>	1,995
Taxation									<u>(39)</u>	(322)
(Loss)/profit for the Period									<u><u>(5,001)</u></u>	<u>1,673</u>

No geographical analysis is presented as all of the Group’s revenue and contribution to (loss)/profit is attributable to markets in the PRC.

3. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts (where applicable). All significant intra-group transactions have been eliminated on consolidation.

4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	31,081	36,135
Amortisation of intangible assets	697	726
Depreciation of property, plant and equipment	1,804	1,493
Impairment loss on trade receivables	—	5
Loss on disposal of property, plant and equipment	(62)	(4)
	<u>31,081</u>	<u>36,135</u>

5. FINANCE COSTS

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans		
Wholly repayable within five years	56	109
	<u>56</u>	<u>109</u>

6. TAXATION

	Six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – PRC	39	322
	<u>39</u>	<u>322</u>

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Period (2007: 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.

As at 31 December 2008, the Group did not have any significant unprovided deferred tax liabilities (30 June 2008: Nil).

7. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2007: Nil).

8. (LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS

The calculation of basic loss per share is based on the loss attributable to equity holders for the Period of approximately HK\$5,087,000 (2007: Profit HK\$1,476,000) and the weighted average number of 784,719,294 (2007: 728,620,744) ordinary shares in issue during the Period.

Diluted loss per share amounts for the six months ended 31 December 2008 has not been disclosed as there were no potential dilutive ordinary shares.

No diluted loss per share was presented for the six months ended 31 December 2007 as the impact of the exercise of share options was anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

	Total <i>HK\$'000</i>
At 1 July 2008 (audited)	6,568
Additions	295
Depreciation	(1,804)
Disposals	(62)
	<hr/>
At 31 December 2008 (unaudited)	<u>4,997</u>

10. INVENTORIES

	31 December 2008 (Unaudited) <i>HK\$'000</i>	30 June 2008 (Audited) <i>HK\$'000</i>
Raw materials	4,809	6,301
Work in progress	4,984	5,407
Finished goods	14,159	11,226
	<hr/>	<hr/>
	23,952	22,934
Less: Provision for obsolete and slow-moving inventories	(6,536)	(6,536)
	<hr/>	<hr/>
	<u>17,416</u>	<u>16,398</u>

11. TRADE RECEIVABLES

The credit terms that the Group offers to customers are generally not more than 90 days. The ageing analysis of the Group's trade receivables at the balance sheet date is as follows:

	31 December 2008 (Unaudited) HK\$'000	30 June 2008 (Audited) HK\$'000
Within 30 days	1,472	2,221
Between 31 to 60 days	493	663
Between 61 to 180 days	2,576	1,604
Over 180 days	15,734	7,728
	<hr/>	<hr/>
	20,275	12,216
Less: Provision for impairment	(7,874)	(7,874)
	<hr/>	<hr/>
	12,401	4,342
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12. 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 balance sheet date is as follows:

	31 December 2008 (Unaudited) HK\$'000	30 June 2008 (Audited) HK\$'000
Within 30 days	2,623	2,862
Between 31 to 60 days	1,899	456
Between 61 to 180 days	530	945
Over 180 days	1,231	1,287
	<hr/>	<hr/>
	6,283	5,550
	<hr/> <hr/>	<hr/> <hr/>

13. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.025 each At 1 July 2008 and 31 December 2008	<u>20,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary share of HK\$0.025 each At 1 July 2008	735,685,961	18,392
Issuance of ordinary shares (<i>note</i>)	<u>147,100,000</u>	<u>3,678</u>
At 31 December 2008	<u>882,785,961</u>	<u>22,070</u>

Note: On 8 September 2008 and 24 September 2008, the Company entered into the Subscription Agreements with each of the Subscribers respectively whereby the Company conditionally agreed to allot and issue and the Subscribers conditionally agreed to subscribe for a total of 23,800,000 and 123,300,000 Subscription Shares at a nominal value of HK\$0.025 each respectively, Subscriptions of such new shares at the Subscription Price of HK\$0.1269 and HK\$0.095 per new Share respectively were completed on 5 November 2008.

14. COMMITMENTS

Operating lease arrangements

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 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2008 (Unaudited) HK\$'000	30 June 2008 (Audited) HK\$'000
Within one year	1,202	1,112
In the second to fifth years	<u>3,168</u>	<u>—</u>
	<u>4,370</u>	<u>1,112</u>

15. CONTINGENT LIABILITIES

The Company has executed a corporate guarantee amounting to HK\$5,000,000 (2007: HK\$5,000,000) with respect to a bank loan to one of its subsidiaries. Under the guarantee, the Company would be liable to pay the bank if the bank is unable to recover the loan. At the balance sheet date, no provision for the Company's obligation under the guarantee has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

16. POST BALANCE SHEET EVENTS

On 16 January 2009, the Company announced that the completion of the acquisition of 18% equity interest in Skyflying Da Zhong Hua Cigarette Limited shall be postponed to a date on or before 31 May 2009. Please refer to the Company's announcement of 16 January 2009 for further details.

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

Revenue

For the six months ended 31 December 2008, the Group's revenue amounted to approximately HK\$52.18 million (2007: approximately HK\$61.75 million) representing a decrease of approximately 15.50% as compared with the same period of last year. The decrease in revenue was mainly due to the continuous downturn in the BIOenergy products as a result of the weakening PRC economy and high competition.

Gross Profit

The gross profit margin of the Group for the Period slightly decreased by approximately 1.04 percentage points to approximately 40.44% from approximately 41.48% in the same period of last year. Gross profit decreased by approximately HK\$4.52 million or approximately 17.64% to approximately HK\$21.10 million for the Period.

Expenses

Selling and distribution expenses increased by approximately HK\$2.38 million or approximately 22.31% to approximately HK\$13.05 million from approximately HK\$10.67 million in the same period of last year. The increase was mainly due to the increase spending on the marketing and the promotion activities.

Administration expenses decreased by approximately HK\$3.85 million or approximately 21.00% to approximately HK\$14.48 million from approximately HK\$18.33 million for last year, which was mainly due to share option expenses amounted to approximately HK\$6.11 million was provided in last year. Not such expenses being incurred for this Period.

(Loss)/Profit attributable to shareholders

For the six months ended 31 December 2008, the Group's loss attributable to shareholders amounted to approximately HK\$5.09 million (profit attributable to shareholders for the first half of 2007: approximately HK\$1.48 million). The Group's net loss for the Period was mainly attributable to the decrease in gross profit and other income.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, cash and bank balance of the Group was approximately HK\$24.40 million (30 June 2008: approximately HK\$10.22 million), and the Group's borrowings were bank loans of approximately HK\$2.83 million (30 June 2008: approximately HK\$3.27 million), which is secured by a pledge of the Group's financial assets at fair value through profit and loss of approximately HK\$2.16 million and pledge bank deposit of HK\$0.02 million (30 June 2008: financial assets at fair value through profit and loss of HK\$2.16 million and pledge bank deposit of HK\$0.02 million).

As at 31 December 2008, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of the equity attributable to the shareholders of the Company was approximately 4.31% (30 June 2008: approximately 5.86%).

CONTINGENT LIABILITIES

There have been no significant adverse changes in the Group's contingent liabilities since 30 June 2008.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2008 (2007: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies during the six months ended 31 December 2008.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed a total of 214 employees, of which 208 are based in the PRC and 6 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 2008, 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 maximise shareholders' value.

Code on Corporate Governance Practices

During the six months ended 31 December 2008, 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 provisions:

- (1) Under code provision A.1.1 of the Code, at least four regular board meetings should be held a year at approximately quarterly intervals with active participation of a majority of directors of the Company, either in person or through other electronic means of communication. As the Company did not announce its quarterly results, two regular board meetings were held during the year for reviewing and approving the interim and annual financial performance of the Group. Board meetings will be held on other occasions when board decisions are required.
- (2) 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 by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

- (3) 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.

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 3 December 2008 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.

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 2008.

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 written 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 now comprises Ms. Zhu Jing Hua (chairman of the audit committee), Mr. Li Xinzhong and Mr. Zhang Wen, all of whom are independent non-executive directors of the Company. During the six months ended 31 December 2008, a regular meeting of the audit committee has been held.

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 31 December 2008 has been reviewed by the current members of the audit committee, namely Ms. Zhu Jing Hua, Mr. Li Xinzhong and Mr. Zhang Wen.

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 2008 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; Mr. Zhang He, Mr. Chen Henglong, Mr. Xu Nian Chun, Ms. Guo Yan Ni and Mr. Long Minfei as executive directors; Mr. Chan Yuk Tong as non-executive director; and Ms. Zhu Jing Hua, Mr. Zhang Wen and Mr. Li Xinzhong as independent non-executive directors.

By Order of the Board
Han Qingyun
Chairman

Hong Kong, 27 March 2009