**VITOP GROUP LIMITED**
**（天年集團有限公司）***
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1178)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2016

## RESULTS

The board of directors (the "Board") of Vitop Group Limited ("Vitop" or the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2016, together with the comparative figures for 2015, as follows:

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

*For the year ended 30 June 2016*

| | *Notes* | **2016** *HK$'000* | 2015 *HK$'000* |
|---|---|---|---|
| Revenue | *4* | **105,893** | 27,739 |
| Cost of sales | | **(71,213)** | (19,271) |
| Gross profit | | **34,680** | 8,468 |
| Other income | *4* | **1,786** | 2,710 |
| Selling and distribution costs | | **(5,737)** | (4,794) |
| Administrative expenses | | **(58,025)** | (27,851) |
| Other operating expenses | | **(85,504)** | (7,438) |
| Loss from operations | *5* | **(112,800)** | (28,905) |
| Finance costs | *6* | **(464)** | (758) |
| | | **(113,264)** | (29,663) |

* *For identification purpose only*

| | Notes | **2016** *HK$'000* | 2015 *HK$'000* |
|---|---|---|---|
| Share of loss of an associate | | **–** | (768) |
| Loss before income tax expense | | **(113,264)** | (30,431) |
| Income tax | *7* | **458** | (14) |
| Loss for the year | | **(112,806)** | (30,445) |
| Attributable to: | | | |
| Owners of the Company | | **(112,641)** | (30,386) |
| Non-controlling interests | | **(165)** | (59) |
| Loss for the year | | **(112,806)** | (30,445) |
| Other comprehensive income | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation | | **(4,197)** | 2,093 |
| | | **(4,197)** | 2,093 |
| Total comprehensive loss for the year, net of tax | | **(117,003)** | (28,352) |
| Attributable to: | | | |
| Owners of the Company | | **(116,794)** | (28,293) |
| Non-controlling interests | | **(209)** | (59) |
| | | **(117,003)** | (28,352) |
| Loss per share attributable to owners of the Company during the year | | | |
| Basic | *10* | **HK(3.59) cents** | HK(1.34) cents |
| Diluted | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,465** | 2,514 |
| Investment properties | *11* | **38,721** | 55,759 |
| Intangible assets | | **25,725** | 153 |
| Available-for-sale investments | *12* | **–** | 21,700 |
| Goodwill | | **8,541** | – |
| | | **75,452** | 80,126 |
| **Current assets** | | | |
| Inventories | | **23,951** | 48,042 |
| Trade receivables | *13* | **42,508** | 1,476 |
| Trade deposits paid | | **50,963** | 17,122 |
| Deposit, prepayments and other receivables | | **73,805** | 26,000 |
| Cash and bank balances | | **39,680** | 62,946 |
| | | **230,907** | 155,586 |
| **Current liabilities** | | | |
| Trade payables | *14* | **12,840** | 7,667 |
| Trade deposits received | | **8,451** | 9,145 |
| Accrued liabilities and other payables | | **4,246** | 46,896 |
| Amount due to a director | | **–** | 98 |
| Secured borrowings | | **5,814** | 6,250 |
| Tax payables | | **22** | 14 |
| | | **31,373** | 70,070 |
| **Net current assets** | | **199,534** | 85,516 |
| **Total assets less current liabilities** | | **274,986** | 165,642 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **4,227** | – |
| **Net assets** | | **270,759** | 165,642 |
| **Capital and reserves** | | | |
| Share capital | | **111,407** | 62,565 |
| Reserves | | **158,101** | 101,617 |
| | | **269,508** | 164,182 |
| **Non-controlling interests** | | **1,251** | 1,460 |
| **Total equity** | | **270,759** | 165,642 |

*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 2015:

| | |
|---|---|
| Amendments to HKFRSs | Annual improvements to HKFRSs 2010-2012 cycle |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2011-2013 cycle |
| Amendments to HKAS 19 (2011) | Defined benefit plans: Employee contributions |

The application of these new and 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 2015:

| | |
|---|---|
| HKFRS (Amendments) | Improvements 2012-2014 Cycle[3] |
| Amendments to HKAS 1 | Disclosure Initiative[3] |
| Amendments to HKFRS 11 | Accounting for Acquisition of Interests in Joint operations[3] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[3] |
| Amendments to HKFRS 10 and HKAS 28 | Sales or Contribution of Assets between Investors and its Associate or Joint venture[4] |
| Amendments to HKAS 27 | Equity method in Separate Financial Statements[3] |
| HKFRS 9 (2014) | Financial instruments[1] |
| HKFRS 15 | Revenue from contracts with customers[1] |
| HKFRS 16 | Leases[2] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidated exception[3] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined

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 honey and 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 and skincare 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***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 | **60,159** | 22,205 | **36,892** | 260 | **6,326** | 4,082 | **579** | 384 | **1,937** | 808 | **105,893** | 27,739 |
| **Segment result** | **(33,468)** | 4,570 | **(1,058)** | (16) | **(3,520)** | 366 | **579** | 384 | **(1,070)** | (1,630) | **(38,537)** | 3,674 |
| Unallocated other income | | | | | | | | | | | **1,786** | 2,710 |
| Unallocated expenses | | | | | | | | | | | **(76,049)** | (35,289) |
| Loss from operations | | | | | | | | | | | **(112,800)** | (28,905) |
| Finance costs | | | | | | | | | | | **(464)** | (758) |
| | | | | | | | | | | | **(113,264)** | (29,663) |
| Share of loss of an associate | | | | | | | | | | | **–** | (768) |
| Loss before income tax | | | | | | | | | | | **(113,264)** | (30,431) |
| Income tax expense | | | | | | | | | | | **458** | (14) |
| Loss for the year | | | | | | | | | | | **(112,806)** | (30,445) |

| | BIOenergy products | | Healthcare food products | | Multi-functional water generators | | Rental | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***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** | **50,993** | 100,650 | **87,103** | 1,182 | **5,365** | 18,508 | **39,404** | 56,143 | **1,641** | 3,659 | **184,506** | 180,142 |
| Unallocated assets | | | | | | | | | | | **121,853** | 55,570 |
| Total assets | | | | | | | | | | | **306,359** | 235,712 |
| **Segment liabilities** | **24,733** | 38,055 | **2,239** | 447 | **2,603** | 6,998 | **13** | 656 | **797** | 1,383 | **30,385** | 47,539 |
| Unallocated liabilities | | | | | | | | | | | **5,215** | 22,531 |
| Total liabilities | | | | | | | | | | | **35,600** | 70,070 |
| **Other segment information** | | | | | | | | | | | | |
| Depreciation | **233** | 155 | **–** | – | **–** | – | **–** | – | **–** | – | **233** | 155 |
| Unallocated amount of depreciation | | | | | | | | | | | **153** | 220 |
| | | | | | | | | | | | **386** | 375 |
| Amortisation of intangible assets | **–** | – | **3,227** | 38 | **–** | – | **–** | – | **–** | – | **3,227** | 38 |
| Capital expenditure* | **–** | 887 | **144** | – | **–** | – | **–** | – | **–** | – | **144** | 887 |
| Unallocated amounts of capital expenditure | | | | | | | | | | | **523** | 94 |
| | | | | | | | | | | | **667** | 981 |

* 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 asset 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**

Included in revenue amounting to approximately HK$35,119,000 (2015: Nil) represents sales to the Group's largest customer.

Revenue from customers contributing over 10% of the total sales from trading of healthcare food product are as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **35,119** | – |
| Customer B | **21,171** | – |

## 4. REVENUE AND OTHER INCOME

**(a) Revenue**

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of goods | **105,314** | 27,355 |
| Rental income | **579** | 384 |
| | **105,893** | 27,739 |

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 the properties leasing income. All significant intra-group transactions have been eliminated on consolidation.

Turnover 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

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income | **102** | 38 |
| Government grant | **12** | 135 |
| Gain on bargain purchase arising from the acquisition of a subsidiary | **–** | 654 |
| Income on cancellation of franchise deposit | **–** | 445 |
| Reversal of provision of obsolete and slow moving inventories | **–** | 188 |
| Reversal of provision of impairment in respect of trade receivables | **–** | 836 |
| Others | **1,672** | 414 |
| | **1,786** | 2,710 |

## 5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging:

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | | |
| Audit services | **740** | 740 |
| Non-audit services | **10** | 163 |
| Cost of inventories sold | **71,213** | 13,610 |
| Staff costs (including directors' remuneration) | | |
| Wages and salaries | **23,465** | 20,342 |
| Pension scheme contributions | **923** | 883 |
| | **24,388** | 21,225 |
| Depreciation of property, plant and equipment | **386** | 375 |
| Amortisation of intangible assets | **3,227** | 38 |
| Operating lease charges in respect of land and buildings | **3,540** | 2,312 |
| Share-based payment expenses# | **14,664** | – |
| Impairment loss recognised in respect of other receivables* | **1,866** | 1,886 |
| Impairment loss recognised in respect of trade receivables* | **244** | – |
| Impairment loss recognised in respect of available-for-sale investments* | **21,700** | 2,636 |
| Impairment for goodwill arising from acquisition of a subsidiary | **–** | 61 |
| Fair value loss of investment property* | **13,623** | – |
| Share of loss of an associate* | **–** | 768 |
| Loss on disposal of property, plant and equipment* | **–** | 37 |
| Provision for obsolete and slow moving inventories* | **40,881** | 2,780 |

* included in other operating expenses

\# included in administrative expenses

## 6. FINANCE COSTS

| | Group 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Interest on secured borrowings | **464** | 758 |

## 7. INCOME TAX

No provision of Hong Kong profits tax has been provided as no assessable profits arising in Hong Kong during the year (2015: 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% (2015: 25%).

| | Group 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Current tax: | | |
| PRC Enterprise Income Tax | **(68)** | (14) |
| Deferred tax: | **526** | – |
| | **458** | (14) |

Reconciliation between income tax expenses and accounting loss at applicable tax rate:

| | Group 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|
| Loss before income tax | **(113,264)** | (30,341) |
| Tax at the applicable tax rate *(Note)* | **(23,040)** | (5,635) |
| Tax effect of non-deductible expenses | **19,202** | 493 |
| Tax effect of non-taxable income | **(1,169)** | (612) |
| Tax effect of tax losses not recognised | **4,549** | 5,768 |
| Income tax | **(458)** | 14 |

The Group had not recognised deferred tax assets in respect of the tax losses due to unpredictability of the future profit streams.

*Note:* The applicable rates are the rates prevailing in the jurisdictions in which the Company and its subsidiaries operate.

## 8. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of HK$112.64 million (2015: loss of HK$30.39 million), a loss of HK$57.55 million (2015: loss of HK$23.02 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 (2015: Nil).

## 10. LOSS PER SHARE

The calculation of basic loss per share is based on loss attributable to owners of the Company for the year ended 30 June 2016 of HK$112.64 million (2015: loss of HK$30.39 million) and the weighted average number of 3,134,038,223 (2015: the weighted average number of 2,264,947,974) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the year ended 30 June 2016 in respect of a dilution as the impact of share option had an anti-dilutive effect on the basic loss per share amount presented.

## 11. INVESTMENT PROPERTIES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At fair value: | | |
| Balance at beginning of the year | **55,759** | – |
| Acquisition of a subsidiary | **–** | 7,837 |
| Addition | **–** | 47,922 |
| Change in fair value recognised in profit or loss | **(13,623)** | – |
| Exchange realignment | **(3,415)** | – |
| Balance at end of the year | **38,721** | 55,759 |

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

All investment properties are located in PRC with medium lease term.

The fair value of the Group's investment properties as at 30 June 2016 has been arrived at on the basis of a valuation carried out by LCH (Asia Pacific) Surveyors Limited, an independent qualified professional valuer not connected to the Group.

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

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**

| | **Valuation Technique(s)** | **Unobservable input(s)** | **Range** |
|---|---|---|---|
| Investment properties | Direct comparison | Discount on characteristic of the properties | –58.9% to –10% |

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Equity securities | | |
| — Unlisted securities | **31,036** | 31,036 |
| Less: Accumulated impairment loss | **(31,036)** | (9,336) |
| | **–** | 21,700 |

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.

For the year ended 30 June 2016, the directors of the Company performed an assessment on available-for-sale investment with reference to the financial information and on this basis, the directors considers that the carrying amount of available-for-sale investment should be fully impaired.

## 13. TRADE RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **50,780** | 10,115 |
| Less: Accumulated impairment loss | **(8,272)** | (8,639) |
| | **42,508** | 1,476 |

The credit terms that the Group offers to customers are generally less than 90 days.

An aging analysis of trade receivables is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **36,312** | 60 |
| 31–60 days | **89** | 41 |
| 61–180 days | **459** | 260 |
| Over 180 days | **5,648** | 1,115 |
| | **42,508** | 1,476 |

Included in the balances are trade receivables with an aggregate carrying amount of HK$5.65 million (2015: HK$1.12 million) which are past due at the reporting date for which the Group has not provided impairment loss as there has 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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 91–180 days | **5** | 4 |
| Over 180 days | **5,648** | 1,115 |
| | **5,653** | 1,119 |

**Movement in the allowance for doubtful debts**

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Balance at the beginning of the year | **8,639** | 9,475 |
| Impairment loss on trade receivables | **244** | – |
| Reversal of impairment loss recognised | **–** | (836) |
| Exchange realignment | **(611)** | – |
| Balance at the end of the year | **8,272** | 8,639 |

## 14. 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 the reporting period is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **1,597** | 1,445 |
| 31–60 days | **489** | 723 |
| 61–180 days | **2,151** | 465 |
| Over 180 days | **8,603** | 5,034 |
| | **12,840** | 7,667 |

## 15. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of Me In Holdings Limited

On 12 April, 2016, the Group completed the acquisition of 100% equity interest in Me In Holdings Limited (the "Company") from an independent third party at a consideration of HK$10 million in cash. Me In Holdings Limited is a company incorporated under the laws of the British Virgin Islands with limited liability. As at the date of acquisition, the Company owns 100% share of the entire issued share capital of Me In Limited.

The fair value of the identifiable assets and liabilities of Me In Holdings Limited as at date of acquisition were as follows:

| | **2016** |
|---|---|
| | ***HK$'000*** |
| Property, plant and equipment | **10** |
| Intangible assets | **7,860** |
| Inventories | **567** |
| Cash and bank balances | **2** |
| Trade receivables | **193** |
| Accrued liabilities and other payables | **(221)** |
| Deferred tax liabilities | **(1,297)** |
| Total identifiable net assets at fair value | **7,114** |
| Goodwill | **2,886** |
| Total consideration satisfied by cash | **10,000** |

### (b) Acquisition of Fine Treasure Asia Limited

On 1 March 2016, the Group completed the acquisition of 100% equity interest in Fine Treasure Asia Limited (the "Company") from an independent third party at a consideration of HK$24 million in cash. Fine Treasure Asia Limited is a company incorporated under the laws of the British Virgin Islands with limited liability. As at the date of acquisition, the Company owns 100% share of the entire issued share capital of Red Health Products Company Limited.

The fair value of the identifiable assets and liabilities of Fine Treasure Asia Limited as at date of acquisition were as follows:

| | **2016** |
|---|---|
| | ***HK$'000*** |
| Property, plant and equipment | **43** |
| Intangible assets | **20,947** |
| Inventories | **585** |
| Cash and bank balances | **325** |
| Trade receivables | **648** |
| Other receivables | **279** |
| Trade payables | **(418)** |
| Accrual liabilities | **(608)** |
| Deferred tax liabilities | **(3,456)** |
| Total identifiable net assets at fair value | **18,345** |
| Goodwill | **5,655** |
| Total consideration satisfied by cash | **24,000** |

## MANAGEMENT DISCUSSION & ANALYSIS

### BUSINESS REVIEW

For the year ended 30 June 2016, total revenue of the Group jumped up by about 3.8 times compared with last year, which is very encouraging. The BIOenergy products continued to recover in sales volume as well as in total value. Newly added healthcare food sales in the product lines of high quality honey imported from New Zealand and healthcare food supplements also recorded satisfactory sales figures in the later half of this financial year. The overall revenue increase was due to the Group's combined effort of continual adoption of the policy of a slimmer gross profit margin on existing product lines, and commencement of result contribution as a result of successful new venture in honey business and acquisition of a Hong Kong local brand of healthcare food supplements. On the other hand, the market competition was still challenging. All other business segments still faced with tough business environment during the year under review owing to fierce market competition both in Hong Kong and China.

During the year ended 30 June 2016, the investment properties of the Group were only able to produce a small revenue, which main reason is due to the persistent depressive property market in mainland China and adverse situation in property demand in the region where such properties are located.

### FINANCIAL REVIEW

#### Revenue

The Group recorded sales revenue of HK$105.89 million, representing an increase of approximately 281.7% as compared with that of last year. The increase in overall sales revenue was mainly attributed to the successful pricing policy and successful market penetration policy in BIOengergy products, which shows an increase of about HK$37.95 million or 70.9% as compared with that of last year. In the healthcare food segment, a sales revenue of about HK$36.89 million, which is approximately 141 times higher than the previous financial year, has been recorded reflecting the Group's launching of high quality honey imported from New Zealand in China market and sale of healthcare food supplements in Hong Kong market.

#### Gross profit

The overall gross profit margin of the Group for the year increased by 2.2% to about 32.7% as compared to last financial year. Such increase reflects the effect of latest conservative pricing policy and the effect of newly recorded sales in honey and healthcare food supplements. And it is encouraging that the gross profit of the Group for the year was increased by 309.5% from about HK$8.5 million to HK$34.68 million.

**Selling and distribution expenses**

Selling and distribution expenses for the year ended 30 June 2016 amounted to about HK$5.74 million, representing an increase of only 19.7% from HK$4.79 million. This represents the management's effective control of direct selling and distribution expenses while its growth rate is much lower than that of sales figures.

**Administrative expenses**

During the year under review, administrative expenses increased by 108.3% to approximately HK$58.03 million as compared with HK$27.85 million of last year, which was mainly due to the effect of granting of share options during the year, which caused a one off equity-settled share-based payment of HK$14.66 million being charged to this account. Other administrative expenses for the year are in line with the increased level of activities of the Group in business development and procurement of new investment opportunities.

**Other operating expenses**

For the year ended 30 June, 2016, other operating expenses increased by about 10.5 times to HK$85.50 million which is mainly attributable to the fact that: (1) the portfolio of investment properties held by the Group for the preceding financial year had incurred fair value impairment of approximately HK$13.62 million based on the independent professional assessment conducted as at 30 June 2016; (2) the full impairment provision as at the end of the year for available-for-sale investments amounting to approximately HK$21.70 million held by the Group brought forward from the preceding financial year, which are yet to generate any revenue or provide any realising opportunities for the Group during the year; and (3) during the preceding financial year, the Group had accumulated a large quantity of inventories and failed to completely sell such inventories during the current financial year prior to the expiry of product, and therefore is necessary to make a provision of approximately HK$40.88 million for the obsolete and slow moving inventories in such regard.

**Finance costs**

Finance costs amounted to approximately HK$0.46 million was paid as interest on secured borrowings. Such costs were HK$0.76 million for last financial year.

**Loss for the year**

The Group's loss for this year ended 30 June 2016 was about HK$112.81 million, representing a significant increase of 270.5% from HK$30.45 million which was the loss for last year. The increase was mainly attributed to the combined effect of the substantial non-recurring other operating expenses incurred during the year.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June, 2016, the Group employed a total of 81 (30 June, 2015: 66) employees, of which 61 were working in Mainland China (30 June, 2015: 61) and 20 (30 June, 2015: 5) were stationed in Hong Kong. The total salaries (excluding directors' emoluments) for the year was HK$11.07 million (30 June, 2015: HK$7.87 million). Remuneration packages comprises salary, mandatory provident fund, bonus, statutory contributions, 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 is paying regular and active attention to Renminbi exchange rate fluctuations and consistently assess exchange risks.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June, 2016, net current assets of the Group were about HK$199.53 million (30 June, 2015: HK$85.52 million). The Group's cash and bank balance at that date amounted to HK$39.68 million (30 June, 2015: HK$62.95 million), which was mainly denominated in Hong Kong dollars and Renminbi, and the Group had secured borrowings at the end of this year of HK$5.81 million (30 June, 2015: HK$6.25 million).

As at 30 June, 2016, the Group's current ratio and quick ratio were 7.36 (30 June, 2015: 2.22) and 6.59 (30 June, 2015: 1.53) respectively. The increase in these ratios were mainly due to the increase in liquid working capital through fund raising exercised completed during the year.

The gearing ratio, total bank borrowings divided by total assets at the end of each year, was 1.90% as at 30 June, 2016 (30 June, 2015: 2.65%), the decrease is due to the expansion of total assets of and reduction in bank borrowings during the year.

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

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

## CAPITAL COMMITMENT

As at 30 June, 2016, other than the contractual commitment of HK$5 million of the balance of cash consideration and about HK$112.63 million share consideration which are payable upon completion of an acquisition of equity interests in two ECrent companies, the Group had no other material capital commitments (30 June, 2015: Nil) or investment commitments.

The operating lease commitment for the Group as at 30 June, 2016 was around HK$4.10 million (30 June, 2015: HK$5.45 million).

## FINAL DIVIDEND

The Board has resolved not to declare any final dividend for this reporting year.

## CONTINGENT LIABILITIES

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

## MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

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

On 29 February, 2016, the Group entered into a conditional sales and purchase agreement with an independent third party to acquire Fine Treasure Asia Limited, at a consideration of HK$24 million, which, through its wholly owned subsidiary owns the trademark of a local brand of healthcare food supplements and operates the sales and distribution of such products through an established network in Hong Kong. The acquisition was completed on 1 March, 2016.

On 31 March, 2016, the Group entered into a conditional sales and purchase agreement with an independent third party to acquire Me In Holdings Limited, at a consideration of HK$10 million, which, through its wholly owned subsidiary owns certain trademarks of a Korean brand of beauty care products and operates an internet sales platform in Hong Kong. The acquisition was completed on 12 April, 2016.

Except for the above, the Group had not completed any other material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2016.

## CAPITAL STRUCTURE

1. On 28 May, 2015, the Company issued 333,680,000 shares by way of subscription of new shares by an independent third party on the basis of HK$0.15 per subscription share. The number of the Company's issued shares accordingly, increased from 2,502,611,922 to 2,836,291,922 shares. Upon full completion on 5 August, 2015, the net proceeds raised in this exercise amounted to approximately HK$49.37 million after deducting all the expenses incurred in the subscription. For further details of the share subscription exercise, please refer to the Company's announcements dated 28 May, 2015, 10 July, 2015, 16 July, 2015, 29 July, 2015, 31, July, 2015 and 5 August, 2015 respectively.

2. On 4 November, 2015, the Company entered into a placing agreement with a placing agent and a subscription agreement with a subscriber respectively, which are all independent third parties. Under the placing agreement, the placing agent conditionally agreed to procure, on a best effort basis, a total of not less than six placees to subscribe

for a total of 1,600,000,000 new shares of the Company at a placing price of HK$0.10 per share. And under the subscription agreement, the subscriber conditionally agreed to subscribe for 1,100,000,000 new shares of the Company at a subscription price of HK$0.10 per share. The placing exercise was completed by successfully placing out all 1,600,000,000 new shares by the placing agent on 22 January, 2016. After deducting issue expenses, a net proceeds of approximately HK$153.9 million was received by the Company. The subscription agreement was lapsed on 11 April, 2016. For details of the placement and subscription, please refer to the announcements and circular issued by the Company dated 5 November, 2015, 26 November, 2015, 15 December, 2015, 15 January, 2016, 22 January, 2016, 29 January, 2016, 16 March, 2016 and 12 April, 2016.

Out of the total net proceeds of HK$203.27 million raised from the two placing exercises, the Group has (a) used not less than HK$44.40 million at this stage to support the trading operation of Manuka honey and to explore further upstream investment; (b) spent HK$24 million as consideration for an acquisition of a Hong Kong local brand of healthcare food supplements business; (c) spent HK$10 million as consideration for an acquisition of a Korean brand of beauty care products; (d) paid HK$5 million upon signing of the sales and purchase agreement for the acquisition of equity interests in ECrent Hong Kong and ECrent USA; and (e) maintained the remaining balance of about HK$119.87 million as general working capital of the Group mainly for new products and market development, reducing overall liabilities, selling and distribution costs and administrative expenses of the Group's existing business, and for other business opportunities which may arise in the foreseeable future.

At 30 June, 2016, the Group still maintain a cash and bank balance of HK$39.68 million as general working capital.

## EVENT AFTER REPORTING PERIOD

1. On 3 May, 2016, the Company entered into a sales and purchase agreement with an independent third party to acquire at a consideration of HK$122,628,579, to be settled by way of cash payment of HK$10 million and 487,992,111 new shares as consideration for the remaining HK$112,628,579, for 100% equity interests in ECrent (Hong Kong) Limited which runs the online rental platform business under the ECrent license in Hong Kong, and 0.34% equity interests or 407,106 shares in ECrent (USA) Company Limited which runs the online rental platform business under the ECrent license in the United States. On 12 August, 2016, the transaction was completed with both cash and share consideration paid. For further details, please refer to the announcements of the Company dated 4 May, 2016, 31 May, 2016, 29 July, 2016, and 12 August, 2016.

2. On 8 July, 2016, the Company entered into a memorandum of understanding with a vendor in which a director of the Company has 15% equity interests, for an intended acquisition of 100% equity interest in a target group of companies operating a e-commerce platform (known as 消費寶 "Xiaofeibao") in mainland China under a "Factory to Consumer"(F2C) business model which promotes disintermediation of the traditional model of middleman distribution channels. No formal sales and purchase agreement has yet been reached at the reporting date. For details, please refer to the announcement of the Company dated 8 July, 2016.

3. On 10 September, 2016, the Company entered into a memorandum of understanding with a vendor for an intended further acquisition of interests in whole or in part of the vendor's group of companies known as the ECrent Group, which together with its affiliates across the globe, is primarily engaged in operating an online global sharing platform worldwide. Pursuant to the memorandum of understanding, the Company intended to purchase and the vendor intended to sell equity interests of certain companies in ECrent Group which operate ECrent online rental platform in 31 countries and regions around the world. No formal sales and purchase agreement has yet been reached at the reporting date. For details, please refer to the announcement of the Company dated 10 September, 2016.

## CONTINGENT LIABILITIES

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

## FINAL DIVIDEND

The board of directors (the "Board") did not recommend any final dividend for the year ended 30 June 2016.

## PROSPECTS

Facing the challenge of the recent slowing down of both Hong Kong and mainland China's economic growth, the Board believes the situation could still last for some time and could impact various industries and businesses to different magnitudes. While market sentiments currently tend to discourage new ventures, the Board, however, strongly believes that new opportunities always emerge under rippling business environment, and accordingly has been proactively but cautiously steering the business development of the Group, as well as continual search of new projects that can strengthen the Group's businesses further.

Even though growing number of strong competitors exists in the healthcare products and healthcare food and supplements industries, the Group is confident that the reputation of Vitop healthcare products and other newly launched brands of healthcare food and supplements would continue to be well accepted by the vast number of consumers of mainland China and Hong Kong. With the encouraging sales growth of the Group during this year, the management shall continue to seek further advancement in this business segment.

The Group believes that evolution of technology will facilitate new innovative business models to replace certain traditional business models existing in the world, among which the Group is optimistic about the development of the global online sharing platform business. During the year under review, the Group entered into an agreement to acquire a 100% interests in ECrent Hong Kong and a small equity interests in ECrent USA. The Board considered both of these companies are well-positioned in the online rental platform business in Hong Kong and the USA respectively. The acquisition was completed on 12 August 2016. These target companies have been carrying on business based on the theory of sharing economy, and they aim at promoting the concept of environment protection through a new media at a global level and advocates a sustainable sharing platform. The vendor of these investments actually established a global network of platforms in over 30 countries and region around the world, allowing visitors to post and upload at liberty rental information and requests on products and services with an aim to cater for the 7.3 billion global population and to provide better and more efficient services. The Group is confident that the business of ECrent will be developing rapidly.

The management continues from time to time to seek new investment opportunities in different industries that could enhance corporate development and broaden the income base of the Group. Between July and August 2016, the Group has sign two memoranda of understanding and a strategic cooperation framework agreement for the respective purposes of (i) looking into feasibility of investing further in ECrent's operations in other countries and regions, (ii) investing in a e-commerce platform related business in the PRC, which, through its e-commerce platform (known as 消費寶 (Xiaofeibao*)), operates in the "Factory to Consumer" (F2C) business model; and (iii) by establishing strategic cooperation with Jiangzhong Pharmaceutical (Group) Co, Ltd. in respect of products, production, channels, brands and other aspects in the future to jointly develop pharmaceuticals, healthcare products, food and fast moving consumer goods markets in Mainland China and Hong Kong and the rest of the world.

On the ground that the Group is approaching the new economic models such as internet commerce, the Board is proposing to change the Company name to "Share Economy Group Limited" to reflect the current status of the Group's business development and its direction of future evolution. Should any suitable business opportunity arise, the Group may deploy new resources to support such new opportunities. Meanwhile, the Directors are cautiously optimistic about perpetuating the Group's steady growth over the long term.

## 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 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.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 or 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 non-executive director and three independent non-executive directors were not appointed for a specific term, but are subject to retirement no later than the third annual general meeting after their respective elections in accordance with the Company's articles of association.

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. 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 character, 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. Ms. Zhu Yanzhou, being the independent non-executive director, and Mr. Chau Yu-Lung Jimmy, being the non-executive director, did not attend the Company's annual general meeting held on 31 December 2015 due to 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 unexpected business engagement, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 31 December 2015 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 Ms. Zhu Yanzhou, Mr. Chau Yu-Lung Jimmy and Mr. Zhou Guohua as independent non-executive director, non-executive director and executive director on 23 October 2015, 30 December 2015 and 8 August 2016 respectively, the composition of the Board comprised four (4) executive directors, one (1) non-executive director and three (3) independent non-executive directors. The number of independent non-executive directors on the Board represented not less than one-third of the members from the Board as required under rule 3.10A of the Listing Rules.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report, contained in the 2016 annual report.

## REVIEW OF ACCOUNTS

The audit committee has reviewed the audited annual results of the Group for the year ended 30 June 2016.

## 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 announcement, 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 2016 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 2016 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. Xu Zhifeng, Mr. Liu Min, Mr. Chan Shun Yee and Mr. Zhou Guohua as executive directors; Mr. Chau Yu-Lung Jimmy as non-executive director; and Mr. Su Rujia, Mr. Wong Tat Yan Paul and Ms. Zhu Yanzhou as independent non-executive directors.

By order of the Board of
**VITOP GROUP LIMITED**
**Xu Zhifeng**
*Director*

Hong Kong, 27 September 2016