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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2015

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 2015, together with the comparative figures for 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Revenue	<u>4</u>	<u>27,739</u>	14,420
Cost of sales		<u>(19,271)</u>	(8,234)
Gross profit		8,468	6,186
Other income	<u>4</u>	<u>2,710</u>	616
Selling and distribution costs		<u>(4,794)</u>	(7,218)
Administrative expenses		<u>(27,851)</u>	(15,524)
Other operating expenses		<u>(7,438)</u>	(9,252)
Loss from <u>operations</u>	<u>5</u>	<u>(28,905)</u>	(25,192)
Finance costs	<u>6</u>	<u>(758)</u>	(38)
		(29,663)	(25,230)

* *For identification purpose only*

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Share of loss of an associate		<u>(768)</u>	(238)
Loss before income tax expense		<u>(30,431)</u>	(25,468)
Income tax expense	<u>7</u>	<u>(14)</u>	–
Loss for the year		<u><u>(30,445)</u></u>	<u>(25,468)</u>
Attributable to:			
Owners of the Company		<u>(30,386)</u>	(25,262)
Non-controlling interests		<u>(59)</u>	(206)
Loss for the year		<u><u>(30,445)</u></u>	<u>(25,468)</u>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		<u>2,093</u>	402
		<u>2,093</u>	402
Total comprehensive loss for the year, net of tax		<u><u>(28,352)</u></u>	<u>(25,066)</u>
Attributable to:			
Owners of the Company		<u>(28,293)</u>	(24,860)
Non-controlling interests		<u>(59)</u>	(206)
		<u><u>(28,352)</u></u>	<u>(25,066)</u>
Loss per share attributable to owners of the Company during the year			<u>Restated</u>
Basic	<u>10</u>	<u><u>HK(1.34) cents</u></u>	<u>HK(1.47) cents</u>
Diluted		<u><u>N/A</u></u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<u>2,514</u>	1,951
<u>Investment properties</u>	<u>11</u>	<u>55,759</u>	=
Intangible assets		<u>153</u>	191
Available-for-sale investments	<u>12</u>	<u>21,700</u>	24,336
Interests in an associate	<u>13</u>	=	2,432
		<u>80,126</u>	<u>28,910</u>
Current assets			
Inventories		<u>48,042</u>	49,807
Trade receivables	<u>14</u>	<u>1,476</u>	2,052
Deposits, prepayments and other receivables		<u>43,122</u>	68,443
Cash and bank balances		<u>62,946</u>	3,896
		<u>155,586</u>	<u>124,198</u>
Current liabilities			
Trade payables	<u>15</u>	<u>7,667</u>	7,041
Deposits received		<u>9,145</u>	9,667
Accrued liabilities and other payables		<u>46,896</u>	8,450
Amount due to a director		<u>98</u>	6,067
Amount due to an associate		=	140
Secured bank and other borrowings		<u>6,250</u>	8,750
<u>Tax payables</u>		<u>14</u>	=
		<u>70,070</u>	<u>40,115</u>
Net current assets		<u>85,516</u>	84,083
Total assets less current liabilities		<u>165,642</u>	<u>112,993</u>
Net assets		<u>165,642</u>	<u>112,993</u>
Capital and reserves			
Share capital		<u>62,565</u>	41,710
Reserves		<u>101,617</u>	69,764
		<u>164,182</u>	<u>111,474</u>
Non-controlling interests		<u>1,460</u>	<u>1,519</u>
Total equity		<u>165,642</u>	<u>112,993</u>

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standard (“HKFRS”), Hong Kong Accounting Standard (“HKAS”) and Interpretation (“INT”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). The measurement base adopted is the historical cost convention except for the revaluation of certain assets and liabilities.

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

(a) Standards and Interpretations adopted in current year

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA which are relevant to and effective for the Group financial period beginning on 1 July 2014:

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

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

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

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

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

¹ Effective for accounting periods beginning on or after 1 January 2016

² Effective for first annual financial statements beginning on or after 1 January 2016

³ Effective for accounting periods beginning on or after 1 January 2017

⁴ Effective for accounting periods beginning on or after 1 January 2018

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

3. SEGMENT INFORMATION

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

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

(A) Segment revenue, results, assets and liabilities

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

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

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

The five reportable operating segments are listed as follows:

- (i) BIOenergy products: manufacturing and trading of bedding products, underclothing and body protection accessories containing the BIOenergy compound;
- (ii) Healthcare food products: trading of healthcare food products, including polypeptide products;
- (iii) Multi-functional water generator: manufacturing and trading of multi-functional water generator;
- (iv) Rental: letting properties for rental income; and
- (v) Others: trading of other healthcare products and others.

Business segments

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

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

	BIOenergy products		Healthcare food products		Multi-functional water generators		Rental		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	100,650	48,949	1,182	4,168	18,508	27,465	1,735	=	3,659	14,190	125,734	94,772
Unallocated assets											109,978	58,336
Total assets											235,712	153,108
Segment liabilities	38,055	16,507	447	1,405	6,998	11,351	656	=	1,383	4,784	47,539	34,047
Unallocated liabilities											22,531	6,068
Total liabilities											70,070	40,115
Other segment information												
Depreciation	155	17	=	=	=	=	=	=	=	=	155	17
Unallocated amount of depreciation											220	378
											375	395
Amortisation of intangible assets	=	=	38	38	=	=	=	=	=	=	38	38
Capital expenditure*	887	=	=	=	=	=	=	=	=	=	887	=
Unallocated amounts of capital expenditure											94	193
											981	193

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

(B) Geographical segments

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

(C) Information about major customers

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

4. REVENUE AND OTHER INCOME

(A) Revenue

	Group	
	2015	2014
	HK\$'000	HK\$'000
<u>Sales of goods</u>	27,355	14,420
<u>Rental income</u>	384	=
	27,739	14,420

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable; the rental income represents of letting properties to leasee. All significant intra-group transactions have been eliminated on consolidation.

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

(B) Other Income

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

5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

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

* Included in other operating expenses

6. FINANCE COSTS

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on secured bank <u>and other</u> borrowings, repayment within one year	<u>758</u>	<u>38</u>

7. INCOME TAX EXPENSE

No provision of Hong Kong profits tax has been provided as no assessable profits arising in Hong Kong during the year (2014: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2014: 25%).

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong <u>Profits Tax</u>	-	-
PRC Enterprise Income Tax	<u>14</u>	-
	<u>14</u>	-

8. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

9. DIVIDENDS

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

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

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

11. INVESTMENT PROPERTIES

	Group	
	2015	2014
	HK\$'000	HK\$'000
Balance at beginning of the year	=	–
<u>Acquisition of a subsidiary</u>	<u>7,837</u>	=
<u>Addition</u>	<u>47,922</u>	=
Balance at end of the year	<u><u>55,759</u></u>	<u><u>–</u></u>

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

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

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

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

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

Information about level 3 fair value measurements

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

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

12. AVAILABLE-FOR-SALE INVESTMENTS

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

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

13. INTERESTS IN AN ASSOCIATE

	Group	
	2015	2014
	<u>HK\$'000</u>	<u>HK\$'000</u>
Unlisted shares, at cost	=	3,062
Share of loss of an associate	=	(238)
Impairment loss on interests in an associate	=	(392)
	=	2,432
Amounts due to an associate	=	(140)
	=	2,292
Total	=	<u>2,292</u>

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

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

Summarised financial information of the associate

Summarised financial information in respect of the Group’s associate is set out below.

	2015	2014
	<u>HK\$'000</u>	<u>HK\$'000</u>
Total assets	=	6,168
Total liabilities	=	(1,203)

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	=	<u>504</u>
Total comprehensive loss for the period	=	<u>(485)</u>

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

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

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

14. TRADE RECEIVABLES

	Group	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	10,115	11,527
Less: Provision for impairment	(8,639)	(9,475)
	<u>1,476</u>	<u>2,052</u>

The credit terms that the Group offers to customers are generally not more than 90 days.

An aging analysis of trade receivables is as follows:

	Group	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	60	32
31–60 days	41	32
61–180 days	260	129
Over 180 days	1,115	1,859
	<u>1,476</u>	<u>2,052</u>

Included in the balances are trade receivables with an aggregate carrying amount of HK\$1.12 million (2014: HK\$1.88 million) which are past due at the reporting date for which the Group has not provided impairment loss as there has no significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances. No interest is charged on the trade receivables.

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

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

Movement of the allowance for doubtful debts

	Group	
	2015	2014
	HK\$'000	HK\$'000
Balance at beginning of the year	9,475	9,475
<u>Reversal of impairment loss recognised</u>	(836)	=
Balance at <u>end</u> of the year	8,639	9,475

15. TRADE PAYABLES

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

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

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

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

FINANCIAL REVIEW

Revenue

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

Gross profit

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

Selling and distribution costs

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

Administrative expenses

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

Loss for the year

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

EMPLOYEES AND REMUNERATION POLICIES

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

FOREIGN EXCHANGE RISK AND MANAGEMENT

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

LIQUIDITY AND FINANCIAL RESOURCE

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

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

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

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

As at 30 June 2015, the Group had no material capital commitments (2014: Nil) or investment commitments. The operating lease commitment for the Group as at 30 June 2015 was around HK\$4.79 million (2014: HK\$7.71 million).

It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity to meet operation requirements and acquisition opportunities.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

During the year ended 30 June 2015, the Group had acquired 100% equity interest in Guangzhou Zhanao Trade Commerce Company Limited ("Guangzhou Zhanao") from an independent third party and the amount due to the shareholder in the amount of HK\$6,576,000 for a total consideration of HK\$7,840,000.

In addition, the Group further acquired 51% interest in Zhuhai Wei Tuo Po Technology Limited ("Wei Tuo Po") from an independent third party at a consideration of HK\$1,075,000 and Wei Tuo Po became a wholly-owned indirect subsidiary of the Group in December 2014.

Except for the above, the Group did not make any material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2015.

CAPITAL STRUCTURE

During the year ended 30 June 2015, the Company issued 834,203,974 Shares at HK\$0.1 each per share by way of an open offer exercise on the basis of one offer share for every two existing shares held on 3 December 2014. The number of the Company's issued shares increased from 1,668,407,948 to 2,502,611,922 during the year ended 30 June 2015.

The gross proceeds raised by the Company from the open offer amounted to approximately HK\$83.4 million (before expenses). The net proceeds raised by the Company from the open offer amounted to approximately HK\$79.64 million (after expenses). The Company intended to apply the net proceeds from the open offer as to HK\$19.64 million for the general working capital of the Group and as to HK\$60.00 million for future investments pursuant to the investment objectives of the Company. As at 30 June 2015, HK\$47.92 million was used for the acquisition of properties in Nansha District, Guangzhou City, Guangdong Province, the PRC for rental purposes which has been announced on 11 February 2015 and the balance of HK\$31.72 million for general working capital.

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

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

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

EVENT AFTER REPORTING PERIOD

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

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

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

CONTINGENT LIABILITIES

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

FINAL DIVIDEND

The Board did not recommend any final dividend for the year ended 30 June 2015.

PROSPECTS

Mainland China's economic growth still tends to slow. As the people increasingly concern their health, the Mainland China's healthcare product market will become larger and larger. However, new strong competitors will also introduce to the market and the Group will face huge challenges.

To ensure growth is sustained over the long term, the Group will continue to leverage its research and development expertise to develop new products desired by consumers. The Group continues to optimize its product mix and put more efforts to develop higher profit margin's products to improve its sales and profitability.

The Group also adopted measures and exploring other methods to meet these challenges and to turn them into opportunities. The management will from time to time seek for investment opportunity in difference industry that could enhance corporate development and broaden the income base of the Group. During the year ended 30 June 2015, the Group had acquired 100% equity interest in Guangzhou Zhanao Trade Commerce Company Limited ("Guangzhou Zhanao") from an independent third party and the amount due to the shareholder in amount of HK\$6.58 million for a total consideration of HK\$7.84 million. The main assets of Guangzhou Zhanao are the two commercial units and two duplex residential units in Nansha District, Guangzhou, the PRC. The properties are used for rental purposes. The Group begins to step into the property rental business. In addition, the Group further purchased commercial units with a total gross floor area of 1,473.16 square meters in Yitao Peninsula, Huanshi Avenue Central, Nansha District, Guangzhou City, Guangdong Province, the PRC at a consideration of approximately HK\$47.88 million from an independent third party for rental purposes. Meanwhile, the management will continue to review the performance of existing businesses and seek for any other investment opportunity in fast growing industry. Should any suitable business opportunity arise, the Group may change its existing business activities and redeploy any assets of the Group. The management remains cautiously optimistic about perpetuating the Group's steady growth over the long term.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to establish and maintain 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 maximising shareholders' interests.

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

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

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

The three independent non-executive directors of the Company were not appointed for a specific term, but are subject to retirement no later than the third annual general meeting after his election, under the Company's articles of association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are not less exacting than those in the Code.

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

The executive directors of the Company are responsible for selecting and recommending suitable candidates for members of the Board based on their characters, qualifications, experience and background, when there is a vacancy or an additional director is considered necessary. The recommendations of the executive directors are then put forward for consideration by the Board. The Chairman and the other directors review from time to time the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.

Code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Li Xinzong, being the independent non-executive director, did not attend the Company's annual general meeting held on 2 December 2014 due to his other unexpected business engagement.

Under code provision E.1.2 of the Code, the Chairman of the Board should attend and should be available to answer questions at the annual general meeting of the Company. Due to prior business engagement, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 2 December 2014 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.

Listing Rules 3.10A

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

Details of the Company’s corporate governance practices are set out in the Corporate Governance Report, contained in the 2015 annual report.

REVIEW OF ACCOUNTS

The audit committee has reviewed the audited annual results of the Group for the year ended 30 June 2015.

PUBLIC FLOAT

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

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial positions, consolidated statement of profit or loss and other comprehensive income and the related notes for the year ended 30 June 2015 as set out in the preliminary announcement have been agreed by the Group’s auditor, Elite Partners CPA Limited, to the amounts set out in the Group’s audited consolidated financial statement for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange’s website at www.hkexnews.hk and the website of the Company at www.vitop.com.hk. The Company’s 2015 Annual Report will be available at the same websites and will be dispatched to the Company’s shareholders in due course.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zhang Wen, Mr. Liu Min, Mr. Chan Shun Yee and Mr. Xu Zhifeng as executive directors; and Mr. Wong Tat Yan Paul, Mr. Su Rujia and Mr. Li Xinzhong as independent non-executive directors.

By order of the Board of
VITOP BIOENERGY HOLDINGS LIMITED
Zhang Wen
Director

Hong Kong, 25 September 2015