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VITOP BIOENERGY HOLDINGS LIMITED

(天年生物控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1178)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

INTERIM RESULTS

The board of directors (the “Board”) of Vitop Bioenergy Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2012 (the “Period”) together with comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 31 December	
		2012	2011
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	3	11,841	11,757
Cost of sales		(4,799)	(7,420)
Gross profit		7,042	4,337
Other income		736	1,430
Selling and distribution costs		(3,704)	(5,096)
Administrative expenses		(8,029)	(10,740)
Other operating expenses		(752)	(595)
LOSS FROM OPERATING ACTIVITIES	4	(4,707)	(10,664)
Finance income		–	17
Finance cost		–	(401)
Finance income/(cost) – net	5	–	(384)
LOSS BEFORE INCOME TAX EXPENSE		(4,707)	(11,048)
Income tax expense	6	–	–
LOSS FOR THE PERIOD		(4,707)	(11,048)

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

Six months ended 31 December

		2012	2011
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ATTRIBUTABLE TO:			
Owners of the Company		(4,638)	(10,959)
Non-controlling interests		(69)	(89)
		<hr/>	<hr/>
		(4,707)	(11,048)
		<hr/> <hr/>	<hr/> <hr/>
DIVIDENDS	7	–	–
		<hr/> <hr/>	<hr/> <hr/>
LOSS PER SHARE			
Basic	8	HK(0.33) cents	HK(0.95) cents
Diluted		N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>
Six months ended 31 December			
		2012	2011
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD		(4,707)	(11,048)
Other comprehensive expense:			
Exchange translation differences recognized directly in equity		1,354	(1,325)
		<hr/>	<hr/>
Total comprehensive loss for the period, net of tax		(3,353)	(12,373)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive loss attributable to:			
Owners of the Company		(3,284)	(12,284)
Non-controlling interests		(69)	(89)
		<hr/>	<hr/>
		(3,353)	(12,373)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2012 (Unaudited) HK\$'000	30 June 2012 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	2,505	2,370
Intangible assets		249	258
Available-for-sale investments		28,686	28,596
Interests in an associate		—	3,595
		31,440	34,819
Current assets			
Inventories	10	19,811	18,561
Trade receivables	11	1,930	1,355
Deposits, prepayments and other receivables		54,462	44,579
Cash and bank balances		37,542	41,236
		113,745	105,731
Current liabilities			
Trade payables	12	6,659	6,175
Accrued liabilities and other payables		12,601	5,616
Deposits received		9,798	9,279
		29,058	21,070
Net current assets		84,687	84,661
Net assets		116,127	119,480
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	34,760	34,760
Reserves		79,527	82,811
		114,287	117,571
Non-controlling interests		1,840	1,909
Total equity		116,127	119,480

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	Capital redemption reserve	Capital reserve	Translation reserve	Convertible notes reserve	Accumulated losses	Total	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2011 (Audited)	22,070	56,260	8,789	29	28,764	12,079	3,304	(101,552)	29,743	2,088	31,831
Total comprehensive income for the period	-	-	-	-	-	(1,325)	-	(10,959)	(12,284)	(89)	(12,373)
Rights issue	7,357	62,559	-	-	-	-	-	-	69,916	-	69,916
Issue of share capital	2,334	21,006	-	-	-	-	-	-	23,340	-	23,340
Issue of shares upon conversion of convertible notes	753	6,779	-	-	-	-	(994)	-	6,538	-	6,538
Deferred tax transferred upon conversion of convertible notes	-	-	-	-	-	-	252	-	252	-	252
At 31 December 2011 (Unaudited)	<u>32,514</u>	<u>146,604</u>	<u>8,789</u>	<u>29</u>	<u>28,764</u>	<u>10,754</u>	<u>2,562</u>	<u>(112,511)</u>	<u>117,505</u>	<u>1,999</u>	<u>119,504</u>
At 1 July 2012 (Audited)	34,760	155,831	8,789	29	28,764	10,810	-	(121,412)	117,571	1,909	119,480
Total comprehensive income for the period	-	-	-	-	-	1,354	-	(4,638)	(3,284)	(69)	(3,353)
At 31 December 2012 (Unaudited)	<u>34,760</u>	<u>155,831</u>	<u>8,789</u>	<u>29</u>	<u>28,764</u>	<u>12,164</u>	<u>-</u>	<u>(126,050)</u>	<u>114,287</u>	<u>1,840</u>	<u>116,127</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Six months ended 31 December

2012	2011
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

NET CASH USED IN OPERATING ACTIVITIES	(5,097)	(38,567)
NET CASH GENERATED FROM/(USED IN)		
INVESTING ACTIVITIES	139	(23,323)
NET CASH USED IN FINANCING ACTIVITIES	<u>–</u>	<u>93,857</u>
(DECREASE IN)/INCREASE IN CASH AND		
CASH EQUIVALENTS	(4,958)	31,967
CASH AND CASH EQUIVALENTS AT 1 JULY	41,236	10,950
EFFECT OF FOREIGN EXCHANGE	<u>1,264</u>	<u>(1,325)</u>
CASH AND CASH EQUIVALENTS		
AT 31 DECEMBER	<u><u>37,542</u></u>	<u><u>41,592</u></u>
ANALYSIS OF THE BALANCES OF CASH AND		
CASH EQUIVALENTS		
CASH AND BANK BALANCES	<u><u>37,542</u></u>	<u><u>41,592</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

(b) Principal Accounting Policies

The basis of preparation and accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 30 June 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred tax: Recovery of underlying asset

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the new and revised HKASs, HKFRSs amendments and interpretations (hereinafter collectively referred to as “new and revised HKFRSs”) that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on these condensed consolidated financial statements.

2. SEGMENT INFORMATION

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

The four reportable operating segments are listed as follows:

BIOenergy products:	manufacturing and trading of bedding products, underclothing and body protection accessories containing the BIOenergy compound
Healthcare food products:	trading of healthcare food products, including polypeptide products
Multi-functional water generators:	manufacturing and trading of multi-functional water generators
Others:	trading of other healthcare products and other

	BIOenergy products		Healthcare food products		Multi-functional water generators		Others		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>7,825</u>	<u>6,194</u>	<u>780</u>	<u>1,653</u>	<u>1,824</u>	<u>2,776</u>	<u>1,412</u>	<u>1,134</u>	<u>11,841</u>	<u>11,757</u>
Segment results	<u>3,313</u>	<u>988</u>	<u>36</u>	<u>22</u>	<u>(238)</u>	<u>(771)</u>	<u>233</u>	<u>(996)</u>	<u>3,344</u>	<u>(757)</u>
Unallocated other income									736	1,430
Unallocated expense									<u>(8,787)</u>	<u>(11,721)</u>
Loss before income tax expense									<u>(4,707)</u>	<u>(11,048)</u>
Income tax expenses									<u>-</u>	<u>-</u>
Loss for the Period									<u><u>(4,707)</u></u>	<u><u>(11,048)</u></u>

No geographical analysis is presented as all of the Group's revenue and contribution to loss is attributable to markets in the People's Republic of China (the "Mainland China").

3. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts where applicable. All significant intragroup transactions have been eliminated on consolidation.

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

4. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	4,799	7,420
Amortisation of intangible assets	9	7
Depreciation of property, plant and equipment	235	487
Operating lease charges in respect of land and building	1,053	1,244
Impairment loss on goodwill	188	–
	<u>188</u>	<u>–</u>

5. FINANCE INCOME AND COST

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance income:		
Interest income from bank deposits	–	17
Finance cost:		
Interest on convertible notes	–	(401)
Finance income/(cost) – net	<u>–</u>	<u>(384)</u>

6. INCOME TAX EXPENSE

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Mainland China		
Charge for the Period	<u>–</u>	<u>–</u>

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Period (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the Period.

7. DIVIDENDS

The Board has resolved not to declare any interim dividend for the Period (2011: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to owners for the Period of approximately HK\$4,638,000 (2011: loss of approximately HK\$10,959,000) and the weighted average number of 1,390,407,948 (2011: the weighted average number of 1,157,912,583) ordinary shares in issue during the Period.

9. PROPERTY, PLANT AND EQUIPMENT

	Total HK\$'000
At 1 July 2012 (audited)	2,370
Additions	370
Depreciation	<u>(235)</u>
At 31 December 2012 (unaudited)	<u><u>2,505</u></u>

10. INVENTORIES

	31 December 2012 (Unaudited) HK\$'000	30 June 2012 (Audited) HK\$'000
Raw materials	3,972	4,974
Work in progress	3,435	5,151
Finished goods	<u>17,442</u>	<u>13,474</u>
	<u>24,849</u>	<u>23,599</u>
Less: Provision for obsolete and slow-moving finished goods	(4,807)	(4,807)
Foreign exchange translation losses	<u>(231)</u>	<u>(231)</u>
	<u><u>19,811</u></u>	<u><u>18,561</u></u>

11. TRADE RECEIVABLES

The credit terms that the Group offers to customers are generally not more than 90 days. Details of the ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) are as follows:

	31 December 2012 (Unaudited) <i>HK\$'000</i>	30 June 2012 (Audited) <i>HK\$'000</i>
Outstanding balances with ages:		
Within 30 days	49	78
Between 31 to 60 days	–	45
Between 61 to 180 days	159	109
Over 180 days	<u>1,722</u>	<u>1,123</u>
	<u>1,930</u>	<u>1,355</u>

Included in the balances are trade receivables with an aggregate carrying amount of HK\$1,723,000 (2011: HK\$1,741,000) which are past due at the reporting date for which the Group has not provided impairment loss as there has been no significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances. No interest is charged on the trade receivables.

12. TRADE PAYABLES

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

	31 December 2012 (Unaudited) <i>HK\$'000</i>	30 June 2012 (Audited) <i>HK\$'000</i>
Outstanding balances with ages:		
Within 30 days	802	342
Between 31 to 60 days	738	1,281
Between 61 to 180 days	1,111	395
Over 180 days	<u>4,008</u>	<u>4,157</u>
	<u>6,659</u>	<u>6,175</u>

13. SHARE CAPITAL

	Number of ordinary shares (Unaudited)	Share capital HK\$'000 (Unaudited)
Authorised: Ordinary shares of HK\$0.025 each At 30 June 2012 and 31 December 2012	<u>20,000,000,000</u>	<u>500,000</u>
Issued and fully paid: Ordinary shares of HK\$0.025 each At 30 June 2012	<u>1,390,407,948</u>	<u>34,760</u>
At 31 December 2012	<u>1,390,407,948</u>	<u>34,760</u>

14. COMMITMENTS

Operating Lease Commitment

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

As at 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2012 (Unaudited) HK\$'000	30 June 2012 (Audited) HK\$'000
Within one year	<u>1,145</u>	1,145
In the second to fifth years	<u>446</u>	<u>1,499</u>
	<u>1,591</u>	<u>2,644</u>

15. CONTINGENT LIABILITIES AND LITIGATION

The Group is involved in one labour lawsuit and claim arising from the normal course of business. The Directors believe that the Group has substantial legal and factual bases for their position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the financial statements.

MANAGEMENT DISCUSSION & ANALYSIS FINANCIAL REVIEW

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was approximately HK\$11.84 million, slightly increase of approximately HK\$80,000 over the same period of last year due to an offsetting result by the increase in sales of Bioenergy bedding products and the decrease in sales of Multi-functional water generators.

Gross profit and gross profit margin

The Group's gross profit margin during the Period was approximately 59.47%, representing an increase of approximately 22.58 percentage point from approximately 36.89% in the same period last year. It was primarily attributable to the improvement in gross profit margin of Bioenergy bedding products arising from swift in marketing model by exploring the middle-aged consumer groups. As a result of the above, the gross profit during the Period increased by approximately HK\$2.70 million, representing an increase of approximately 62.21% to HK\$7.04 million as compared with HK\$4.34 million over the same period last year.

Selling and distribution costs

Selling and distribution costs decreased from approximately HK\$5.10 million in the same period last year to approximately HK\$3.70 million, primarily due to the decrease in staff costs and promotional and marketing related expenses as a result of better cost control.

Administrative expenses

Administrative expenses decreased from approximately HK\$10.74 million in the same period last year to approximately HK\$8.03 million, primarily due to the decrease in staff costs as a result of the decrease in headcount.

Loss for the Period

The Group's losses for the Period had been narrowed down, the loss decreased approximately by HK\$6.34 million or approximately 57.38% to the loss of approximately HK\$4.71 million from the loss of approximately HK\$11.05 million as compared with the same period last year. Such improvement was the combined result of the increase in gross profit and gross profit margin due to swift in marketing model and the decrease of selling and distribution costs and administrative expenses due to better cost control.

FUTURE PROSPECTS

Looking forward to the coming year, the management expects the overall business environment remain challenging given the uncertainties arising from the possibility of downturn in Mainland China's macro-economy and highly unpredictable situations of global economy. The Group will continue to be on the alert and modify our existing business strategies to cope with the changing business environment.

To ensure growth is sustained over the long term, the Group will continue to leverage its research and development expertise to develop products desired by consumers. The Group has been actively exploring new products this year and expecting these products will bring favourable results for the Group in the coming year. The Group would continue to optimize its product mix and put more efforts to develop high value-added products to improve its sales.

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

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

As disclosed in the announcement dated 12 August 2011 issued by the Company, the Company entered into a sale and purchase agreement on 2 August 2011 for the acquisition of 90% shareholding in Express Time Enterprises Limited ("Express Time") at the consideration of HK\$108,500,000, a company which indirectly owns 74% interest in a piece of land situated in Xuzhou City, Jiangsu, the People's Republic of China which can be used for commercial building development. The proposed acquisition constitutes a major acquisition for the Company.

As disclosed in the Company's announcement of 27 December 2012, despatch of the circular for the aforesaid proposed acquisition would be postponed to a date no later than 28 February 2013. The Company is currently in the process of preparing the circular, as additional time is required to obtain the financial information (including all audited and management accounts and related supporting documents) of each of the past and current subsidiaries of Express Time for the 3 financial years ended 31 December 2011 and for the 6 months ended 30 June 2012.

The Board is of the view that, notwithstanding the time lapse since August 2011, the proposed acquisition will still be beneficial to the Company and its shareholders as a whole when completed, since the Board expects that the commercial building development on the land in Xuzhou will generate a stable and long-term income for the Group.

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

FOREIGN EXCHANGE RISK AND MANAGEMENT

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group's current ratio was 3.91 (2011: approximately 2.46), based on the current assets of approximately HK\$113.75 million (2011: approximately 124.65 million) and current liabilities of approximately HK\$29.06 million (2011: approximately 50.73 million). The Group's gearing ratio was approximately 25.02% (2011: approximately 42.45%), based on the total liabilities of approximately HK\$29.06 million (2011: approximately 50.73 million) and total equity of approximately HK\$116.13 million (2011: approximately 119.50 million).

As at 31 December 2012, the Group was in a net cash position and has sufficient funding to pay off all the outstanding liabilities, and meet its working capital requirement. The Group's cash and bank balance at that date amounted to approximately HK\$37.54 million (2011: approximately HK\$41.59 million), which was denominated in mainly Hong Kong dollars and Renminbi. The Group had no outstanding bank borrowing and no banking facilities available.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2012 (2011: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 4 July 2012, a wholly-owned subsidiary of the Group had acquired all the remaining 55% equity interest in 深圳市樂健世紀信息技術有限公司, for a consideration of approximately HK\$687,500. Upon the completion of acquisition, 深圳市樂健世紀信息技術有限公司 becomes a wholly-owned subsidiary of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group employed a total of 112 (2011: 123) employees, of which 108 (2011: 118) are based in the Mainland China and 4 (2011: 5) are based in Hong Kong. Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. The Group has a share option scheme for the benefit of its directors and eligible employees of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31 December 2012, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Overview of Corporate Governance

The Company recognises the importance of the provision of transparency and accountability to its shareholders. The Company is committed to achieving high standards of corporate governance and believes that sound corporate governance is essential for the Company to maximize shareholders' value.

Code on Corporate Governance Practices

During the six months ended 31 December 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules, except for the following code provision:

- (i) Under code provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year. During the period under review, the board held two formal meetings. Currently, the board is initiating to increase number of formal meetings to be held regularly at approximately quarterly intervals and will involve the active participation through electronic means of communication.
- (ii) Under code provision E.1.2 of the Corporate Governance Code, the Chairman of the Board should attend, and the chairmen of the audit and remuneration committees should be available to answer questions at the annual general meeting of the Company. Due to prior engagement, the Chairman of the Board, the audit committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 7 December 2012 in person, but the Chairman of the Board has already delegated to one of the executive directors of the Company to chair the meeting on his behalf and on behalf of the chairmen of the audit committee and the remuneration committee.

- (iii) The Company has not separated the roles of the Chairman of the Board and the Chief Executive as required under code provision A.2.1 of the Code. The Company believes that separation of Chairman and the Chief Executive would not result in enhanced efficiency and improved governance. The balance of power and authority between the Chief Executive and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.
- (iv) Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All non-executive directors of the Company were not appointed for a specific term, but every director of the Company will be subject to retirement no later than the third annual general meeting after his election, under the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are not less exacting than those in the Code.
- (v) Code A.5.1 provides that the Company should establish a nomination committee. The Company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and the other directors review from time to time the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.

Directors' Securities Transaction

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. After specific enquiry made by the Company, all directors have confirmed that they have fully complied with the Model Code during the six months ended 31 December 2012.

Independent Non-executive Directors

The board of directors has been in compliance with Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive directors in the board of directors, and with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialised in accounting or relevant financial management.

The Company has received the written confirmation of each of the independent non-executive directors confirming that they are in compliance with Rule 3.13 of the Listing Rules in respect of their independence. The Company is of the opinion that all of the independent non-executive directors are independent.

Audit Committee

The Company has established an audit committee in compliance with the Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the board of directors.

The audit committee comprises Ms. Zhu Jinghua (chairman of the committee), Mr. Li Xinzhong and Mr. Zhang Wen, all of whom are independent non-executive directors of the Company. Ms. Zhu Jinghua possesses appropriate professional accounting qualifications and related financial management expertise as required under rules 3.10(2) of the Listing Rules.

The audit committee, together with the management team of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed accounting issues, internal control and financial reporting matters with the Directors, including a review of the unaudited interim report for the six months ended 31 December 2012.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement which contains all the relevant information as required by paragraph 46 of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>). An interim report of the Company for the six months ended 31 December 2012 containing the information required under Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

By order of the Board
Han Xiaoyue
Chairman

Hong Kong, 27 February 2013

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