



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 REPORT
2011/12



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 2011 (the “Period”) together with comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 31 December			
	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	3	11,757	16,077
Cost of sales		(7,420)	(10,101)
Gross profit		4,337	5,976
Other income		1,430	1,468
Selling and distribution costs		(5,096)	(5,234)
Administrative expenses		(10,740)	(11,013)
Other operating expenses		(595)	(121)
LOSS FROM OPERATING ACTIVITIES	4	(10,664)	(8,924)
Finance income		17	77
Finance cost		(401)	(27)
Finance (cost)/income - net	5	(384)	50
LOSS BEFORE INCOME TAX EXPENSE		(11,048)	(8,874)
Income tax expense	6	–	–
LOSS FOR THE PERIOD		(11,048)	(8,874)
ATTRIBUTABLE TO:			
Owners of the Company		(10,959)	(8,874)
Non-controlling interests		(89)	–
		(11,048)	(8,874)
DIVIDENDS	7	–	–
LOSS PER SHARE	8		
Basic		HK(0.95) cents	HK(1.00) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 31 December

	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(11,048)	(8,874)
Other comprehensive expense:		
Exchange translation differences recognised directly in equity	(1,325)	(1,141)
Total comprehensive loss for the period, net of tax	(12,373)	(10,015)
Total comprehensive loss attributable to:		
Owners of the Company	(12,284)	(10,015)
Non-controlling interests	(89)	–
	(12,373)	(10,015)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	2,696	3,183
Intangible assets		288	295
Available-for-sale investments		42,600	19,260
		45,584	22,738
Current assets			
Inventories	10	20,040	21,070
Trade receivables	11	1,889	1,283
Deposits, prepayments and other receivables		61,131	31,612
Cash and bank balances		41,592	10,950
		124,652	64,915
Current liabilities			
Trade payables	12	8,637	3,813
Accrued liabilities and other payables		10,759	14,161
Deposits received		9,334	9,404
Obligation under finance lease		–	51
Convertible notes		21,601	27,739
Deferred tax liabilities		401	654
		50,732	55,822
Net current assets		73,920	9,093
Total asset less current liabilities		119,504	31,831
Net assets		119,504	31,831

	Notes	31 December 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	32,514	22,070
Reserves		84,991	7,673
		117,505	29,743
Non-controlling interests		1,999	2,088
Total equity		119,504	31,831

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2010 (Audited)	22,070	56,260	8,789	29	28,764	9,659	-	(78,237)	47,334	2,275	49,609
Total comprehensive income for the period	-	-	-	-	-	(1,141)	-	(8,874)	(10,015)	-	(10,015)
At 31 December 2010 (Unaudited)	22,070	56,260	8,789	29	28,764	8,518	-	(87,111)	37,319	2,275	39,594
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)	32,514	146,604	8,789	29	28,764	10,754	2,562	(112,511)	117,505	1,999	119,504

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Six months ended 31 December

	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(38,567)	6,259
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(23,323)	1,877
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	93,857	(2,199)
INCREASE IN CASH AND CASH EQUIVALENTS	31,967	5,937
CASH AND CASH EQUIVALENTS AT 1 JULY	10,950	8,662
EFFECT OF FOREIGN EXCHANGE	(1,325)	(1,141)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	41,592	13,458
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	41,592	13,458

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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). 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 2011 except the impact for the adoption of the following amendment mandatory for periods beginning on or after 1 July 2011.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 July 2011:

HKFRS 1 Amendments	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs

The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current accounting periods.

(b) Principal Accounting Policies (Continued)

The Group has not early applied the following new and revised HKFRSs relevant to the Group's financial statements, that have been issued but not yet effective in the period covered by these interim financial statements:

HKFRS 7 Amendments	Disclosures – offsetting Financial Assets and Financial Liabilities ⁴
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income ²
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets ¹
HKAS 19 (2011)	Employee Benefits ³
HKAS 27 (2011)	Separate Financial Statement ³
HKAS 28 (2011)	Investments in Associates and Joint Ventures ³
HKAS 31	Interests in Joint Ventures ³
HKAS 32 Amendments	Disclosures - Offsetting Financial Assets and Financial Liabilities ⁴
HK(SIC)-Int 12	Consolidation – Special Purpose Entities ³
HK(SIC)-Int 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers ³

¹ Effective for annual periods beginning on or after 1 January 2012

² Effective for annual periods beginning on or after 1 July 2012

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 January 2014

⁵ Effective for annual periods beginning on or after 1 January 2015

The application of new standard may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities and the management of the Group is in the process of ascertaining the financial impact.

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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Segment revenue:										
Sales to external customers	6,194	5,077	1,653	4,121	2,776	5,411	1,134	1,468	11,757	16,077
Segment results	988	1,187	22	604	(771)	(511)	(996)	217	(757)	1,497
Unallocated other income									1,430	1,518
Unallocated expense									(11,721)	(11,889)
Loss before income tax expense									(11,048)	(8,874)
Income tax expenses									-	-
Loss for the Period									(11,048)	(8,874)

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 "PRC").

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 PRC 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").

4. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Cost of inventories sold	7,420	10,101
Amortisation of intangible assets	7	294
Depreciation of property, plant and equipment	(487)	544
Operating lease charges in respect of land and building	1,244	1,581
Reversal of impairment loss on financial assets designated at fair value through profit and loss	–	(645)

5. FINANCE INCOMES AND COST

	Six months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Finance income:		
– interest income from bank deposits	17	12
– interest income from financial assets designated at fair value through profit or loss	–	65
	17	77
Finance cost:		
– Interest on bank borrowings wholly repayable within five years	–	(27)
– Interest on convertible notes	(401)	–
	(401)	(27)
Finance (cost)/income - net	(384)	50

6. INCOME TAX EXPENSE

	Six months ended 31 December	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current – PRC Charge for the Period	–	–

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Period (2010: 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 (2010: 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\$10,959,000 (2010: loss of approximately HK\$8,874,000) and the weighted average number of 1,157,912,583 (2010: the weighted average number of 882,785,961) ordinary shares in issue during the Period.

9. PROPERTY, PLANT AND EQUIPMENT

	Total HK\$'000
At 1 July 2011 (audited)	3,183
Additions	–
Depreciation	(487)
At 31 December 2011 (unaudited)	2,696

10. INVENTORIES

	31 December 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
Raw materials	3,742	5,660
Work in progress	3,648	5,739
Finished goods	17,688	14,709
	25,078	26,108
Less: Provision for obsolete and slow-moving finished goods	(4,807)	(4,807)
Foreign exchange translation losses	(231)	(231)
	20,040	21,070

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 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	124	370
Between 31 to 60 days	24	215
Between 61 to 180 days	5	382
Over 180 days	1,736	316
	1,889	1,283

Included in the balances are trade receivables with an aggregate carrying amount of 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 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	914	437
Between 31 to 60 days	114	437
Between 61 to 180 days	1,175	525
Over 180 days	6,434	2,414
	8,637	3,813

13. SHARE CAPITAL

	Number of ordinary shares (Unaudited)	Share capital HK\$'000 (Unaudited)
Authorised:		
Ordinary shares of HK\$0.025 each		
At 30 June 2011 and 31 December 2011	20,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.025 each		
At 30 June 2011	882,785,961	22,070
Issue of shares under rights issue (note 1)	294,261,987	7,357
Consideration shares (note 2)	93,360,000	2,334
Conversion of convertible notes (note 3)	30,130,000	753
At 31 December 2011	1,300,537,948	32,514

Note 1: On 18 July 2011, the Company was completed a rights issue. 294,261,987 rights shares on the basis of one rights share for every three Shares held were issued pursuant to the rights issue. Details of the above are set out in the Company's circular and announcement dated 24 June 2011 and 15 July 2011.

Note 2: On 31 May 2011, the Company has entered into a sale and purchase agreement to acquire 9.09% of the issued share capital of Global Trade Center Holdings Co. Limited. A total consideration of HK\$23.34 million for the acquisition was satisfied by issuing 93,360,000 ordinary shares at an issue price of HK\$0.25 per share of the consideration in sum of HK\$23.34 million. For further details, please refer to the Company's announcement dated on 31 May 2011.

Note 3: During the period ended 31 December 2011, 30,130,000 ordinary shares of the Company were issued upon conversion of Convertible Notes at the conversion price of HK\$0.25 per share.

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 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2011 (Unaudited) HK\$'000	30 June 2011 (Audited) HK\$'000
Within one year	1,910	1,965
In the second to fifth years	1,308	1,588
	3,218	3,553

15. EVENT AFTER THE REPORTING PERIOD

On 2 August 2011, the Company entered into an agreement for the acquisition of 90% shareholding in a company called Express Time Enterprises Limited at the consideration of HK\$108.50 million. On 24 February 2012, the Company announced that the completion of the acquisition of 90% equity interest in Express Time Enterprises Limited shall be postponed to a date on or before 30 March 2012.

Please refer to the Company's announcement of 24 February 2012 for further details.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

The Group recorded sales revenue of approximately HK\$11.76 million, representing a decrease of approximately HK\$4.32 million or 26.87% as compared with that of last period. The decrease was mainly due to the unfashionable marketing mode and cut-throat competition from our rivals, especially from healthcare food products and multi-functional water generators. The sale revenue from healthcare food products and multi-functional water generators had been decreased of approximately HK\$2.47 million and approximately HK\$2.63 million respectively, representing a decrease of approximately 59.95% and approximately 48.61% as compared with that of last period respectively.

The Group's gross profit margin for the period was approximately 36.89%, representing a slightly decrease of 0.28 percentage points from last period.

The Group's losses for the Period increased approximately by HK\$2.18 million or approximately 24.58% to approximately HK\$11.05 million from the loss of approximately HK\$8.87 million of last period, mainly due to the decrease of sales revenue from healthcare food products and multi-functional water generators.

FUTURE PROSPECTS

The Group will continue its principal business of trading of healthcare products in China and will strive to improve its performance. However, due to cut-throat competition from our rivals, the management of the Company believes that the outlook for the healthcare business in China in 2012 will remain dim. The board of directors of the Company (the "Board") and the management of the Company believe that in order to achieve sustainable financial growth for the Group and to maximize shareholders' value, it is in the best interests of the Company to explore business opportunities in other markets.

As mentioned in the annual report of the Group for the year 2011, the Company entered into an agreement for the subscription of approximately 9.09% shareholding (as enlarged by such subscription) in Global Trade Center Holdings Co. Limited ("GTC"), a company established to carry out the business of integrated international trade service. The board of directors is of the view that the subscription is a good opportunity for the Group to increase its cashflow by taking the leverage on the earning potential of GTC in the business of providing integrated international trade service and to diversify the businesses of the Group and broaden its income base so that it will not unduly rely on the business in trading of health care products and thus the business risk of the Group in the event of market downturn can be reduced. In the future, the Group will leverage on the network and experience of the management of the Company to look for more business opportunities to be brought to the Group and may consider diversifying the business of the Group with an objective to broaden its income source and to enhance the long-term growth potential of the Group.

FOREIGN EXCHANGE RISK AND MANAGEMENT

The majority of the Group's operations are located in the PRC, 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 2011, the Group's current ratio was 2.46, based on the current assets of approximately HK\$124.65 million and current liabilities of approximately HK\$50.73 million. The Group's gearing ratio was approximately 42.45%, based on the total liabilities of approximately HK\$50.73 million and total equity of approximately HK\$119.50 million.

As at 31 December 2011, 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.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2011 (2010: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies during the six months ended 31 December 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group employed a total of 123 employees, of which 118 are based in the PRC and 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2011, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long Positions in the Shares and Underlying Shares of the Company

Name of directors	Capacity	Number of shares held	Aggregate interest	Approximate pursuant to interest
Han Qingyun	Interest of controlled corporation	200,000,000 (Note 1)	200,000,000	15.38%
Han Xiaoyue	Interest of controlled corporation	3,805,112 (Note 2)	3,805,112	0.29%

Note 1: 181,843,836 shares held by Wide Cosmos International Holdings Co Ltd which is beneficially owned by Mr. Han Qingyun. Mr. Han Qingyun also personally holds 18,156,164 shares in the Company.

Note 2: These 3,805,112 shares are owned by Portton Investments Limited ("Portton"), the issued share capital of which is beneficially owned by Mr. Han Xiaoyue (the joint-chairman of the Company) and Mr. Wang Jiandong as to 66.67% and 33.33% respectively. Each of Mr. Han Xiaoyue and Mr. Wang Jiandong are deemed to be interested in these 3,805,112 under Part XV of the SFO. Portton is wholly owned by Power Field International Limited.

Save as disclosed above, as at 31 December 2011, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO, or otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

According to the records entered into the register required to be kept by the Company under section 336 of the SFO, so far as the directors of the Company are aware of and having made due enquiries, as at 31 December 2011, the interests and short positions of the persons (other than the directors and chief executive of the Company) in the shares and underlying shares of the Company were as follows:

Long Positions in the Shares and Underlying Shares of the Company

Name	Capacity	Number of shares held	Aggregate interest	Approximate percentage of issued share capital
Wide Cosmos International Holdings Co. Ltd.	Beneficial owner (Note 1)	181,843,836	181,843,836	13.98%
Wang Jing	Beneficial owner	66,800,000	66,800,000	5.14%
Beijing Securities Limited (Note 2)	Beneficial owner	104,760,925	104,760,925	8.06%
Premium Castle Limited (Note 2)	Interest in controlled corporation	104,760,925	104,760,925	8.06%
Lo Ming Chi Charles (Note 2)	Interest in controlled corporation	104,760,925	104,760,925	8.06%
Suen Cho Hung, Paul (Note 2)	Interest in controlled corporation	104,760,925	104,760,925	8.06%
Global Trade Center Holdings Co. Limited	Beneficial owner	93,360,000	93,360,000	7.18%

Long Positions in the Shares and Underlying Shares of the Company (Continued)

Note 1: Wide Cosmos International Holdings Co. Ltd. was beneficially owned by Mr. Han Qingyun, the chairman of the Company.

Note 2: The 104,760,925 shares were held by Beijing Securities Limited, which was a wholly-owned subsidiary of Premium Castle Limited. The issued share capital of Premium Castle Limited was held as to 39% by Suen Cho Hung, Paul and as to 36.28% by Lo Ming Chi Charles.

Save as disclosed above, as at 31 December 2011, no person, other than the directors and chief executive of the Company whose interests are set out in the “Directors’ and chief executive’s interests in securities” section above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 31 December 2011, there were no purchases, sales or redemptions of the Company’s listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Overview of Corporate Governance

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

Code on Corporate Governance Practices

During the six months ended 31 December 2011, 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:

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and be subject to re-election. The three independent non-executive directors of the Company were not appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company.

Under code provision E.1.2 of the Corporate Governance Code, the Chairman of the Board should attend, and the chairmen of the audit and remuneration committees should be available to answer questions at the annual general meeting of the Company.

The Chairman of the Board, the audit committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 30 December 2011 in person, but the Chairman of the Board has already delegated to one of the executive directors of the Company to chair the meeting on his behalf and on behalf of the chairmen of the audit committee and the remuneration committee.

Directors' Securities Transaction

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. After specific enquiry made by the Company, all directors have confirmed that they have fully complied with the Model Code during the six months ended 31 December 2011.

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 Xinzong 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 2011.

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 2011 containing the information required under Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

MEMBERS OF THE BOARD

As at the date of this interim report, the board of directors of the Company comprises Mr. Han Qingyun as chairman; Dr. Han Xiaoyue as joint chairman; Ms. Guo Yanni, Mr. Long Mingfei and Mr. Xu Nianchun as executive directors; and Mr. Li Xinzhong, Mr. Zhang Wen and Ms. Zhu Jinghua as independent non-executive directors.

By order of the Board
Han Xiaoyue
Chairman

Hong Kong, 29 February 2012