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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 362)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- **Loss to owners of the Company: HK$249 million (2014: 560 million)**
- **Non-cashflow items: HK$221 million (including depreciation and amortisation, allowance for receivables and share option benefits)**
- **Re-record positive operating cash flow since the year 2013**

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 2015 together with the comparative figures for the previous year as follows:

Consolidated Income Statement

for the year ended 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	*4*	**62,911**	163,477
Cost of sales		**(60,671)**	(191,024)
Gross profit/(loss)		**2,240**	(27,547)
Other income	*5*	**24,772**	21,436
Selling and distribution costs		**(9,011)**	(9,099)
Administrative expenses		**(109,076)**	(120,205)
Other operating expenses		**(187,585)**	(157,244)
Impairment of fixed assets		**–**	(345,008)
Loss from operations		**(278,660)**	(637,667)
Finance costs	*7*	**(48,019)**	(32,667)
Loss before tax		**(326,679)**	(670,334)
Income tax credit	*8*	**28,418**	79,697
Loss for the year	*9*	**(298,261)**	(590,637)
Attributable to:			
Owners of the Company		**(248,517)**	(559,532)
Non-controlling interests		**(49,744)**	(31,105)
		(298,261)	(590,637)
Loss per share			
– Basic	*11*	**(HK10.64 cents)**	(HK24.07 cents)
– Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2015

	2015	2014
	HK$'000	HK$'000
Loss for the year	**(298,261)**	(590,637)
Other comprehensive income after tax:		
Item that will not be reclassified to profit or loss:		
Gains on property revaluation	**16,121**	7,489
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**5,282**	(22,474)
Other comprehensive income for the year, net of tax	**21,403**	(14,985)
Total comprehensive income for the year	**(276,858)**	(605,622)
Attributable to:		
Owners of the Company	**(232,041)**	(574,039)
Non-controlling interests	**(44,817)**	(31,583)
	(276,858)	(605,622)

Consolidated Statement of Financial Position

at 30 June 2015

	Note	**2015** **HK$'000**	2014 HK$'000
Non-current assets			
Fixed assets		**2,845,586**	2,845,458
Land held under finance leases		**66,451**	67,132
Prepaid land lease payments		**401,658**	410,589
Goodwill		**37,904**	37,904
Other intangible assets		**1,555**	3,463
		3,353,154	3,364,546
Current assets			
Inventories		**33,608**	40,490
Trade receivables	*12*	**5,965**	76,114
Other loan receivables		**700**	700
Prepayments, deposits and other receivables		**79,394**	97,357
Financial assets at fair value through profit or loss		**403**	2,721
Bank and cash balances		**41,376**	85,579
		161,446	302,961
TOTAL ASSETS		**3,514,600**	3,667,507
Capital and reserves			
Share capital		**238,290**	232,490
Reserves		**1,888,540**	2,065,404
Equity attributable to owners of the Company		**2,126,830**	2,297,894
Non-controlling interests		**164,033**	208,850
Total equity		**2,290,863**	2,506,744

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Bank loans		**31,761**	34,157
Bonds payable		**291,437**	224,000
Deferred tax liabilities		**17,539**	41,132
		340,737	299,289
Current liabilities			
Trade payables	*13*	**79,543**	85,531
Bond interest payable		**6,749**	2,612
Other payables and accruals		**586,089**	512,998
Other loans		**49,843**	24,837
Due to a non-controlling shareholder of a subsidiary		**43,453**	43,453
Bank loans		**117,323**	192,043
		883,000	861,474
Total liabilities		**1,223,737**	1,160,763
TOTAL EQUITY AND LIABILITIES		**3,514,600**	3,667,507
Net current liabilities		**(721,554)**	(558,513)
Total assets less current liabilities		**2,631,600**	2,806,033

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

The Group incurred a loss of approximately HK$298,261,000 for the year ended 30 June 2015 and as at 30 June 2015 the Group had net current liabilities of approximately HK$721,554,000. 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.

The Group has bank loans of approximately HK$114,926,000 which are subject to a repayment on demand clause and therefore are classified as current liabilities as at 30 June 2015. According to the scheduled repayments, an amount of approximately HK$78,075,000 is repayable after one year. The directors do not consider that the banks will exercise their discretion to demand immediate repayment.

The management expects that the operation of certain subsidiaries will be resumed in the near future and will have positive impact to the Group. 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) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2014:

Amendments to HKAS 16 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendments to HKAS 16 remove perceived inconsistencies in the accounting for accumulated depreciation when an item of property, plant and equipment is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Amendment to HKAS 32, Offsetting financial assets and financial liabilities

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these consolidated financial statements as the Group is not currently subjected to significant levies.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

Other amendments and interpretations which are effective for the accounting year beginning on 1 July 2014 are not relevant to the Group.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 July 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue that are relevant for the Group's operation but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

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.

5. OTHER INCOME

	Group	
	2015	2014
	HK$'000	HK$'000
Dividend income from listed investments	**–**	62
Gain on disposal of prepaid land lease payments	**–**	10,604
Sales of scrap materials	**–**	507
Fair value gain on financial assets at fair value through profit or loss	**256**	89
Gain on disposal of financial assets at fair value through profit or loss	**1,273**	9
Government grants (note)	**21,914**	9,602
Bank interest income	**24**	12
Other interest income	**442**	94
Rental income	**230**	457
Sundry income	**633**	–
	24,772	21,436

Note: Government grants for the years ended 30 June 2015 and 2014 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;
Vitamin C, glucose and starch	–	manufacture and sale of vitamin C, glucose and starch; and
Calcium carbide	–	manufacture and sale of calcium carbide.

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 gain on financial assets at fair value through profit or loss, gain on disposal of financial assets at fair value through profit or loss, dividend income from listed investments and corporate administrative expenses. Segment assets do not include goodwill, bank and cash balances, other loan receivables, 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, amount due to a non-controlling shareholder of a subsidiary 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:

	Polyvinyl-chloride HK$'000	Vinyl acetate HK$'000	Heat and power HK$'000	Vitamin C, glucose and starch HK$'000	Calcium carbide HK$'000	Total HK$'000
Year ended 30 June 2015						
Revenue from external customers	**–**	**–**	**62,911**	**–**	**–**	**62,911**
Segment loss	**(22,658)**	**(20,205)**	**(19,870)**	**(21,210)**	**(163,118)**	**(247,061)**
Interest revenue	**–**	**–**	**–**	**–**	**9**	**9**
Interest expense	**–**	**2,705**	**4,464**	**–**	**13,353**	**20,522**
Depreciation and amortisation	**15,597**	**13,885**	**9,777**	**11,858**	**75,485**	**126,602**
Other material items of income and expense:						
Government grants	**–**	**–**	**20,411**	**1,252**	**251**	**21,914**
Income tax expense/(credit)	**(57)**	**–**	**35**	**–**	**(28,396)**	**(28,418)**
Other material non-cash items:						
(Reversal of)/allowance for receivables						
– trade receivables	**(286)**	**–**	**(1,868)**	**–**	**70,366**	**68,212**
– other receivables	**1,414**	**(63)**	**1,154**	**–**	**(402)**	**2,103**
Additions to segment non-current assets	**–**	**–**	**73,807**	**–**	**21,941**	**95,748**
As at 30 June 2015						
Segment assets	**291,599**	**270,732**	**464,263**	**206,706**	**2,124,214**	**3,357,514**
Segment liabilities	**20,042**	**39,797**	**154,611**	**122,637**	**335,662**	**672,749**

	Polyvinyl-chloride HK$'000	Vinyl acetate HK$'000	Heat and power HK$'000	Vitamin C, glucose and starch HK$'000	Calcium carbide HK$'000	Total HK$'000
Year ended 30 June 2014						
Revenue from external customers	–	–	72,685	–	90,792	163,477
Segment loss	(73,378)	(24,620)	(43,122)	(329,037)	(92,728)	(562,885)
Interest revenue	1	–	–	–	4	5
Interest expense	–	2,263	6,956	–	14,688	23,907
Depreciation and amortisation	17,036	14,178	9,825	33,837	76,895	151,771
Other material items of income and expense:						
Government grants	–	–	8,084	1,265	253	9,602
Gain on disposal of prepaid land lease payments	737	–	–	–	9,867	10,604
Income tax credit	(44)	(1,617)	(836)	(59,152)	(18,048)	(79,697)
Other material non-cash items:						
Allowance for receivables						
– trade receivables	49,545	–	6,890	–	–	56,435
– other receivables	–	399	1,540	–	–	1,939
Impairment of fixed assets	–	–	–	345,008	–	345,008
Additions to segment non-current assets	–	–	99,759	14	9,013	108,786
As at 30 June 2014						
Segment assets	310,288	285,858	394,829	219,411	2,238,773	3,449,159
Segment liabilities	17,873	36,035	130,078	118,523	318,912	621,421

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

	2015	2014
	HK$'000	HK$'000
Profit or loss		
Total profit or loss of reportable segments	**(247,061)**	(562,885)
Fair value gain on financial assets at fair value through profit or loss	**256**	89
Gain on disposal of financial assets at fair value through profit or loss	**1,273**	9
Dividend income from listed investments	**–**	62
Corporate administrative expenses	**(52,729)**	(27,912)
Consolidated loss for the year	**(298,261)**	(590,637)
Assets		
Total assets of reportable segments	**3,357,514**	3,449,159
Goodwill	**37,904**	37,904
Bank and cash balances	**41,376**	85,579
Financial assets at fair value through profit or loss	**403**	2,721
Other loan receivables	**700**	700
Corporate assets	**76,703**	91,444
Consolidated total assets	**3,514,600**	3,667,507
Liabilities		
Total liabilities of reportable segments	**672,749**	621,421
Bonds payable	**291,437**	224,000
Bond interest payable	**6,749**	2,612
Bank loans	**149,084**	226,200
Other loans	**49,843**	24,837
Due to a non-controlling shareholder of a subsidiary	**43,453**	43,453
Other payables and accruals for general administrative use	**10,422**	18,240
Consolidated total liabilities	**1,223,737**	1,160,763

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.

Revenue from a major customer of the Group's calcium carbide segment represents approximately HK$Nil (2014: HK$84,940,000) of the Group's total revenue.

7. FINANCE COSTS

	Group	
	2015	2014
	HK$'000	HK$'000
Interest on bank loans	**16,802**	17,745
Interest on other loans – wholly repayable within five years	**3,534**	3,200
Interest on bonds payable – not wholly repayable in five years	**26,753**	7,966
Interest on trade payables	**930**	3,756
Total borrowing costs	**48,019**	32,667

8. INCOME TAX CREDIT

	Group	
	2015	2014
	HK$'000	HK$'000
Current tax – Overseas		
Overprovision in prior years	**–**	(1,617)
Deferred tax	**(28,418)**	(78,080)
	(28,418)	(79,697)

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 (2014: 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 (2014: 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:

Group
For the year ended 30 June 2015

	Hong Kong		**The PRC**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Loss before tax	**(72,592)**		**(254,087)**		**(326,679)**	
Tax at the statutory tax rate	**(11,978)**	**(16.5)**	**(63,522)**	**(25.0)**	**(75,500)**	**(23.1)**
Income tax exempted	**(1)**	**–**	**–**	**–**	**(1)**	**–**
Expenses not deductible for tax	**784**	**1.1**	**87**	**0.1**	**871**	**0.3**
Unrecognised temporary differences	**191**	**0.2**	**4,395**	**1.7**	**4,586**	**1.4**
Tax losses not recognised	**11,004**	**15.2**	**33,084**	**13.0**	**44,088**	**13.5**
Utilisation of unrecognised tax losses	**–**	**–**	**(2,462)**	**(1.0)**	**(2,462)**	**(0.8)**
Tax credit at the Group's effective tax rate	**–**	**–**	**(28,418)**	**(11.2)**	**(28,418)**	**(8.7)**

For the year ended 30 June 2014

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(42,309)		(628,025)		(670,334)	
Tax at the statutory tax rate	(6,981)	(16.5)	(157,006)	(25.0)	(163,987)	(24.5)
Income tax exempted	(14)	–	–	–	(14)	–
Expenses not deductible for tax	5,016	11.9	133	–	5,149	0.8
Unrecognised temporary differences	99	0.2	44,909	7.2	45,008	6.7
Tax losses not recognised	1,880	4.4	33,884	5.4	35,764	5.3
Overprovision in prior years	–	–	(1,617)	(0.3)	(1,617)	(0.2)
Tax credit at the Group's effective tax rate	–	–	(79,697)	(12.7)	(79,697)	(11.9)

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$47,982,000 (2014: HK$50,735,000). 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. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2015	2014
	HK$'000	HK$'000
Auditor's remuneration	**1,400**	1,330
Allowance for receivables		
– trade receivables	**68,212**	56,435
– other receivables	**2,103**	1,939
Amortisation of other intangible assets (included in administrative expenses)	**1,916**	1,936
Cost of inventories sold	**60,671**	191,024
Depreciation	**117,171**	140,056
Write off/loss on disposal of fixed assets	**601**	582
Minimum lease payments under operating leases for land and buildings	**11,007**	14,222
Factory overhead incurred during suspension of production (note)	**106,378**	85,338
Revaluation deficits on buildings	**2,058**	4,300
Staff costs (excluding directors' emoluments):		
Wages, salaries and benefits in kind	**31,495**	34,465
Employee share option benefits	**16,083**	–
Retirement benefits scheme contributions	**3,048**	4,154

Cost of inventories sold includes staff costs and depreciation of approximately HK$8,745,000 (2014: HK$13,980,000) and HK$5,110,000 (2014: HK$27,666,000) respectively, which are included in the amounts disclosed separately above.

Note: During the years ended 30 June 2014 and 2015, 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 2015 (2014: Nil).

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$248,517,000 (2014: HK$559,532,000) and the weighted average number of ordinary shares of 2,335,631,026 (2014: 2,324,899,519) in issue during the year.

Diluted loss per share

The exercise of the Group's outstanding share options for the years ended 30 June 2014 and 2015 would be anti-dilutive, therefore no diluted loss per share information is presented for the years ended 30 June 2014 and 2015.

12. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 60 to 180 days (2014: 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:

	Group	
	2015	2014
	HK$'000	HK$'000
Within 30 days	**–**	46
31 to 60 days	**70**	–
61 to 90 days	**4,894**	300
91 to 120 days	**561**	10,610
121 to 150 days	**233**	10,456
151 to 180 days	**207**	9,947
181 to 240 days	**–**	23,435
241 to 330 days	**–**	21,302
331 to 365 days	**–**	18
	5,965	76,114

As at 30 June 2015, an allowance of approximately HK$232,581,000 (2014: HK$164,375,000) was made for estimated irrecoverable trade receivables.

The reconciliation of allowance for trade receivables is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
At beginning of year	**164,375**	109,452
Allowance made for the year	**68,212**	56,435
Exchange differences	**(6)**	(1,512)
At end of year	**232,581**	164,375

As of 30 June 2015, trade receivables of approximately HK$5,895,000 (2014: HK$45,247,000) 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:

	Group	
	2015	2014
	HK$'000	HK$'000
Up to 90 days	**4,894**	300
91 to 180 days	**1,001**	193
181 to 365 days	**–**	44,754
	5,895	45,247

The Group's trade receivables are denominated in RMB.

13. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days (2014: 30 to 120 days) from its suppliers.

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

	Group	
	2015	2014
	HK$'000	HK$'000
Within 30 days	**6,305**	5,150
31 to 60 days	**4,353**	6,545
61 to 90 days	**2,661**	5,991
91 to 120 days	**45**	17,088
121 to 365 days	**19,967**	12,879
Over 365 days	**46,212**	37,878
	79,543	85,531

The Group's trade payables are denominated in RMB.

14. CONTINGENT LIABILITIES

(a) 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 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 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. To handle the claim from the Plaintiff, the local management has appointed an independent professional valuer to ascertain both the percentage of completion of the subject construction project and the quality of the construction work done in respect of the subject Contract at the moment. Thereafter, management is expected to have sufficient information to deal with the claims from the Plaintiff and will not rule out the possibility of filing a counterclaim. Management believes that sufficient provision for this legal claim was made at this stage.

(b) On 19 July 2013, the Company received a writ of summons in relation to an alleged exercise of unlisted warrants related to issuing of 20,000,000 shares of the Company by Mr. Ko Kin Hang (the "Claims"), a subscriber and holder of the unlisted warrants. The exercise money of the subject unlisted warrants amounted to approximately HK$3,800,000. By a consent order dated 7 April 2014, the proceeding was stayed and the Company is entitled to withhold the issue and allotment of shares until further order.

The Company is currently seeking legal advice in relation thereto. Further announcement will be made by the Company in compliance with the Listing Rules as and when appropriate. The directors consider that the Claims do not have any material adverse effect on the operation or financial position of the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by RSM Nelson Wheeler, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 30 June 2015:

Basis for disclaimer of opinion

The Group operates a number of factories in the Heilongjiang Province of the People's Republic of China. Four of these factories were set up for the production of calcium carbide, vinyl acetate and polyvinyl-chloride but have temporarily suspended operations in previous years. The assets employed in each of the above factories are identified as separate cash-generating units ("CGUs"). At 30 June 2015, the carrying amounts of the CGUs mainly comprised property, plant and equipment of approximately HK$2,292,819,000, goodwill of approximately HK$37,904,000, prepaid land lease payments of approximately HK$319,706,000 and other intangible assets of approximately HK$1,555,000.

As set out in Note 5(u) to the consolidated financial statements, at 30 June 2015, the carrying amounts of the CGUs were assessed for impairment by management. The recoverable amounts of the CGUs are determined from value in use calculation. The Group prepared cash flow forecasts based on the assumption that all the four factories would re-commence production in the coming year. The forecasted turnover was derived from the assumption that production capacity of these factories could be fully utilised from the second quarter of 2016 and the current market selling price of the relevant products. Management considered that the above sales targets were achievable based on their past experience in factory operation and that all these factory products would be fully absorbed by the market due to competitive cost of production.

However, as the factories have suspended their production up to the date of this report, there were insufficient recent data and orders on hand to justify the turnover stated in the aforesaid forecasts. In addition, we were also unable to obtain sufficient evidence to justify whether the production of the factories could reach their maximum capacity within a short period of time after recommencement of production. As a result, we were unable to determine whether the recoverable amounts of the CGUs have been materially overstated or any impairment on the carrying amounts of the CGUs is required. Any adjustments to the above figures might have a significant consequential effect on the results for the year and net assets as at 30 June 2015.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter – material uncertainty relating to the going concern basis

As further set out in note 2 to the consolidated financial statements, the Group incurred a loss of approximately HK$298,261,000 for the year ended 30 June 2015 and as at 30 June 2015 the Group had net current liabilities of approximately HK$721,554,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on whether the factories would re-commence production in 2016 and generate positive cash flows to finance the operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The loss attributable to shareholders was mainly derived from the idle operating cost incurred which mainly comprised of depreciation and amortisation during the suspension of coal-related operation.

For the year ended 30 June 2015, revenue of the Group amounted to approximately HK$62,911,000, representing a decrease of 62% compared with that of the financial year ended 30 June 2014. Loss attributable to owners of the Company amounted to approximately HK$248,517,000, representing a decrease of approximately 56% compared with that of the last financial year.

During the financial year under review (the "Year"), the decrease in the Group's revenue was primarily attributed by the decrease in the sales volume of our coal-related chemical products. In particular, no production activities for the Group's coal-related chemical products both in Mudanjiang and Heihe, the PRC were recorded in the Year.

The Group's selling and distribution costs for the Year was approximately HK$9.0 million, representing a slightly decrease of approximately 1% when compared with that of the last financial year. The decrease in selling and distribution costs was resulted from the decrease in turnover during the Year.

The Group's administrative expenses for the Year was approximately HK$109 million, representing a decrease of approximately 9% when compared with that of the last financial year. The decrease was resulted from effective administrative cost control of the Group.

Excluding the effect of factory overhead during the suspension of the production of coal-related chemical and bio-chemical products which amounted to approximately 107 million, the Group's other operating expenses for the year ended 30 June 2015 was approximately HK$81 million, representing an increase of HK$9 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$85 million, the Group's other operating expenses for the year ended 30 June 2014 was approximately HK$72 million.).

Coal related chemical production division

Calcium carbide

During the Year, no revenue was recorded for the calcium carbide segment from external customers. Segment loss of approximately HK$163 million was attained, representing an increase of approximately 76% compared with that of the last financial year.

Heat and power division

During the Year, the heat and power segment recorded a revenue of HK$63 million from external customers. The residential income for the Year was approximately HK$44 million, representing an increase of approximately 41% when compared with that of the last financial year. The increase was resulted from the increase of the supplying heat residential areas from 980,000 square meters to 1,300,000 square meters. Segment loss of approximately HK$20 million was attained representing a decrease of approximately 54% compared with that of the last financial year.

The local management had closely monitored the operation to reduce coal or energy consumption and avoid wastage so as to minimize the loss from operating our heat and power generating facilities. Approximately ten months of operation and sales of electricity and heat was recorded during the Year.

PROSPECT

The management believes that worst situation of the Group had been passed and foreseeing a brilliant prospect in coming years.

Heat and power division

The decrease in coal price for approximately of 30% will substantial enhance the earning power. Moreover, Mudanjiang Better Day Power Limited, a wholly-owned subsidiary of the Company, will complete the construction of 25 kilometers pipelines in early October 2015 which has a capacity to supply heat for approximately 12 million square meters. In addition, Mudanjiang BD power has successfully obtained the supplying heat for approximately 1 million square meters in 2016 to the new residential areas and a further 4 million square meters may be obtained for the supplying heat to the new residential areas in 2017 years and economic of scale production will be positively achieved. Hence, it is strongly believed that the heat and power division will enlarge the profit in coming future.

Coal-related chemical production division

Heihe

Heihe Longjiang Chemical Co., Ltd. ("HLCC"), a subsidiary of the Company, has filed a writ against both the Heihe City Local Government and the State Grid Heilongjiang Electric Power Company Limited (the "Defendants"). HLCC has received a settlement offer from the Defendants. As a result, the management foresees that resumption of production is going to be commenced in the first quarter of 2016 because of the following reasons:

- The electricity tariff decreased to RMB0.365/kWh for year 2016 (2012: RMB0.42/kWh)

- Installation of gas fired kiln system for production of calcium carbide was completed during third quarter of 2015, cost of production is going to be lowered by approximately 20%

Therefore, it is no doubt that Heihe Longjiang Chemical Co., Ltd will become our main source of profit and growth driver of the Group.

Mudanjiang

New government policy on the preferential tariff is implemented during the Year. Resumption of production of calcium carbide in Mudanjiang could be achieved in the second quarter of 2016 because of the following reasons:

- Mudanjiang Better Day Power Limited (production of heat and electricity), a fellow subsidiary of Mudanjiang Daytech Chemical Limited ("MDJDC") (manufacturing of calcium carbide), is able to directly supply electricity to MDJDC for the production of calcium carbide under the preferential tariff policy, thus cost of production is significantly decreased

- With competitive cost of production of calcium carbide, the production of PVC and VA could also be resumed accordingly (major raw materials for PVC and VA is calcium carbide)

As a result, the management targeted the production of Mudanjiang coal-related chemical products could be resumed in the coming second quarter of 2016. Fully utilisation of production capacity could be achieved with competitive cost of production and reactivation the vertical integration of coal-related chemical production (from production of calcium carbide to PVC and VA) could realize and embody the value of the coal-related chemical production factories. The management is going to deliberately consider every possible factor to ensure the resumption could be successfully implemented in the coming year.

Proposed formation of a joint venture company

On 15 June 2015, the Company entered into a preliminary agreement ("Preliminary Agreement") with Mudanjiang Shen Yuen Construction Materials Company Limited ("MDJSY") in relation to the proposed establishment of a joint venture company ("JV Company") in the PRC. It is intended that the JV Company would be held as to 65% by the Company and 35% by MDJSY. In accordance with the Preliminary Agreement, the Company is responsible for the management of financing of the JV Company and MDJSY is responsible for application of licenses from respective governmental departments for construction of bioenergy power plant, operation and management of bioenergy power plant. The proposed total investment of the JV Company will be RMB300 million in proportion to the respective equity interests in the JV Company.

The JV Company will provide the Group with the opportunity to participate into the bioenergy power business to diversify the businesses of the Group and to have stable cash flows due to income from utilities business. It is strongly believed that the JV Company will have a brighten and revivifying future because:

(i) it is an highly encourage industry by National Development and Reform Commission;

(ii) with supportive government policies and subsidies;

(iii) recycling and clean energy and dramatic growing trend for bioenergy business in the PRC; and

(iv) the proposed construction of bioenergy power plant will be sited at Mudanjiang or cities nearby, Heilongjiang Province, the PRC. There is currently no bioenergy power plant owned by non-PRC company in those areas.

The JV Company is expected to expand the Group's business scope with an objective to broaden income source and enhance its financial position.

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.

Share acquisition framework agreement

On 26 August 2015, the Company entered into a share acquisition framework agreement ("Framework Agreement") with Mudanjiang Transportation Group Investment Limited ("Mudanjiang Transportation Group"), a PRC state-owned enterprise which is controlled by the Transport Department of the People's Government of Mudanjiang City, Heilongjiang Province of the PRC in relation to the construction and operation of the international and domestic logistics centres ("Logistics Centres") in Mudanjiang City. The Framework Agreement has a term of 45 days from the date of execution and takes effect immediately upon signing. Pursuant to the Framework Agreement, the Company is going to acquire 70% equity interest of Mudanjiang Transportation Group which is undergoing the following projects:

(a) the Mudanjiang International Transportation and Logistics Centre (Phase 1) ("Phase 1") which is still under construction and expected to commence operation in October 2015;

(b) the Mudanjiang International Transportation and Logistics Centre (Phase 2) ("Phase 2");

(c) the drop and pull transportation project; and

(d) the state-owned interest in the general commercial complex developed by the Mudanjiang Transport Group.

Phase 1 and Phase 2 of the Logistics Centres together will form the largest domestic and international logistics centre in the eastern Heilongjiang Province and becomes the leader in the freight industry in the region. Construction of the Logistics Centres has won the support of the local government. In particular it accords with the plan of the Transport Bureau of Heilongjiang Province to build Mudanjiang City as the hub of land and sea transport in the northeast Asia. Benefited from the "one belt one road" development strategy of the PRC government and being located in the China-Russia-Mongolia economic corridor promoted by the Heilongjiang provincial government, the Logistic Centres are well positioned to tap on the rapidly growing trade with Russia and Mongolia and domestic trade in Heilongjiang Province. The cooperation contemplated under the Framework Agreement will provide an unprecedented opportunity to the Company to expand into the logistics industry.

With the Company being appointed as the window company of Mudanjiang City Government under the Appointment and Mudanjiang Transportation Group (controlled and owned by the Transport department of the Mudanjiang City Government) becoming a shareholder of the Company following completion of the transactions contemplated under Framework Agreement, it is believed that the Company will serve as a direct and effective platform for inbound and outbound investments into and out of the Mudanjiang city.

The management does not rule out the option to carry out possibility of new economy projects for bring value and benefit to the shareholders of the Company.

Capital Structure, Liquidity and Financial Resources

Capital structure

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

Liquidity and Financial Ratios

As at 30 June 2015, the Group had total assets of approximately HK$3,514.6 million (2014: HK$3,667.5 million) which were financed by current liabilities of approximately HK$883.0 million (2014: HK$861.5 million), non-current liabilities of approximately HK$340.7 million (2014: HK$299.3 million), non-controlling interests of approximately HK$164.0 million (2014: HK$208.9 million) and shareholders' equity of approximately HK$2,126.9 million (2014: HK$2,297.8 million).

As at 30 June 2015, the current assets of the Group amounted to approximately HK$161.4 million (2014: HK$303.0 million) comprising inventories of approximately HK$33.6 million (2014: HK$40.5 million), trade receivables of approximately HK$5.9 million (2014: HK$76.1 million), prepayments, deposits and other receivables of approximately HK$79.4 million (2014: HK$97.4 million), other loan receivables of approximately HK$0.7 million (2014: HK$0.7 million), financial assets at fair value through profit or loss of approximately HK$0.4 million (2014: HK$2.7 million), cash and cash equivalents of approximately HK$41.4 million (2014: HK$85.6 million). As at 30 June 2015, 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 0.2 (2014: 0.4), 0.1 (2014: 0.3), 34.8% (2014: 31.6%) and 57.5% (2014: 50.5%), respectively.

The Group maintained a fairly stable financial position throughout the Year. Although the Group was in net current liabilities position, the management has closed monitored the Group's liquidity position and has taken appropriate measures to ensure it had sufficient resources to meet its financial obligations.

Non-equity funding

Bank loans

As at 30 June 2015, the bank loans of the Group amounted to approximately HK$149.1 million (2014: HK$226.2 million). Considering the bank loans subject to repayment on demand clauses which can be exercised at the banks' sole discretion, bank loans of approximately HK$117.3 million (2014: HK$192.0 million) were repayable within 12 months, of which HK$2.4 million was denominated in Hong Kong Dollar and HK$114.9 million was denominated in Renminbi (2014: HK$2.3 million was denominated in Hong Kong dollar and HK$189.7 million was denominated in Renminbi). Without considering the repayment on demand clauses and based on agreed scheduled repayments set out in the loan agreements, out of the loan amount of HK$117.3 million, approximately HK$39.2 million will fall due within one year and approximately HK$78.1 million, among other things, will fall due after one year.

Bonds

On 11 December 2014, the Company and Pico Zeman Securities (HK) Limited ("Pico Zeman") entered into the 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 6%, 4-year term bonds and the 6%, 8-year term bonds, respectively, each in an aggregated principal amount of up to HK$100,000,000 within 90 days starting from the date of the placing agreements or such later date to be mutually agreed between the Company and Pico Zeman.

On 20 January 2015, the Company and Pico Zeman entered into the placing agreement pursuant to which Pico Zeman has conditionally agreed to procure, on a best endeavour basis, independent placees (which may include Pico Zeman and its associates) to subscribe in cash for one or multiple tranches of the 5%, 10-year term bonds in an aggregated principal amount of up to HK$100,000,000 within 120 days starting from the date of the placing agreement or such later date to be mutually agreed between the Company and Pico Zeman.

On 13 April 2015, the Company and Great Roc Capital Securities Limited ("Great Roc") entered into the placing agreement pursuant to which Great Roc has conditionally agreed to procure, on a best endeavour basis, independent placees (which may include Great Roc and its associates) to subscribe in cash for one or multiple tranches of the 6.8%, 4-year term bonds in an aggregated principal amount of up to HK$200,000,000 within 180 days starting from the date of the placing agreement or such later date to be mutually agreed between the Company and Great Roc.

On 19 May 2015, the Company and Pico Zeman entered into the placing agreement pursuant to which Pico Zeman has conditionally agreed to procure, on a best endeavour basis, independent placees (which may include Pico Zeman and its associates) to subscribe in cash for one or multiple tranches of the 5% to 9%, 6 to 10 years term bonds in an aggregated principal amount of up to HK$100,000,000 within 120 days from the date of the placing agreement or such later day to be mutually agreed between the Company and Pico Zeman.

On 3 June 2015, the Company and AMTD Asset Management Limited ("AMTD") entered into the placing agreement pursuant to which AMTD has conditionally agreed to procure, on a best endeavour basis, independent placees (which may include AMTD and its associates) to subscribe in cash for one or multiple tranches of the 6.8%, 4-year term bonds in an aggregated principal amount of up to HK$200,000,000 within six months from the date of the placing agreement, and subject to and at the sole and absolute discretion of the Company, a further 6-month period immediately thereafter.

As at 30 June 2015, the aggregate bonds payable was HK$291,437,000 aiming at improving the working capital of the Group during the Year.

Significant investment held by the Company

As at 30 June 2015, the Company did not have any significant investments except for the financial assets at fair value through profit or loss of approximately HK$0.4 million. The Company had recorded a fair value gain on financial assets at fair value through profit or loss of approximately HK$256,000 during the Year.

Charges on the Group's assets

As at 30 June 2015, bank loans and other loans of approximately HK$149.1 million and HK$49.8 million respectively are secured by charges over the Group's certain fixed assets, land held under finance leases and prepaid land lease payments.

Contingent liabilities

As at 30 June 2015, except for disclosed in Note 14, 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 2015.

Number and Remuneration of Employees

As at 30 June 2015, the Group had 391 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, 138 million share options were granted to senior management of Hong Kong and PRC subsidiaries of the Company. As at 30 June 2015, there were approximately 102 million share options outstanding. These comprise approximately 22 million share options with exercisable period up to 17 April 2016 at the exercise price of HK$0.204 per share, 34 million share options with exercisable period up to 9 March 2018 at the exercise price of HK$0.425 per share and 46 million share options with exercisable period up to 10 May 2018 at the exercise price of HK$1.05 per share.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 30 June 2015.

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 RSM NELSON WHEELER

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2015 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2015. The work performed by RSM Nelson Wheeler 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 RSM Nelson Wheeler 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, 30 September 2015

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.