China Zenith Chemical Group Limited
中國天化工集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 362)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- First record of profit of HK$61 million since the year 2013 (2016: Loss of HK$508 million).
- Twofold increase in residential heat supplying areas leading to a substantial increase in turnover and profit in the heat and power division.
- Resumption of production of the calcium carbide factory in Heihe.

RESULTS

The Board of Directors ("Board" or "Directors") of China Zenith Chemical Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2017 together with the comparative figures for the previous year as follows:

Consolidated Income Statement
for the year ended 30 June 2017

	Note	**2017** **HK$'000**	2016 *HK$'000* (Represented)
Continuing operations			
Revenue	*4*	**186,110**	68,300
Cost of sales		**(152,270)**	(47,203)
Gross profit		**33,840**	21,097
Other income	*5*	**94,820**	45,860
Selling and distribution costs		**(12,695)**	(12,553)
Administrative expenses		**(107,574)**	(77,503)
Other operating expenses		**(84,488)**	(146,839)
Impairment of goodwill		**—**	(37,904)
Impairment of fixed assets		**(15,647)**	(222,000)
Loss from operations		**(91,744)**	(429,842)
Finance costs	*7*	**(60,078)**	(68,945)
Loss before tax		**(151,822)**	(498,787)
Income tax credit	*8*	**20,945**	4,580
Loss for the year from continuing operations	*9*	**(130,877)**	(494,207)
Discontinued operations			
Profit/(Loss) for the year from discontinued operations		**192,195**	(14,189)
Profit/(Loss) for the year		**61,318**	(508,396)

	Note	2017 HK$'000	2016 HK$'000 (Represented)
Attributable to:			
Owners of the Company			
— From continuing operations		**(123,714)**	(407,458)
— From discontinued operations		**192,195**	(14,189)
		68,481	(421,647)
Non-controlling interests			
— From continuing operations		**(7,163)**	(86,749)
Profit/(Loss) for the year		**61,318**	(508,396)
Earnings/(loss) per share			
From continuing and discontinued operations			
— Basic	*11(a)*	**HK6.57 cents**	(HK50.42 cents)
— Diluted	*11(a)*	**HK6.57 cents**	(HK50.42 cents)
From continuing operations			
— Basic	*11(b)*	**(HK11.86 cents)**	(HK48.72 cents)
— Diluted	*11(b)*	**(HK11.86 cents)**	(HK48.72 cents)
From discontinued operations			
— Basic	*11(c)*	**HK18.43 cents**	(HK1.70 cents)
— Diluted	*11(c)*	**HK18.43 cents**	(HK1.70 cents)

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2017

	2017	2016
	HK$'000	*HK$'000*
		(Represented)
Profit/(Loss) for the year	**61,318**	(508,396)
Other comprehensive income after tax:		
Item that will not be reclassified to profit or loss:		
Gains on property revaluation	**24,637**	55,613
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(111,489)**	(21,772)
Other comprehensive income for the year, net of tax	**(86,852)**	33,841
Total comprehensive income for the year	**(25,534)**	(474,555)
Attributable to:		
Owners of the Company	**(5,148)**	(401,535)
Non-controlling interests	**(20,386)**	(73,020)
	(25,534)	(474,555)

Consolidated Statement of Financial Position
at 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Fixed assets		**2,572,893**	2,679,295
Land held under finance leases		**65,087**	65,768
Prepaid land lease payments		**281,296**	378,241
Other intangible assets		**86**	613
		2,919,362	3,123,917
Current assets			
Inventories		**19,914**	48,918
Trade receivables	*12*	**25,719**	8,417
Prepayments, deposits and other receivables		**92,605**	74,811
Financial assets at fair value through profit or loss		**45**	169
Bank and cash balances		**93,159**	39,297
		231,442	171,612
TOTAL ASSETS		**3,150,804**	3,295,529
Capital and reserves			
Share capital	*14*	**107,809**	287,490
Reserves		**1,650,947**	1,405,854
Equity attributable to owners of the Company		**1,758,756**	1,693,344
Non-controlling interests		**109,528**	129,914
Total equity		**1,868,284**	1,823,258

	Note	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Bank loans		**44,087**	29,358
Bonds payable		**633,475**	416,960
Other payables		**243,191**	—
Deferred tax liabilities		**17,017**	15,006
		937,770	461,324
Current liabilities			
Trade payables	*13*	**42,128**	72,906
Bond interest payable		**—**	9,219
Other payables and accruals		**195,952**	828,481
Other loans		**65,131**	46,579
Bank loans		**41,539**	53,762
		344,750	1,010,947
Total liabilities		**1,282,520**	1,472,271
TOTAL EQUITY AND LIABILITIES		**3,150,804**	3,295,529
Net current liabilities		**(113,308)**	(839,335)
Total assets less current liabilities		**2,806,054**	2,284,582

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain buildings and investments which are carried at their fair values.

2. GOING CONCERN BASIS

As at 30 June 2017 the Group had net current liabilities of approximately HK$113,308,000 (2016: HK$839,335,000) and incurred a loss of HK$130,877,000 (2016: HK$494,207,000) from continuing operations during the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the directors have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to achieve profitable and positive cash flows from operations in immediate and long terms. The directors have prepared cash flow forecasts for the period up to June 2018 after taking into account of the measures below. In order to strengthen the Group's capital base and maintain sufficient financing necessary for future business development, the directors of the Company have taken the following measures:

— After the end of reporting period, the Group had issued corporate bonds with an aggregate principal amount of approximately HK$110,500,000. These bonds are repayable over 5 years.

— On 7 September 2017, the Group entered into an agreement with certain creditors to dispose of a part of idle land included in prepaid land lease payments at a consideration of approximately HK$25,080,000. The amounts due to these creditors were offset upon the creditors becoming entitled to the ownership of the land use rights.

— On 20 July 2017, the subscription rights attaching to 32,340,000 shares options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.31 per share, resulting in the issue of 32,340,000 shares of HK$0.1 each for the total cash consideration of approximately HK$10,025,000.

Based on the above conditions, the directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Amendment to HKFRSs and the new interpretations that are mandatorily effective for the current year

The Group has applied the following new and revised HKFRSs issued by the HKICPA that are relevant for the preparation of the consolidated financial statements for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements

Except as described below, the application of the above new and revised to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity does not need to provide a specific disclosure required by a HKFRSs if the information resulting from the disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of consolidated financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

Furthermore, the amendments require that an entity's share of the other comprehensive income of associates accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. Other than such a change in presentation, the application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

(b) New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial instruments*[1]
HKFRS 15	*Revenue from contracts with customers*[1]
HKFRS 16	*Leases*
HK(IFRIC)-Int 22	*Foreign currency transactions and advance consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income tax treatments*[2]
Amendments to HKFRSs	*Annual improvements to HKFRSs 2014–2016 cycle, HKFRS1 and HKAS 28*[1]
Amendments to HKAS 40	*Transfer of investment property*[1]
Amendments to HKFRS 2	*Classification and measurement of share-based payment transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 financial instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 15	*Classification revenue from contracts with customers*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or contribution of assets between an investor and its associate or joint venture*[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 a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revision version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through profit or loss and other comprehensive income" measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are with in the scope of HKAS39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Under HKFRS 9, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may take an irrecoverable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types on hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting. In additions, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have an impact on the classification and measurement of financial instruments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 16 Leases

HKFRS16, which upon the effective date will supersede Hong Kong Accounting Standard ("HKAS") 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flow. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the less or accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of HKFRS 16. For the moment, considered that it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-group transactions during the year.

	2017	2016
	HK$'000	*HK$'000*
Continuing operations:		
Heat supplying services	**117,996**	56,696
Electricity supplying services	**16,814**	11,604
Sales of calcium carbide	**51,300**	—
	186,110	68,300

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
		(Represented)
Continuing operations:		
Conveyance service income	**17,750**	—
Gain on disposal of prepaid land lease payments	**50,878**	—
Gain on disposal of fixed assets	**42**	—
Government grants *(Note)*	**—**	42,798
Bank interest income	**8**	12
Other interest income	**50**	27
Rental income	**88**	121
Reversal of trade receivables	**17,193**	—
Write off of other payables due to deregistration	**3,197**	—
Waiver of loan interest payments	**3,730**	—
Sundry income	**1,884**	2,902
	94,820	45,860
Discontinued operations:		
Sundry income	**—**	1,228
	94,820	47,088

Note: Government grants for the years ended 30 June 2016 were received as incentive for capital expenditure and subsidy for operating costs. There are no unfulfilled conditions or contingencies attached to the grants.

6. SEGMENT INFORMATION

The Group has five reportable segments as follows:

Polyvinyl-chloride — manufacture and sale of polyvinyl-chloride;

Vinyl acetate — manufacture and sale of vinyl acetate;

Heat and power — generation and supply of heat and power;

Calcium carbide — manufacture and sale of calcium carbide; and

Vitamin C, glucose and starch — manufacture and sale of vitamin C, glucose and starch.

On 26 December 2016, the Vitamin C, glucose and starch segment was disposed of and was presented as a discontinued operation. Accordingly, the information is represented.

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include fair value loss on financial assets at fair value through profit or loss, impairment of goodwill and corporate administrative expenses. Segment assets do not include bank and cash balances, financial assets at fair value through profit or loss and corporate assets. Segment liabilities do not include bank loans, bonds payable, bond interest payable, other loans and other payables and accruals for general administrative use.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss, assets and liabilities:

	Continuing operations					**Discontinued operations**	
	Polyvinyl-chloride *HK$'000*	**Vinyl acetate** *HK$'000*	**Heat and power** *HK$'000*	**Calcium carbide** *HK$'000*	**Sub-total** *HK$'000*	**Vitamin C, glucose and starch** *HK$'000*	**Total** *HK$'000*
Year ended 30 June 2017							
Revenue from external customers	—	—	134,810	51,300	186,110	—	186,110
Segment profit/(loss)	(7,867)	(9,287)	18,032	(54,760)	(53,882)	192,195	138,313
Interest revenue	—	—	—	2	2	—	2
Interest expense	—	2,462	2,398	5,591	10,451	—	10,451
Depreciation and amortisation	13,296	13,699	11,322	71,561	109,878	433	110,311
Other material items of income and expense:							
Gain on disposal of prepaid land lease payment	—	—	—	50,878	50,878	—	50,878
Income tax credit	4,281	7,236	5,969	3,459	20,945	—	20,945
Other material non-cash items:							
(Reversal of)/allowance for receivables							
— trade receivables	(4,684)	(456)	(333)	(11,720)	(17,193)	—	(17,193)
— other receivables	635	—	13,386	754	14,775	—	14,775
Impairment of fixed assets	—	—	—	15,647	15,647	—	15,647
Additions to segment non-current assets	—	—	82,801	1	82,802	—	82,802
As at 30 June 2017							
Segment assets	222,220	131,583	904,382	1,715,986	2,974,171	—	2,974,171
Segment liabilities	16,898	27,859	165,143	292,606	502,506	—	502,506

	Continuing operations					Discontinued operations	
	Polyvinyl-chloride *HK$'000*	Vinyl acetate *HK$'000*	Heat and power *HK$'000*	Calcium carbide *HK$'000*	Sub-total *HK$'000*	Vitamin C, glucose and starchs *HK$'000*	Total *HK$'000*
Year ended 30 June 2016							
Revenue from external customers	—	—	68,300	—	68,300	—	68,300
Segment profit/(loss)	(65,764)	(117,734)	4,379	(224,519)	(403,638)	(14,177)	(417,815)
Interest revenue	3	—	—	6	9	—	9
Interest expense	—	2,601	6,411	7,980	16,992	—	16,992
Depreciation and amortisation	13,171	12,742	11,151	66,618	103,682	11,398	115,080
Other material items of income and expense:							
Government grants	—	—	41,352	241	41,593	1,205	42,798
Income tax credit	—	—	—	4,580	4,580	—	4,580
Other material non-cash items:							
(Reversal of)/allowance for receivables							
— trade receivables	(117)	—	5,181	—	5,064	—	5,064
— other receivables	188	—	2,611	34,101	36,900	—	36,900
Impairment of fixed assets	47,000	99,000	—	76,000	222,000	—	222,000
Additions to segment non-current assets	842	—	299,405	2,979	303,226	—	303,226
As at 30 June 2016							
Segment assets	206,970	126,030	721,683	1,950,850	3,005,533	164,790	3,170,323
Segment liabilities	16,359	9,447	328,245	395,939	749,990	112,834	862,824

Reconciliation of reportable segment profit or loss, assets and liabilities:

	2017 *HK$'000*	2016 *HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**138,313**	(417,815)
Fair value loss on financial assets at fair value through profit or loss	**(125)**	(234)
Impairment of goodwill	**—**	(37,904)
Corporate administrative expenses	**(76,870)**	(52,443)
Consolidated profit/(loss) for the year	**61,318**	(508,396)
Assets		
Total assets of reportable segments	**2,974,171**	3,170,323
Bank and cash balances	**93,159**	39,297
Financial assets at fair value through profit or loss	**45**	169
Corporate assets	**83,429**	85,740
Consolidated total assets	**3,150,804**	3,295,529
Liabilities		
Total liabilities of reportable segments	**502,506**	862,824
Bonds payable	**633,475**	416,960
Bond interest payable	**—**	9,219
Bank loans	**85,626**	83,120
Other loans	**65,131**	46,579
Other payables and accruals for general administrative use	**8,754**	53,569
Consolidated total liabilities	**1,295,492**	1,472,271

The Group's revenue is derived from customers based in the People's Republic of China (the "PRC") and accordingly, no geographical information is presented.

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Continuing operations:		
Interest on bank loans	**8,788**	8,670
Interest on other loans — wholly repayable within five years	**2,313**	9,012
Interest on bonds payable — not wholly repayable in five years	**48,977**	51,263
Total borrowing costs	**60,078**	68,945

8. INCOME TAX CREDIT

	2017	2016
	HK$'000	*HK$'000*
Continuing operations:		
Current tax		
— PRC Enterprise Income tax	**—**	—
— Hong Kong Profits tax	**—**	—
Deferred tax credit	**(20,945)**	(4,580)
	(20,945)	(4,580)

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2016: Nil).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC enterprise income tax at a rate of 25% during the year (2016: 25%).

Pursuant to the Corporate Income Tax Law of the PRC approved by the National People's Congress on 16 March 2007, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividend derived from sources within the PRC.

According to the notice Cai Shui [2008] No.1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from withholding tax. Accordingly, the retained profits at 31 December 2007 in the Group's foreign-invested enterprises' books and accounts will not be subject to withholding tax on dividend on future distribution.

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit/(Loss) before tax		
Continuing operations	**(151,822)**	(498,787)
Discontinued operations	**192,195**	(14,189)
	40,373	(512,976)
Tax at the statutory tax rate	**1,433**	(123,661)
Income not subject to tax	**(36,512)**	—
Expenses not deductible for tax	**2,953**	1,899
Unrecognised temporary differences	**(16,858)**	20,162
Tax losses not recognised	**28,604**	99,345
Utilisation of unrecognised tax losses	**(565)**	(2,325)
Tax credit at the Group's effective tax rate	**(20,945)**	(4,580)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$25,133,000 (2016: HK$45,791,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

9. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditor's remuneration	**1,320**	1,200	**—**	—	**1,320**	1,200
(Reversal of)/Allowance for receivables						
— trade receivables	**(17,193)**	5,064	**—**	—	**(17,193)**	5,064
— other receivables	**22,797**	37,786	**—**	—	**22,797**	37,786
Amortisation of other intangible assets (included in administrative expenses)	**513**	534	**—**	—	**513**	534
Cost of inventories sold	**152,270**	47,203	**—**	—	**152,270**	47,203
Depreciation of fixed assets	**107,091**	114,762	**433**	867	**107,524**	115,629
Write off/loss on disposal of fixed assets	**131**	133	**—**	—	**131**	133
Minimum lease payments under operating leases for land and buildings	**8,724**	10,772	**—**	810	**8,724**	11,582
Factory overhead incurred during suspension of production (note)	**82,213**	106,077	**—**	867	**82,213**	106,944
Fair value loss on financial assets at fair value through profit or loss	**124**	234	**—**	—	**124**	234
Staff costs (excluding directors' emoluments):						
Wages, salaries and benefits in kind	**22,794**	14,089	**—**	385	**22,794**	14,474
Retirement benefits scheme contributions	**5,934**	5,106	**—**	98	**5,934**	5,204

Cost of inventories sold includes staff costs and depreciation of approximately HK$8,054,000 (2016: HK$7,926,000) and HK$5,829,000 (2016: HK$4,985,000) respectively, which are included in the amounts disclosed separately above.

Note: During the years ended 30 June 2017 and 2016, factory overhead was incurred during the temporary suspension of the production line of Polyvinyl-chloride segment, Vinyl acetate segment, Calcium carbide segment and Vitamin C, glucose and starch segment due to a substantial decrease in profit margin.

10. DIVIDEND

The directors do not recommend the payment of dividend for the year ended 30 June 2017 (2016: Nil).

11. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

Basic earnings/(loss) per share

Calculation of basic earnings/(loss) per share attributable to the owners of the Company is based on the profit for the year attributable to the owners of the Company of approximately HK$68,481,000 (2016: loss of HK$421,647,000) and the weighted average number of ordinary shares of 1,042,958,792 (2016: 836,297,455, as adjusted to reflect the open offer completed on 1 December 2016) in issue during the year.

Diluted earnings/(loss) per share

The computation of diluted earnings/(loss) per share for the years did not assume the exercise of outstanding share options of the Company since the exercise price of the share option was higher than the average market price during the year of 2017 and 2016.

(b) From continuing operations

Basic loss per share

Calculation of basic loss per share from continuing operations attributable to the owners of the Company is based on the loss for the year from continuing operations attributable to the owners of the Company of approximately HK$123,714,000 (2016 (represented): loss of HK$407,458,000) and the denominator used is the same as that detailed above for basic earnings per share from continuing and discontinued operations.

Diluted earnings per share

The computation of diluted loss per share for the years did not assume the exercise price of outstanding share options of the Company since the exercise price of the share option was higher than the average market price during the year of 2017 and 2016.

(c) Earnings/(loss) per share from discontinued operations

Basic earnings/(loss) per share

Basic earnings per share from the discontinued operations for the year is HK$18.43 cents (2016: basic loss per share of HK$1.70 cents), based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK$192,195,000 (2016 (represented): loss of HK$14,189,000) and the denominator used is the same as that detailed above for basic earnings per share from continuing and discontinued operations.

Diluted earnings per share

The computation of diluted earnings/(loss) per share for the years did not assume the exercise of outstanding share options of the Company since the exercise price of the share option was higher than the average market price during the year of 2017 and 2016.

12. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 60 to 180 days (2016: 60 to 180 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**274**	56
31 to 60 days	**268**	1,044
61 to 90 days	**2,491**	484
91 to 120 days	**2,880**	2,453
121 to 150 days	**2,806**	839
151 to 180 days	**17,000**	3,541
	25,719	8,417

As at 30 June 2017, an allowance of approximately HK$160,832,000 (2016: HK$230,894,000) was made for estimated irrecoverable trade receivables.

The reconciliation of allowance for trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	**230,894**	232,581
(Reversal of)/Allowance made for the year	**(17,193)**	5,064
Disposal of subsidiaries	**(48,071)**	—
Exchange differences	**(4,798)**	(6,751)
At end of year	**160,832**	230,894

As of 30 June 2017, trade receivables of approximately HK$25,177,000 (2016: HK$7,317,000) were past due but not impaired. These mainly relate to an independent customer for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Up to 90 days	**2,491**	484
91 to 180 days	**22,686**	6,833
	25,177	7,317

The Group's trade receivables are denominated in RMB.

13. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days (2016: 30 to 120 days) from its suppliers.

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**8**	9,674
31 to 60 days	**932**	10,881
61 to 90 days	**571**	413
91 to 120 days	**1,656**	282
121 to 365 days	**10,442**	31,805
Over 365 days	**28,519**	19,851
	42,128	72,906

The Group's trade payables are denominated in RMB.

14. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
1,078,087,319 (2016: 2,874,899,519) ordinary shares of HK$0.10 each	**107,809**	287,490

	Number of ordinary shares issued	**Par value**
	'000	*HK$'000*
At 1 July 2015	2,382,899	238,290
Placement of new shares	138,000	13,800
Issue of shares for acquisition of non-controlling interest	354,000	35,400
At 30 June 2016 and 1 July 2016	2,874,899	287,490
Issue of shares under an open offer	718,725	71,872
Issue of bonus shares	718,725	71,873
Share consolidation	(3,234,262)	—
Cancellation of paid-up capital	—	(323,426)
At 30 June 2017	1,078,087	107,809

15. CONTINGENT LIABILITIES

On 19 November 2012, China Electricity Construction Consultant Group Dongbei Electricity Design College (translated from the Chinese name of 中國電力工程顧問集團東北電力設計院) (the "Plaintiff") filed a writ (the "Writ") at the high court of Heilongjiang Province in the PRC ("the Heilongjiang High Court") against Mudanjiang Better Day Power Limited ("Mudanjiang BD Power"), an indirect wholly-owned subsidiary of the Company.

Mudanjiang BD Power had contracted the Plaintiff to construct certain coal-powered electricity generating facilities at the business address of Mudanjiang BD Power (the "Contract"). Owing to the alleged delay in the progress of the construction, the Plaintiff claimed (i) the payment of the contract sum in the amount of approximately RMB42,700,000 and the interest thereof; (ii) the grant of the first priority right to receive payment from Mudanjiang BD Power in respect of the subject construction project under the Contract; (iii) damages in the sum of approximately RMB13,300,000 for alleged termination of the Contract; and (iv) the legal fees arising from this legal case. The Company has been seeking legal advice in respect of the Writ on the dispute in the payment for the Contract since December 2012. According to the management of Mudanjiang BD Power, the construction work had been slowed down because the financial resources available for the project development were tied up by unfavourable business operations since 2009.

During the year, the Heilongjiang High Court had adjudged that Mudanjiang BD Power was liable to compensate the Plaintiff of approximately RMB36,700,000. Upon the end of the reporting period, Mudanjiang BD Power was negotiating with the Plaintiff to continue the construction of the coal-powered electricity generating facilities. Once the Contract was continued under the mutual agreement between Mudanjiang BD Power and the Plaintiff, part of the damages granted may be absorbed in the cost of construction.

The management has made sufficient provision for this legal claim and believes that a favorable settlement could be reached with the Plaintiff.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Elite Partners CPA Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 30 June 2017:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of its consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the financial statements, which indicates that as of 30 June 2017, the Group had net current liabilities of approximately HK$113,308,000, this event or condition, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the financial year ended 30 June 2017 (the "Year"), the Group recorded a profit of approximately HK$61 million which was mainly derived from the robust growth in the heat and power division and the gain from disposal of the Vitamin C, glucose and starch division.

During the Year, revenue of the Group amounted to approximately HK$186 million, representing an increase of 172% compared with that of the financial year ended 30 June 2016. Profit attributable to the owners of the Company amounted to approximately HK$68 million in contrast to a loss attributable to the owners of the Company of the last financial year.

During the Year, the increase in the Group's revenue was attributable to the increase in sales volume of our heat and power products and the resumption of operation of our calcium carbide factory in Heihe.

The Group's selling and distribution costs for the Year was approximately HK$13 million, representing an increase of approximately 1% when compared with that of the last financial year. The increase in selling and distribution costs resulted from the increase in the heat supplying areas during the Year.

The Group's administrative expenses for the Year was approximately HK$108 million, representing an increase of approximately 38% when compared with that of the last financial year. Since Heihe factory was resumed its production during the Year, the respective factory overhead costs, which included in the other operating expenses during the suspension period, were reallocated in the administrative expenses.

Excluding the effect of factory overhead during the suspension of the production of coal-related chemical and bio-chemical products which amounted to approximately HK$82 million, the Group's other operating expenses for the Year was approximately HK$2 million, representing an decrease of HK$39 million when compared with that of the last financial year. (Excluding the effect of factory overhead during the suspension of the production of coal-related chemical and bio-chemical products which amounted to approximately HK$106 million, the Group's other operating expenses for the year ended 30 June 2016 was approximately HK$41 million.)

During the Year, the Group appointed an independent professional valuer to assess the market value of the Group's fixed assets. For the Year, the Group recorded an impairment of fixed assets of HK$16 million (2016: HK$222 million). The Group is not required to make further impairment for goodwill (2016: HK$38 million). These impairments were derived from the difference between the carrying amount less fair value of the assets.

Heat and power division

During the Year, the heat and power segment recorded a revenue of HK$135 million from external customers. The income from residential supply of heat for the Year was approximately HK$103 million, representing an increase of approximately 115% when compared with that of the last financial year. The increase resulted from the increase of the supplying heat residential areas from 1,400,000 square meters to 3,000,000 square meters. Segment profit of approximately HK$18 million was attained compared with a segment profit of HK$4.4 million for the last financial year.

Apart from the expansion of the residential areas for heat supply, the local management had also closely monitored the operation to reduce coal or energy consumption and avoid wastage so as to increase the profit from our heat and power generating facilities.

Coal-related chemical production division

Coal related chemical production division included the polyvinyl-chloride segment (the "PVC segment"), the vinyl acetate segment (the "VA segment") and the calcium carbide segment (the "CC segment"). During the Year, the calcium carbide segment recorded a revenue of HK$51 million from external customers. For the year ended 30 June 2016, no revenue was recorded for these segments. The segment loss of the PVC segment, VA segment and CC segment were HK$8 million, HK$9 million and HK$55 million respectively, representing a decrease of 58%, 52% and 63%, respectively, compared with that of the last financial year. (For the year ended 30 June 2016, the segment loss of PVC segment, VA segment and CC segment were HK$19 million, HK$19 million and HK$149 million, respectively, excluding the effect of impairment of fixed assets of HK$222 million.)

Bio-Chemical products division

During the Year, the Group disposed Bio-Chemical products division. The Bio-Chemical segment recorded a profit of HK$192 million which was mainly derived from the disposal of such segment. Excluding the profit from disposal, the segment loss of Bio-Chemical was HK$3 million, representing a decrease of 78% compared with that of the last financial year.

PROSPECT

Despite the current tough business environment, the management has implemented certain strategic plans to overcome the difficulties and improve the financial and operation situation of the Group.

Heat and power division

During the Year, the residential heat supplying area had increased to 3,500,000 square meters from 1,400,000 square meters at the beginning of the Year. The management targets to expand the heat supplying area to approximately 10 million square meters over the next 3 years.

Despite the increase in coal price during the Year by over 50%, the remarkable growth in residential heat supplying areas will enhance the profit margin and contribute a stable return to the Group. The management strongly believes that the heat and power division will continue to be the growth driver of the Group.

Coal-related chemical production division

Heihe

Heihe Longjiang Chemical Co. Ltd. ("HLCCL"), the Group's coal related chemical production in Heihe, has resumed production of calcium carbide since September 2016. The factory was still incurring operating loss during the Year as certain initial production costs had been incurred during the fine-tuning period.

In March 2017, the management decided to install a set of plant and machinery to reduce the direct material cost by 5%-10%. Installation of the new plant and machinery was completed in September 2017 and, upon the reporting date, the production line was undergoing the fine-turning process. The management is anticipates that HLCCL will take a favorable turn and make profit in the coming few years.

Mudanjiang

As well as the recovery of the market for coal-related production, the resumption of production for Mudanjiang's production line becomes profitable. To further reduce the operating cost, the management intends to centralize the production of calcium carbide in Heihe by shifting the calcium carbide production plants to Heihe in the coming few months. Part of the calcium carbide will be transported to Mudanjiang to resume production of PVC and VA.

Appointment as window company of Mudanjiang City Government

On 25 August 2015, the Mudanjiang City Government appointed the Company as its Hong Kong based agent and foreign window company representing it in the negotiation of matters concerning the city government's listing of domestic enterprises and projects, fund raising exercise and transfer of equity interest. The Company was honored the appointment due to its contribution to the local economy and good relationship with Mudanjiang City Government. The appointment has no fixed term and is intended to be high level initiative for promotion of commercial and capital market activities. The duty was not set out in the appointment letter, nor has the Company performed since being appointed, any particular task, function or role as the local government's agent and window company.

Capital Structure, Liquidity and Financial Resources

Capital structure

The Group financed its operations and business development with internally generated resources and equity and non-equity funding.

Liquidity and Financial Ratios

As at 30 June 2017, the Group had total assets of approximately HK$3,150.8 million (2016: approximately HK$3,295.5 million) which were financed by current liabilities of approximately HK$344.8 million (2016: approximately HK$1,010.9 million), non-current liabilities of approximately HK$937.8 million (2016: approximately HK$461.3 million), non-controlling interests of approximately HK$109.5 million (2016: approximately HK$129.9 million) and shareholders' equity of approximately HK$1,758.7 million (2016: approximately HK$1,693.4 million).

As at 30 June 2017, the current assets of the Group amounted to approximately HK$231.4 million (2016: approximately HK$171.6 million) comprising inventories of approximately HK$19.9 million (2016: approximately HK$48.9 million), trade receivables of approximately HK$25.7 million (2016: approximately HK$8.4 million), prepayments, deposits and other receivables of approximately HK$92.6 million (2016: approximately HK$74.8 million), financial assets at fair value through profit or loss of approximately HK$0.1 million (2016: approximately HK$0.2 million), cash and cash equivalents of approximately HK$93.1 million (2016: approximately HK$39.3 million). As at 30 June 2017, the Group's current ratio (current assets/current liabilities), quick ratio ((current assets — inventory)/current liabilities), gearing ratio (total debts/total assets) and debts to equity ratio (total debts/shareholders' equity) of the Group were approximately 0.7 (2016: 0.2), 0.6 (2016: 0.1), 40.7% (2016: 44.7%) and 72.9% (2016: 86.9%), respectively.

Throughout the Year, the management had taken several measures to improve the liquidity position and financial position of the Group. The net current liabilities had been reduced significantly from approximately HK$839.3 million as at 30 June 2016 to approximately HK$113.3 million as at 30 June 2017.

Although the Group was in net current liabilities position, the management has closely monitored the Group's liquidity position and has taken appropriate measures to ensure it had sufficient resources to meet its financial obligations.

Equity funding

On 1 December 2016, the Company completed an open offer. The net proceeds raised from the open offer by issuing 718,724,879 offer shares at HK$0.1 on the basis of one offer share together with one bonus share for every four existing shares held were HK$70.6 million. As at the date of this announcement, approximately HK$25.6 million was used to reduce current debts of the Group and approximately HK$45.0 million was applied to enhance the working capital of the Group.

Non-equity funding

Bank loans

As at 30 June 2017, the bank loans of the Group amounted to approximately HK$85.6 million (2016: approximately HK$83.1 million). Based on the agreed scheduled repayments set out in the loan agreements, bank loans of approximately HK$41.5 million (2016: approximately HK$53.8 million) were repayable within 12 months, of which HK$2.4 million was denominated in Hong Kong Dollar and approximately HK$39.1 million was denominated in Renminbi (2016: approximately HK$2.4 million was denominated in Hong Kong dollar and approximately HK$51.4 million was denominated in Renminbi).

Bonds

On 15 July 2016, 11 January 2017 and 2 May 2017, the Company and Pico Zeman Securities (HK) Limited ("Pico Zeman") entered into various placing agreements pursuant to which Pico Zeman has agreed to procure, on a best endeavor basis, independent placees (which may include Pico Zeman and its associates) to subscribe in cash for one or multiple tranches of 5% to 12%, 4 to 10 years term bonds in an aggregated principal amount of up to HK$100,000,000 within 120 days starting from the date of the respective placing agreements or such later date to be mutually agreed between the Company and Pico Zeman.

As at 30 June 2017, the aggregate amount of bonds payable was approximately HK$633 million (2016: HK$417 million) aiming at improving the working capital of the Group during the Year.

Significant investment held by the Company

As at 30 June 2017, the Company did not have any significant investments except for the financial assets at fair value through profit or loss of approximately HK$0.1 million. The Company had recorded a fair value loss on financial assets at fair value through profit or loss of approximately HK$0.1 million during the Year.

Charges on the Group's assets

As at 30 June 2017, bank loans and other loans of approximately HK$85.6 million and HK$51.8 million respectively are secured by charges over the Group's certain fixed assets, land held under finance leases and prepaid land lease payments.

Event after reporting period

On 5 June 2017, the Group entered into an agreement with Mr. Zhu Changjun and Ms. Zhu Aiying to acquire 100% of the equity interest in Mudanjiang Jinyang Municipal Engineering Company Limited. The consideration for the acquisition was RMB64,000,000. Up to the reporting date, the transaction is not yet completed as the registration of transfer is still in progress.

The Group granted 43,120,000 share options on 17 July 2017 and 53,900,000 share options on 26 July 2017 to the directors of the Company under the share option scheme adopted on 20 December 2012. The exercise price of the share options were HK$0.31 and HK$0.345 respectively.

Contingent liabilities

As at 30 June 2017, except for disclosed in Note 15, the Group did not have any significant contingent liabilities.

Foreign exchange exposure

Although most of the Group's operations were carried out in the PRC in which transactions were denominated in RMB, the directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of RMB in recent years. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 June 2017.

Number and Remuneration of Employees

As at 30 June 2017, the Group had 589 full time employees in the PRC and Hong Kong. The Group recognises the importance of human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance-related commissions.

During the Year, no share options were granted to the senior management of the Hong Kong and PRC subsidiaries of the Company. As at 30 June 2017, there were approximately 13 million share options outstanding with exercisable period up to 10 May 2018 at the exercise price of HK$3.72 per share. On 20 July 2017, holders of 13 million share options had agreed to voluntarily give up all their outstanding share options and allowed it to lapse with immediate effect.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company had reviewed the audited consolidated results of the Group for the Year.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2017 have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2017. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with 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 this announcement.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the Year, complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules, except for the deviation which is summarised below:

Code Provision A.2.1

The code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Throughout the Year, the roles of Chairman and Chief Executive Officer are performed by the same individual, Ms. Chan Yuk Foebe, and are not separated. The Board meets regularly to consider issues related to corporate matters affecting operations of the Group and considers that this deviation will not impair the balance of power and authority of the Board and the Company's management and thus, the Board believes the current structure will enable effective planning and implementation of corporate strategies and decisions of the Group. Notwithstanding the above, the Board will review the current structure from time to time and shall make necessary amendments at the appropriate time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries to all the Directors, all the Directors confirmed that they have complied with the code provisions in the Model Code during the Year.

By Order of the Board
China Zenith Chemical Group Limited
Chan Yuk Foebe
Chairman and Executive Director

Hong Kong, 28 September 2017

As at the date of this announcement, the executive directors of the Company are Ms. Chan Yuk Foebe, Mr. Law Tze Ping Eric and Mr. Yu Defa and the independent non-executive directors of the Company are Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit.