



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2008

RESULTS

The board of directors (the “Board”) of Vitop Bioenergy Holdings Limited (“Vitop” or the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2008, together with the comparative figures for 2007, as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	4	111,137	104,247
Cost of sales		<u>(61,962)</u>	<u>(60,826)</u>
Gross profit		49,175	43,421
Other income	5	3,379	4,922
Selling and distribution costs		(22,125)	(28,234)
Administrative expenses		(36,335)	(27,201)
Other operating expenses		<u>(2,963)</u>	<u>(6,525)</u>
Loss from operating activities	6	(8,869)	(13,617)
Finance costs	7	(159)	(273)
(Loss)/gain on disposal of subsidiary		(328)	682
Gain on disposal of a jointly-controlled entity		<u>—</u>	<u>1,161</u>
Loss before income tax expense		(9,356)	(12,047)
Income tax expense	8	(679)	(174)
Loss for the year		<u>(10,035)</u>	<u>(12,221)</u>
Attributable to:			
Equity holders of the Company	9	(10,225)	(12,681)
Minority interests		190	460
Loss for the year		<u>(10,035)</u>	<u>(12,221)</u>
Dividends	10	<u>—</u>	<u>—</u>
Loss per share attributable to equity holders of the Company during the year	11		
Basic		<u>HK(1.40) cents</u>	<u>HK(1.82) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		6,568	8,902
Intangible assets		2,397	3,626
Available-for-sale investments		21,700	–
Financial assets designated at fair value through profit or loss		2,162	2,356
Pledged bank deposit		20	20
		<u>32,847</u>	<u>14,904</u>
Current assets			
Inventories		16,398	12,760
Trade receivables	12	4,342	2,226
Deposits, prepayments and other receivables		20,319	14,904
Cash and bank balances		10,196	30,563
		<u>51,255</u>	<u>60,453</u>
Current liabilities			
Trade payables	13	5,550	6,417
Accrued liabilities and other payables		8,436	13,691
Deposits received		8,975	8,656
Interest-bearing bank loans		3,265	1,842
Provision for income tax		66	37
		<u>26,292</u>	<u>30,643</u>
Net current assets		<u>24,963</u>	<u>29,810</u>
Total assets less current liabilities		57,810	44,714
Non-current liabilities			
Interest-bearing bank loans		–	770
Net assets		<u>57,810</u>	<u>43,944</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		18,392	17,464
Reserves		37,319	24,571
		<u>55,711</u>	<u>42,035</u>
Minority interests		<u>2,099</u>	<u>1,909</u>
Total equity		<u>57,810</u>	<u>43,944</u>

NOTES:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). They have been prepared under the historical cost basis, except for the revaluation of certain assets and liabilities.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKAS 1 (Amendment)	Presentation of Financial Statements — Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) **Amendment to HKAS 1 *Presentation of Financial Statements – Capital disclosures***

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital.

(b) **HKFRS 7 *Financial Instruments: Disclosures***

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(c) **HK(IFRIC) – Int 10 *Interim Financial Reporting and Impairment***

The Group has adopted this interpretation as of 1 July 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC) – Int 11 Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

The Group has not applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 (Amendment)	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

(a) 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		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>21,389</u>	<u>20,998</u>	<u>27,952</u>	<u>24,631</u>	<u>60,843</u>	<u>55,759</u>	<u>953</u>	<u>2,859</u>	<u>111,137</u>	<u>104,247</u>
Segment results	<u>2,805</u>	<u>2,698</u>	<u>3,666</u>	<u>2,463</u>	<u>7,979</u>	<u>7,410</u>	<u>125</u>	<u>(1,302)</u>	<u>14,575</u>	<u>11,269</u>
Unallocated other income									<u>3,379</u>	<u>4,922</u>
Unallocated expenses									<u>(26,823)</u>	<u>(29,808)</u>
Loss from operating activities									<u>(8,869)</u>	<u>(13,617)</u>
Finance cost									<u>(159)</u>	<u>(273)</u>
(Loss)/gain on disposal of subsidiaries									<u>(328)</u>	<u>682</u>
Gain on disposal of a jointly-controlled entity									<u>-</u>	<u>1,161</u>
Loss before income tax									<u>(9,356)</u>	<u>(12,047)</u>
Income tax expense									<u>(679)</u>	<u>(174)</u>
Loss for the year									<u>(10,035)</u>	<u>(12,221)</u>

	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 assets	8,132	10,214	1,868	1,165	5,662	4,724	1,193	796	16,855	16,899
Unallocated assets									67,247	58,458
Total assets									84,102	75,357
Segment liabilities										
Unallocated liabilities									26,292	31,413
Total liabilities									26,292	31,413
Other segment information:										
Depreciation	-	-	-	-	117	103	-	11	117	114
Unallocated amount of depreciation									3,717	4,930
									3,834	5,044
Amortisation of intangible assets	2	1,425	1,512	575	-	-	-	-	1,514	2,000
Capital expenditure	-	-	-	-	66	105	-	12	66	117
Unallocated amounts of capital expenditure									22,881	612
									22,947	729
Provision for obsolete and slow-moving inventories	-	286	-	-	-	295	311	1,338	311	1,919
Unallocated provision for impairment of trade receivables and deposits, prepayment and other receivables									567	1,766

(b) Geographical segments

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

4. 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 intra-group transactions have been eliminated on consolidation.

5. OTHER INCOME

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	1,348	864
Government grants	–	2,700
Reversal of impairment Loss on trade receivables in previous year	660	–
Others	1,371	1,358
	<u>3,379</u>	<u>4,922</u>

6. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging/(crediting):

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	470	438
Cost of inventories sold	61,962	60,826
Staff costs		
Directors' remuneration	6,308	3,835
Wages and salaries	22,813	16,543
Pension scheme contributions	1,347	988
	<u>30,468</u>	<u>21,366</u>
Depreciation	3,834	5,044
Amortisation of intangible assets*	1,514	2,000
Exchange gain, net	(6)	(73)
Operating lease charges in respect of land and buildings	3,933	3,341
Impairment loss on trade receivables*	567	1,766
Provision for obsolete and slow-moving inventories*	311	1,919
(Gain)/loss on disposal of property, plant and equipment	(14)	104
Fair value loss on financial assets designated at fair value through profit or loss*	194	124

* included in other operating expenses

7. FINANCE COSTS

	2008 <i>HK\$'000</i>	Group 2007 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	<u>159</u>	<u>273</u>

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (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 year.

	2008 <i>HK\$'000</i>	Group 2007 <i>HK\$'000</i>
Current – PRC Charge for the year	<u>679</u>	<u>174</u>

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to equity holder of the Company of approximately HK\$10,225,000 (2007: loss of HK\$12,681,000), a loss of approximately HK\$7,464,000 (2007: loss of HK\$9,090,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

No dividend has been paid or declared by the Company during the years presented in these financial statements.

11. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on loss attributable to equity holders for the year ended 30 June 2008 of approximately HK\$10,225,000 (2007: loss of HK\$12,681,000) and the weighted average of 732,022,566 (2007: the weighted average of 698,543,104) ordinary shares in issue during the year.

Diluted results per share for the years ended 30 June 2008 and 2007 were not presented because the impact of the exercise of share option was anti-dilutive.

12. 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:

	2008 <i>HK\$'000</i>	Group 2007 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 30 days	2,221	1,264
Between 31 to 60 days	663	704
Between 61 to 180 days	1,604	1,044
Over 180 days	7,728	7,572
	<hr/>	<hr/>
	12,216	10,584
Less: Provision for impairment	(7,874)	(8,358)
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	4,342	2,226
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13. 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:

	2008 <i>HK\$'000</i>	Group 2007 <i>HK\$'000</i>
Outstanding balances with ages:		
Within 30 days	2,862	3,677
Between 31 to 60 days	456	741
Between 61 to 180 days	945	979
Over 180 days	1,287	1,020
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	5,550	6,417
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MANAGEMENT DISCUSSION & ANALYSIS

The principal activities of the Group are manufacturing and trading of multi-functional water generators, BIOenergy® products and healthcare food products in the PRC.

It was a difficult year under review, with the continuous downturn in the healthcare industry of the PRC as well as the rapid development of new marketing modes such as network marketing. Those healthcare companies which adopt meeting marketing mode were facing with an extreme hardship condition. The customers of those companies adopting meeting marketing were rapidly distracted by other new marketing modes as though, the consolidated turnover of the Group still increased approximately by HK\$6.89 million or approximately 6.61% over the same period of last year. Its gross profit margin increased approximately by 2.60% to approximately 44.25%, compared with approximately 41.65% over the same period of last year. Share option expense increased significantly by approximately HK\$8.62 million this year, resulting in the loss of the Group for the year amounted to approximately HK\$10.04 million. However, if share option expense was excluded, actual operational loss would be reduced to approximately HK\$1.42 million.

MULTI-FUNCTIONAL WATER GENERATORS

During the year under review, the multi-functional water generators, the core business of the Group, achieved a turnover of approximately HK\$60.84 million (2007: approximately HK\$55.76 million), representing approximately 54.75% of the Group's turnover and an increase of approximately 9.12% as compared with turnover of last year. The increase in turnover was attributable to differentiate ourselves from other competitors with the excellent after-sales services and has built up good reputation among our customers. Gross profit margin increased by approximately 3.14% to approximately 42.32% (2007: approximately 39.18%). The increase in gross profit margin is due to a change in sales products mix to include the sales of high-end multi-functional water generators during the year.

HEALTHCARE FOOD PRODUCTS

For the year ended 30 June 2008, the healthcare food products segment recorded a turnover of approximately HK\$27.95 million (2007: approximately HK\$24.63 million), which accounted for approximately 25.15% of the Group's turnover and represented an increase of approximately 13.48% as compared with turnover of the previous year. Gross profit margin increased by approximately 2.08% to approximately 45.03% (2007: approximately 42.95%). As our products are recognised by our customers, the segment continued to achieve improved result.

BIOENERGY® PRODUCTS

For the year ended 30 June 2008, the Bioenergy products segment recorded a turnover of approximately HK\$21.39 million (2007: approximately HK\$21.00 million), which accounted for approximately 19.25% of the Group's turnover and represented an increase of approximately 1.86% as compared with turnover of the previous year. Gross profit margin increased by approximately 1.50% to approximately 49.33% (2007: approximately 47.83%).

OUTLOOK AND PROSPECT

The Board noted that the operating environment in the healthcare sector will continue to be challenging in the coming year. With the rapidly upsurging raw material and labour costs and the high operating costs in both Hong Kong and the PRC are eroding the Group's profit. The Group will continue to tighten its cost control measurement so as to improve the efficiency in operation and minimize operating costs. The Group will also implement conservative strategies on new investments and assess the prospects of the existing investments in light of the current market environment.

During the year under review, the Group has achieved in diversification on business. In August 2007, the Group entered into an acquisition agreement to acquire 18% equity interest in the issued share capital of Access Boom Limited. Access Boom Limited's principal business activity is in development and marketing of automobile lean-burn fuel-saving instruments, electronic management system, turbo engines and other related products in the PRC.

The Group believes that the acquisition provides a good opportunity for the Group to diversify its business, which will enable the Group to achieve profitability.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend to shareholders of the Company for the year ended 30 June 2008 and 2007 respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

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.1.1, A.4.1 and E.1.2 as stated and explained below.

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.

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.

Under code provision E.1.2 of the 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 and the chairmen of the audit committee and remuneration committee were unable to attend the annual general meeting of the Company held on 10 December 2007 in person, but the Chairman of the Board has already delegated to one of the joint chairman of the Company to chair the meeting on his behalf and has also arranged for two executive directors of the Company to be available to answer questions at the annual general meeting on behalf of the chairman of the audit committee and the remuneration committee.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report, contained in the 2008 annual report.

REVIEW OF ACCOUNTS

The audit committee has reviewed the audited annual results of the Group for the year ended 30 June 2008.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 3 December 2008 at 10:30 a.m.. The notice of the annual general meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

APPRECIATION

As the chairman of the board of directors, I would like to express my sincere gratitude to our shareholders, customers, suppliers and business partners for their full understanding and support during the hard-time. The Group's steady growth in the healthcare industry of the PRC over the past 16 years has relied on the contributions of all our staff and partners. I believe, with these supports, know-how and experience built up over these 16 years, brand advantages and the dedication of all our directors and staff, the Group will overcome any difficulties and well position itself for next boom of growth.

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 of
VITOP BIOENERGY HOLDINGS LIMITED
Han Qingyun
Chairman

Hong Kong, 29 October 2008

** For identification purpose only*