中國天
China Zenith

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)

ANNUAL REPORT 2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chan Yuk Foebe
Mr. Chiau Che Kong
Mr. Yu Defa
Ms. Wong Pa Ka Mary

Independent Non-executive Directors

Mr. Ma Wing Yun Bryan
Mr. Tam Ching Ho
Mr. Hau Chi Kit

COMPANY SECRETARY

Mr. Li Chi Chung, Solicitor, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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China Resources Building
26 Harbour Road
Wanchai
Hong Kong

AUTHORISED REPRESENTATIVES

Ms. Chan Yuk Foebe
Mr. Chiau Che Kong

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29/F., Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

LEGAL ADVISER TO THE COMPANY

(as to Hong Kong law)
Michael Li & Co.
19/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

Agricultural Bank of China
No. 462 Zhong Yang Road
Heihe City
Heilongjiang Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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183 Queen's Road East
Wanchai
Hong Kong

FINANCIAL YEAR END DATE

30 June

COMPANY WEBSITE:

www.chinazenith.com.hk

TELEPHONE NUMBER:

2845 3131

FACSIMILE NUMBER:

2845 3535

STOCK CODE

00362

CHAIRMAN'S STATEMENT

On behalf of China Zenith Chemical Group Limited (the "Company"), I present to all of our shareholders the business results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2014.

Business Review

For the year ended 30 June 2014, turnover of the Group amounted to approximately HK$163,477,000, representing a decrease of 45.0% compared with that of the financial year ended 30 June 2013. Loss attributable to owners of the Company amounted to approximately HK$559,532,000, representing an increase of 80.1% compared with that of last financial year.

During the financial year under review ("Year"), the decrease in turnover 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 in Mudanjiang, the PRC were recorded in the Year.

The overall gross profit margin of the Group was decreased as compared with that of the last financial year, the loss attributable to owners of the Company of HK$559,532,000 was attained.

The loss attributable to shareholders was mainly derived from one-off write-off of fixed assets of the bio-chemical division in Mudanjiang; the idle operating cost incurred during the suspension of coal-related operation because of the high electricity cost in Mudanjiang; and the cost for lay-off the coal-related and bio-chemical divisions in Mudanjiang.

The segment loss of approximately HK$562,885,000 of the Group was attained during the year representing an increase of 84.8% compared with that of the last financial year.

The segment loss was primarily the result of approximately HK$190,726,000, approximately HK$43,122,000 and approximately HK$329,037,000 in segment losses incurred by the coal-related chemical products division, the heat and power division and the bio-chemical products division, respectively.

The Group's selling and distribution costs for the year was approximately HK$9,099,000, representing a decrease of 7.9% when compared with that of the last financial year. The drop in selling and distribution costs was resulted from the temporary suspension of the production of the coal-related chemical products in Mudanjiang.

The Group's administrative expenses for the year were approximately HK$120,205,000, representing an increase of 5.0% when compared with that of the last financial year.

During the Year, the provision of approximately HK$27,410,000 for taxes on the use of land and buildings of the Group located in the PRC were recorded as administrative expenses.

Excluding the effect of the share option benefit expenses of approximately HK$4,762,000 and the provision of approximately HK$8,506,000 for taxes on the use of land and buildings of the Group located in the PRC were recorded as administrative expenses, the Group's normal administrative expenses for the financial year ended 30 June 2013 was approximately HK$101,219,000.

Taking into account of the above, the Group's normal administrative expense was approximately HK$92,795,000 for the Year, representing a decrease of 8.3% when compared with that of the financial year ended 30 June 2013. The decrease was resulted from the effective cost control of the Group.

Business Review (continued)

During the Year, the Group's other operating expenses was approximately HK$157,244,000. Such expenses mainly represented (i) the factory overhead, namely depreciation and repairs and maintenance of production plant and machinery and direct labour cost, in the sum of approximately HK$85,338,000 incurred as a result of the temporary suspension of the production of the coal-related division and bio-chemical division during the Year, and (ii) the allowances for receivables in the sum of approximately HK$58,374,000.

The Group's other operating expenses for the financial year ended 30 June 2013 of approximately HK$198,625,000, mainly represented (i) the factory overhead, namely depreciation and repairs and maintenance of production plant and machinery and direct labour cost, in the sum of approximately HK$52,158,000 incurred as a result of the temporary suspension of the production of the coal-related chemical products from November 2012 and the suspension of the production in the Company's bio-chemical division from October 2011 onwards; and (ii) the allowances for receivables in the sum of approximately HK$71,963,000.

For the year ended 30 June 2014, the Group's other income amounted to approximately HK$21,436,000, mainly representing government grants and subsidies and gain of disposal of prepaid land lease payments. The decrease was mainly caused by the decrease in government grants and subsidies during the Year.

Coal-related chemical production division

The production of calcium carbide in Mudanjiang, the PRC was suspended since the fourth quarter of year 2012 because the revenue of calcium carbide production in Mudanjiang, the PRC could not cover the cost of electricity and other cost of conversion of certain raw materials. On the other hand, the cost advantage is apparent in Heihe, the PRC when comparing with that in Mudanjiang, the PRC. During the Year, nine months of operation was recorded and the production of calcium carbide in Heihe, the PRC was maintained at the annual capacities of approximately 50,000 tones. However, the production of calcium carbide in Heihe, the PRC was suspended since the second quarter of year 2014 because Heihe Longjiang Chemical Co., Ltd. ("HLCC"), a subsidiary of the Company filed a writ against both the Heihe City Local Government and the State Grid Heilongjiang Electric Power Company Limited (the "Defendants") on failing in offering the preferential electricity price as promised. A writ was filed at the local court while the Defendants rose to settle the case out of court. The claim is still under negotiation on both the agreed electricity price and economic loss. The Board believed such claim will have a positive impact on the operation and financial position of the Group and the production of calcium carbide in Heihe, the PRC will be resumed after conclusion of the claim.

Prospect

Heat and power division

The decrease in coal price for approximately of 30% will substantial enhance the earning power. Moreover, Mudanjiang Better Day Power Ltd., a wholly-owned subsidiary of the Company, has successfully obtained the supplying heat for approximately 1,000,000 million square meters to the new residential areas. Furthermore, the local management has lay-off of approximately 30% of redundancy of workforce. Hence, it is strongly believed that the heat and power division is going to turnaround and contributes positive impact of the Group.

Prospect (continued)

Coal-related chemical production division

Heihe

Considering that HLCC has received a settlement offer from the Defendants, the Board foresees that the electricity cost for calcium carbide production will be substantially reduced in a short period of time. Also, the installation of gas fired kiln system for the production of calcium carbon is going to be completed shortly and by design, the cost of production will be further lowered by approximately 20%. Therefore, it is no doubt that HLCC will become our main source of profit and growth driver of the Group.

Mudanjiang

After the settlement of electricity price in Heihe, the PRC, the management will plan to reallocate the coal-related chemical production in Mudanjiang to Heihe, the PRC. The total turnover of the coal-related chemical production facilitates in Mudanjiang, the PRC, based on the historical records, is approximately HK$1 billion. The lands for the coal related division and the bio-chemical division are approximately 900,000 square meter will be released. Those lands are already surrounded by residential and commercial buildings. After the reallocation, the Group plans to develop the land into residential and/or commercial usage by its own or by partnership. 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.

Gratitude

On behalf of the Company, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, banks and to our management and employees for their unreserved support and continuing trust to our Group.

By order of the Board

Chan Yuk, Foebe
Chairman and Chief Executive Officer

Hong Kong, 30 September 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The loss attributable to shareholders was mainly derived from one-off write-off of fixed assets of the bio-chemical division in Mudanjiang; the idle operating cost incurred during the suspension of coal-related operation because of the high electricity cost in Mudanjiang; and the cost for lay-off the coal-related and bio-chemical divisions in Mudanjiang.

For the year ended 30 June 2014, turnover of the Group amounted to approximately HK$163,477,000, representing a decrease of 45% compared with that of the financial year ended 30 June 2013. Loss attributable to owners of the Company amounted to approximately HK$559,532,000, representing an increase of approximately 80% compared with that of the last financial year.

During the Year, the decrease in the Group's turnover 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 in Mudanjiang, the PRC were recorded in the Year.

The Group's selling and distribution costs for the Year was approximately HK$9.1 million, representing a decrease of approximately 8% 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$120 million, representing an increase of approximately 5% 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, representing a decrease of HK$75 million when compared with that of the last financial year. (Excluding the effect of impairment of receivables of approximately HK$72 million, factory overhead during the suspension of the production of coal-related chemical and bio-chemical products which amounted to approximately HK$52 million and written off of fixed assets which amounted to approximately HK$25 million, the Group's other operating expenses for the year ended 30 June 2013 was approximately HK$50 million.) The decrease was principally due to the suspension of the production of the coal-related chemical and bio-chemical products.

Coal related chemical production division

Calcium carbide

During the Year, the calcium carbide segment recorded a turnover of approximately HK$91 million from external customers, representing a decrease of approximately 22% over that of the last financial year. Segment loss of approximately HK$93 million was attained, representing an increase of approximately 119% compared with that of the last financial year.

The production of calcium carbide in Mudanjiang, the PRC was suspended since the fourth quarter of year 2012 because the revenue of calcium carbide production in Mudanjiang, the PRC could not cover the cost of electricity and other cost of conversion of certain raw materials.

On the other hand, the cost advantage is apparent in Heihe, the PRC when comparing with that in Mudanjiang, the PRC. During the Year, nine months of operation was recorded and the production of calcium carbide in Heihe, the PRC was maintained at the annual capacities of approximately 50,000 tones. However, the production of calcium carbide in Heihe was suspended since the second quarter of year 2014 because Heihe Longjiang Chemical Co., Ltd., a subsidiary of the Company filed a writ against both the Heihe City Local Government and the State Grid Heilongjiang Electric Power Company Limited (the "Defendants") on failing in offering the preferential electricity price as promised. A writ was filed at the local court while the Defendants rose to settle the case out of court. The claim is still under negotiation on both the agreed electricity price and economic loss. The management believed such claim will have a positive impact on the operation and financial position of the Group and the production of calcium carbide in Heihe will be resumed after conclusion of the claim.

Business Review (continued)

PVC and vinyl acetate

Beginning from late of November 2012 and during the Year, the management decided to temporarily shut down the vertically integrated production chain from calcium carbide to polyvinylchloride ("PVC") and vinyl acetate segments since the selling price of products could not cover the cost of production in Mudanjiang, the PRC and the cost of production was relatively high when compared with those in Heihe, the PRC. Therefore, no turnover was recorded for the PVC and vinyl acetate segments during the Year. (Approximately five months of production of PVC and no production of vinyl acetate in last financial year.) Segment loss of approximately HK$73 million and HK$25 million were recorded, representing a decrease of approximately 5% and 12% compared with that of the last financial year respectively.

Bio-chemical products division

During the Year, the production vitamin C was suspended because the market selling price of vitamin C was not able to cover its cost of production. No production and sales of vitamin C was recorded during the Year.

Heat and power division

During the Year, the heat and power segment recorded a turnover of HK$73 million from external customers, representing an increase of approximately 22% over that of the last financial year. Segment loss of approximately HK$43 million was attained, representing a decrease of approximately 59% 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.

The management considered that impairment of the construction in progress and adequate accrued liabilities for such project should be made prudently. During the year end 30 June 2013, the contract sums paid for construction of coal-powered electricity generating facilities amounting to approximately HK$25.0 million included in the construction in progress are considered as impairment. The accrued liabilities for the compensation from the claim amounting to approximately HK$16.3 million were charged and the under estimation of construction progress payment of approximately HK$17.6 million was recorded as accrued liabilities in last financial year.

Sufficient provisions on the main contract sum for construction of coal-powered electricity generating facilities was made towards the dispute in contract sum at this stage. (For details, please refer to "Contingent liabilities" section on page 91). The book carrying value of such coal-powered electricity generating facilities included in construction in progress was approximately HK$118.4 million as at 30 June 2014.

Final adjustment on this contract sum for such construction in progress could only be made, if necessary, after the valuation assessment to be performed by the professional valuer accepted by the high court of Heilongjiang Province which is scheduled in coming years.

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, a wholly-owned subsidiary of the Company, has successfully obtained the supplying heat for approximately 1,000,000 million square meters to the new residential areas. Furthermore, the local management has lay-off of approximately 30% of redundancy of workforce. Hence, it is strongly believed that the heat and power division is going to turnaround and contributes positive impact of the Group.

Prospect (continued)

Coal-related chemical production division

Heihe

Heihe Longjiang Chemical Co., Ltd. ("HLCC"), a subsidiary of the Company, has filed a writ against the State Grid Heilongjiang Electric Power Company Limited (the "Defendant"). HLCC has received a settlement offer from the Defendant. As a result, the management foresees that the electricity cost for calcium carbide production will be substantially reduced in a short period of time.

Secondly, the installation of gas fired kiln system for the production of calcium carbon is going to be completed shortly and by design, the cost of production will be further 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

After the settlement of electricity price in Heihe, the management will plan to reallocate the coal-related chemical production in Mudanjiang to Heihe. The total turnover of the coal-related chemical production facilitates in Mudanjiang, based on the historical records, is approximately HK$1 billion.

The lands for the coal related division and the bio-chemical division are approximately 900,000 square meter will be released. Those lands are already surrounded by residential and commercial buildings. After the reallocation, the Group plans to develop the land into residential and/or commercial usage by its own or by partnership.

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 2014, the Group had total assets of approximately HK$3,667.5 million (2013: HK$4,076.8 million) which were financed by current liabilities of approximately HK$861.5 million (2013: HK$811.2 million), non-current liabilities of approximately HK$299.3 million (2013: HK$153.3 million), non-controlling interests of approximately HK$208.9 million (2013: HK$240.4 million) and shareholders' equity of approximately HK$2,297.8 million (2013: HK$2,871.9 million).

As at 30 June 2014, the current assets of the Group amounted to approximately HK$303.0 million (2013: HK$268.8 million) comprising inventories of approximately HK$40.5 million (2013: HK$34.0 million), trade receivables of approximately HK$76.1 million (2013: HK$96.4 million), prepayments, deposits and other receivables of approximately HK$97.4 million (2013: HK$84.8 million), other loan receivables of approximately HK$0.7 million (2013: HK$31.8 million), financial assets at fair value through profit or loss of approximately HK$2.7 million (2013: HK$4.7 million), cash and cash equivalents of approximately HK$85.6 million (2013: HK$17.0 million). As at 30 June 2014, 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 0.4 (2013: 0.3), 0.3 (2013: 0.3), 31.6% (2013: 23.7%) and 50.5% (2013: 33.6%), 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.

Prospect (continued)

Capital structure, liquidity and financial resources (continued)

Non-equity funding

Bank loans

As at 30 June 2014, the bank loans of the Group amounted to approximately HK$226.2 million (2013: HK$280.1 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$192.0 million (2013: HK$243.6 million) were repayable within 12 months, of which HK$2.3 million was denominated in Hong Kong Dollar and HK$189.7 million was denominated in Renminbi (2013: HK$2.3 million was denominated in Hong Kong dollar and HK$241.3 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$192.0 million, approximately HK$27.3 million will fall due within one year and approximately HK$164.7 million, among other things, will fall due after one year.

Bonds

On 11 September 2013, the Company announced the placing of bonds in an aggregated principal amount up to HK$400,000,000 within the placing period or 120 days starting from the date of the placing agreement of the same date. Such placing agreement was entered into between the Company and Anglo Chinese Securities, Limited ("Anglo Chinese").

On 16 January 2014, the Company and Anglo Chinese entered into a supplemental agreement for the purpose to (i) extend the placing period to 231 days from the date of the placing agreement, which shall fall on 30 April 2014 and (ii) to determine the subscription price for the bonds based on the then market conditions but in any event not be less than 95% of the principal amount of the bonds.

On 17 June 2014, the Company and Zenith Investment Limited (the "Bond Agent") entered into an agency agreement pursuant to which the Bond Agent has agreed to endeavor to procure the subscribers to subscribe for the bonds in an aggregated principal amount of not less than HK$300,000,000 within 90 days starting from the date of the agency agreement. Moreover, the Company had also issued other bonds to independent third parties.

As at 30 June 2014, the aggregate bonds payable was HK$224,000,000 aiming at improving the working capital of the Group during the Year.

Significant investment held by the Company

As at 30 June 2014, the Company did not have any significant investments except for the financial assets at fair value through profit or loss of approximately HK$2.7 million. The Company had recorded a fair value gain on financial assets at fair value through profit or loss of approximately HK$89,000 during the Year.

Charges on the Group's assets

As at 30 June 2014, bank loans and other loan of approximately HK$226.2 million and HK$24.8 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 2014, except for disclosed in Note 40, 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 2014.

Number and remuneration of employees

As at 30 June 2014, the Group had 368 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 senior management of Hong Kong and PRC subsidiaries of the Company. As at 30 June 2014, there were approximately 22 million share options outstanding with exercisable period up to 18 April 2016 at the exercise price of HK$0.204 per share.

CORPORATE GOVERNANCE REPORT

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has, throughout the year ended 30 June 2014, complied with the Corporate Governance Code and Corporate Governance Report (the "Code"), except for a certain deviation which is summarised below:

Distinctive Roles of Chairman and Chief Executive Officer

Code provision A.2.1

Paragraph A.2.1 of the Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Throughout the financial year under review, 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.

This report describes the Group's corporate governance practices applied throughout the year under review.

The Board of Directors

Composition and practices

The Board is responsible for overseeing the Group's strategic planning and development, and for determining the objectives, strategic and policies of the Group while delegating day-to-day operations of the Group to the management. Besides, each member of the Board is expected to make a full and active contribution to the Board's affairs and ensure that the Board acts in the best interests of the Company and its shareholders as a whole. The Board regularly reviews the contribution required from a director to perform his or her responsibilities to the Company, and whether he or she is spending sufficient time performing them.

As at 30 June 2014, the Board comprises seven members, namely, Ms. Chan Yuk Foebe as the Chairman of the Board and the Chief Executive Officer, Mr. Peng Zhanrong, Mr. Chiau Che Kong and Mr. Yu Defa as executive directors and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit as independent non-executive directors. Details of their respective experience and qualification are included in the "Biographical Details of Directors and Senior Management" section of this annual report. An updated list of directors of the Company and their respective roles and functions have been maintained on the website of the Hong Kong Stock Exchange and that of the Company.

With effect from 5 May 2014, Mr. Wu Jianwei resigned from his position as an executive director due to retirement and Mr. Yu Defa was appointed as an executive director. And Dato' Wong Sin Just resigned from his position as an independent non-executive director and Mr. Hau Chi Kit was appointed as an independent non-executive director and a member of each of the audit committee, remuneration committee and nomination committee with effect from 18 December 2013. And Mr. Wong Sin Lai resigned from his position as an independent non-executive director, members of the audit committee, the remuneration committee and the nomination committee with effect from 10 October 2013 due to health reason. Mr. Wu Jianwei, Dato' Wong Sin Just and Mr. Wong Sin Lai had confirmed that there is no disagreement with the Board and there is no matter relating to their resignation that needs to be brought to the attention of the shareholders of the Company.

The Board of Directors (continued)

Composition and practices (continued)

The Board has maintained a balance of skills and experience appropriate for the requirements of the businesses of the Group. Its composition represents a mixture of management, accounting and finance, marketing, manufacturing and procurement with comprehensive experience in and exposure to diversified businesses. It is the opinion of the directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company.

Besides, to the best knowledge of the Company, there is no material/relevant relationship, whether financial, operational, business, family, etc, among members of the Board.

All independent non-executive directors comply with the guidelines on independence set out under Rule 3.13 of the Listing Rules and have not violated any provision thereunder throughout the year. Amongst them, Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho, Dato' Wong Sin Just, Mr. Wong Sin Lai and Mr. Hau Chi Kit have the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

Appropriate liability insurance for directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

Training and support for directors

Directors must keep abreast of their collective responsibilities. Each newly-appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. To comply with code provision A.6.5 of the Code, All directors, namely Ms. Chan Yuk Foebe, Mr. Peng Zhanrong, Mr. Chiau Che Kong, Mr. Wu Jianwei, Mr. Yu Defa, Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho, Dato' Wong Sin Just, Mr. Wong Sin Lai and Mr. Hau Chi Kit have participated in the Group briefings and other training provided by the Group to develop and refresh their knowledge and skills during the year. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes were issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

During the year, the Directors also read various literature on directors' obligations and responsibilities. A record of the training received from each of the Directors are kept and updated by the company secretary of the Company.

The Board meeting – full directors' board meeting

The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate.

During the year ended 30 June 2014, eleven Board meetings were held for discussion of the Company's matters. The attendance of each director, on a named basis and by category, at the Board meetings during the year is set out below:

Directors	Number of meetings attended/Number of Board meetings held
Executive directors	
Ms. Chan Yuk Foebe	9/11
Mr. Peng Zhanrong[1]	3/11
Mr. Chiau Che Kong	11/11
Mr. Wu Jianwei[2]	0/8
Mr. Yu Defa[3]	0/2
Independent non-executive directors	
Mr. Ma Wing Yun Bryan	11/11
Mr. Tam Ching Ho	9/11
Dato' Wong Sin Just[4]	2/6
Mr. Wong Sin Lai[5]	1/4
Mr. Hau Chi Kit[6]	4/4

1 resigned from the position as an executive director of the Company with effect from 8 July 2014

2 resigned from the position as an executive director of the Company with effect from 5 May 2014

3 appointed as an executive director of the Company with effect from 5 May 2014

4 resigned form the position as an independent non-executive director of the Company with effect from 18 December 2013

5 resigned form the position as an independent non-executive director of the Company with effect from 10 October 2013

6 appointed as an independent non-executive director of the Company with effect from 18 December 2013

The Board of Directors (continued)

The Board meeting – executive directors' board meeting

In addition, during the year ended 30 June 2014, eight Executive Directors' Board meetings were held to deal with the compliance of legal and administrative procedures, including:

– Internal corporate re-structuring and company secretarial matters.

To handle the above-mentioned matters, at least two executive directors of the Company are required to form a quorum.

The attendance of each director, on a named basis and by category, at the Executive Directors' Board meetings during the year is set out below:

Directors	Number of meetings attended/Number of Executive Directors Board meetings held
Executive directors	
Ms. Chan Yuk Foebe	8/8
Mr. Peng Zhanrong	0/8
Mr. Chiau Che Kong	8/8
Mr. Wu Jianwei	0/7
Mr. Yu Defa	0/1
Independent non-executive directors	
Mr. Ma Wing Yun Bryan	N/A
Mr. Tam Ching Ho	N/A
Dato' Wong Sin Just	N/A
Mr. Wong Sin Lai	N/A
Mr. Hau Chi Kit	N/A

The Board meeting – committee meeting

During the year ended 30 June 2014, six Board committee meetings were held. The attendance of each director, on a named basis and by category, at Board committee meetings during the year is set out below:

Directors	Number of meetings attended/Number of meetings held: Remuneration Committee	Audit Committee	Nomination Committee
Executive directors			
Ms. Chan Yuk Foebe	N/A	N/A	2/2
Mr. Peng Zhanrong	2/2	N/A	N/A
Mr. Chiau Che Kong	N/A	N/A	2/2
Mr. Wu Jianwei	N/A	N/A	N/A
Mr. Yu Defa	N/A	N/A	N/A
Independent non-executive directors			
Mr. Ma Wing Yun Bryan	2/2	2/2	2/2
Mr. Tam Ching Ho	2/2	2/2	2/2
Mr. Wong Sin Lai	N/A	N/A	N/A
Mr. Hau Chi Kit	2/2	2/2	2/2

Pursuant to the Articles, meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities. Regular meetings of the Board were held during the year. Extra meetings were also held to cater for important matters arising from time to time. Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors/committee members at least three days before each meeting to keep the directors appraised of the latest developments and financial position of the Company to enable them to make informed decisions.

The Board of Directors (continued)

The Board meeting – committee meeting (continued)

Minutes of Board/committee meetings would be kept by the company secretary of the Company and shall be open for inspection by directors. Where directors have a material or conflict of interests in any transaction discussed in the Board/committee meetings, such a transaction will not be dealt with by way of written resolutions unless clear declaration of interest is made by the relevant directors. The directors concerned could express their views on the matter but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

In addition, to facilitate the decision-making process, the directors have free access to the management for enquiries and to obtain further information, when required. The directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. All directors have unrestricted access to the company secretary who is responsible for ensuring that the Board/committee procedures are complied with and for advising the Board/committee on compliance matters.

Non-executive directors, including INEDs, should attend Board, committee and general meetings and contribute to the Company's strategy and policies.

Appointment and re-election of directors

The Company has established formal, considered and transparent procedures for the appointment and succession plan of directors.

All independent non-executive directors of the Company are appointed for a specific term. The term of office for Mr. Ma Wing Yun Bryan is two years with effect from 1 April 2013. The term of office for Mr. Tam Ching Ho is two years with effect from 7 December 2013. The term of office for Mr. Hau Chi Kit is two years with effect from 18 December 2013.

In accordance with the Articles, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The Board as a whole, with the nomination committee, is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession plan of directors and assessing the independence of independent non-executive directors.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Board confirmed that all the directors have complied with the required standard of dealings set out in the Model Code throughout the year ended 30 June 2014.

Board Committees

The Board has established three Board committees, namely the remuneration committee ("Remuneration Committee"), the audit committee ("Audit Committee") and the nomination committee ("Nomination Committee") for overseeing particular aspects of affairs of the Company. These committees have been established with defined written terms of reference, as approved by the Board, which set out the committee's major duties.

The Board committees are provided with sufficient resources to discharge their duties and upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the expense of the Company.

Board Committees (continued)

Audit committee

The Company set up the Audit Committee on 8 April 2001, with written terms of reference, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control systems. In accordance with the requirements of the Code on Corporate Governance Practice, the terms of reference of the Audit Committee were revised on 21 October 2006 and were further reviewed on 21 March 2012 in terms substantially the same as the provisions set out in the Code.

As at 30 June 2014, the Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Ma Wing Yun Bryan (Chairman of the Committee), Mr. Tam Ching Ho and Mr. Hau Chi Kit, all of whom are not involved in the day-to-day management of the Company.

The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process. The Audit Committee is also responsible for reviewing the auditor's appointment, the auditor's remuneration and any matters relating to the termination of, the appointment of and the resignation of the auditor. In addition, the Audit Committee also examines the effectiveness of the Company's internal controls, which involve regular reviews of the internal controls of various corporate structure and business processes on a continuous basis, and take into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realisation of its corporate objectives and strategies. The scope of such examinations and reviews include finance, operations, regulatory compliance and risk management. Each member of the Audit Committee has unrestricted access to the external auditor and all senior management of the Group in order to discharge its responsibilities. Save as disclosed above, during the year, the Audit Committee reviewed the audited financial statements of the Company for the year ended 30 June 2014 and the unaudited financial statements of the Company for the six months ended 31 December 2013. It also reviewed the system of internal control of the Company.

During the year, the Audit Committee met twice with the external auditor. Please refer to the table set out in the section "The Board Meeting – Committee Meeting" of this report for the attendance record of individual Audit Committee members.

The Audit Committee has recommended to the Board that RSM Nelson Wheeler, be nominated for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

Remuneration committee

The Remuneration Committee was established on 1 July 2005 and revised on 21 March 2012 with specific written terms of reference in compliance with the code provisions in the Code. As at 30 June 2014, the Remuneration Committee comprises three independent non-executive directors, namely Mr. Ma Wing Yun Bryan (Chairman of the Committee), Mr. Tam Ching Ho and Mr. Hau Chi Kit and one executive director, Mr. Peng Zhanrong.

The Remuneration Committee is responsible for, inter alia, advising the Board on the remuneration policy and structure for all remuneration of the Company's directors and senior management, as well as reviewing and either determining with delegated responsibility the remuneration packages of individual executive directors and senior management or making recommendations to the Board on the remuneration packages of individual executive directors and senior management in accordance with code provision B.1.2(c)(ii) of the Code; making recommendations to the Board on the remuneration of non-executive directors, and approving the compensation to executive directors and senior management for any loss or termination of their office or appointment, and reviewing and approving compensation relating to dismissal or removal of directors for misconduct. No director was involved in deciding his/her own remuneration.

Board Committees (continued)

Remuneration of directors and senior management

Pursuant to paragraph B1.5 of the Code, the remuneration of the members of the senior management by band for the year ended 30 June 2014 is set out below:

Remuneration band (HK$)	Number of individuals
Nil to 1,000,000	9

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 14 to the financial statements as set out on pages 69 to 70 of this annual report.

The Remuneration Committee meets at least once a year. During the year, the Remuneration Committee met once, during which it assessed the performance of the executive directors. The attendance of each member of the Remuneration Committee, on a named basis and by category, at the committee meetings during the year is set out in the section "The Board Meeting – Committee Meeting" of this report above.

Nomination committee

The Nomination Committee was established on 2 November 2007 and revised on 21 March 2012 with specific written terms of reference in compliance with the Code. As at 30 June 2014, the Nomination Committee comprises two executive directors, namely Ms. Chan Yuk Foebe and Mr. Chiau Che Kong, and three independent non-executive directors, namely Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit.

The nomination committee is responsible for, inter alia, the following:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors;

(d) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer;

(e) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board;

(f) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable laws; and

(g) to ensure the chairman of the Committee, or in the absence of the chairman, another member of the Committee or failing this his duly appointed delegate, be available to answer questions at the annual general meeting of the Company.

The Nomination Committee would review the composition of the Board from time to time where Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services.

During the year, the Nomination Committee met once during which discussed and reviewed the structure, size and composition of the Board. Please refer to the table set out in the section "The Board Meeting – Committee Meeting" of this report for the attendance record of individual Nomination Committee members.

Board Committees (continued)

Corporate governance functions

During the year under review, the Board determined the policy for the corporate governance of the Company, and performed, inter alia, the following duties: (a) developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board; (b) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (c) developed, reviewed and monitored the code of conduct applicable to employees and directors; (d) reviewed the Company's compliance with the code and disclosure in the Corporate Governance Report; and (e) reviewed and monitored the training and continuous professional development of directors and senior management.

Company secretary

Mr. Li Chi Chung has been the company secretary of the Company since May 2014, Mr. Li has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 30 June 2014. The Company is of the view that Mr. Li has complied with Rules 3.29 of the Listing Rules.

Directors' Responsibilities for the Financial Statements

The directors acknowledge their responsibility for (i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements are in accordance with statutory requirements and applicable accounting standards and (ii) selecting suitable accounting policies and applying them consistently with the support of reasonable and prudent judgments and estimates.

The independent auditor's report of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out on pages 31 to 32 of this annual report.

Accountability and Auditor's Remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 June 2014.

The statement of the external auditor of the Company about their responsibilities on the financial statements is set out in the "Independent Auditor's Report" section of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Board has not taken any different view from that of the Audit Committee in respect of the selection, appointment, resignation or dismissal of external auditor.

The remuneration paid to RSM Nelson Wheeler, the external auditor of the Company, and the nature of services are set out as follows:

Type of services provided by the external auditor	Fee paid/payable HK$'000
Audit services:	
Audit of annual financial statements	1,330
Non-audit services:	
Agreed upon procedures	60

Internal Control and Risk Management

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up to safeguard assets against unauthorised use or disposition, control capital expenditure, maintain proper accounting records and ensure the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

Internal Control and Risk Management

(continued)

The internal audit department was set up on 15 May 2006, under the supervision of the Board. During the year, the Board reviewed the effectiveness of the internal control systems of the Group on the adequacy and effectiveness of the Company's internal controls. The review covers aspects relating to financial and compliance controls of the major subsidiaries of the Company. Moreover, operation professionals had been appointed to perform reviews on the new information systems and operations. These reviews included operational workflow and risk management controls over new manufacturing functions of the Company. It was also the Board's review to consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Shareholders' Rights and Investor Relations

The Company encourages two-way communications with both institutional and private investors. Extensive information about the Company's activities is provided in its annual reports and interim reports, which are sent to shareholders of the Company.

Designated executive directors and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investor may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

At general meetings, the Chairman of the meetings raises separate resolutions for each effectively independent matter. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board and the chairman of the Board committees, or in their absence, other members of the respective committees, must attend the annual general meeting to address shareholders' queries. External auditor is also invited to attend the Company's annual general meetings and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

Shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings can make a requisition to convene an extraordinary general meeting pursuant to article 64 of the Company's articles of association. The procedures for shareholders to put forward proposals at general meetings are stated as follows:

(a) The written requisition must state the purposes of the meeting, and must be signed by all the shareholders concerned and may consist of several documents in like form each signed by one or more shareholders concerned.

(b) The written requisition must be deposited at Room 4007, 40/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong, the head office of the Company, for the attention of the Directors or the Company Secretary.

(c) The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting. Such general meeting shall be held within two months after the deposit of such requisition.

(d) If within 21 days of such deposit, the Directors fail to proceed to convene such a general meeting, the requisitionist(s) himself (themselves) may themselves convene a meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors to do so shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' Rights and Investor Relations (continued)

During the year under review, two general meetings were held. The extraordinary general meeting was held on 23 July 2013. The 2013 annual general meeting was held on 16 December 2013. The attendance record of each director, on a named basis and by category, at the general meeting held during the year under review is set out below:

Directors	Number of general meetings attended/ Number of general meetings held
Executive directors	
Ms. Chan Yuk Foebe	2/2
Mr. Peng Zhanrong	0/2
Mr. Chiau Che Kong	2/2
Mr. Wu Jianwei	0/2
Mr. Yu Defa	0/2
Independent non-executive directors	
Mr. Ma Wing Yun Bryan	0/2
Mr. Tam Ching Ho	0/2
Dato' Wong Sin Just	0/2
Mr. Wong Sin Lai	0/2
Mr. Hau Chi Kit	0/2

No amendments were made to the Memorandum and Articles of Association of the Company during the year under review. The Memorandum and Articles of Association of the Company is available on both the website of the Company and that of HKEx.

Shareholder services

Any matter in relation to the transfer of shares, change of name or address, or loss of share certificates should be addressed to the Company's Hong Kong branch share registrar and transfer office as follows:

Tricor Tengis Limited
22/F, Hopewell Centre, 183 Queen's Road East, Wanchai,
Hong Kong
Tel: 2980 1888
Fax: 2861 0285

Shareholders' enquiries to the Board

Shareholders of the Company may send their enquiries to the Board in writing with contact details (including registered name, address, telephone number and email address) to the Company Secretary of the Company as follows:

Address: Room 4007, 40/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong
Telephone: 2845 3131
Fax: 2845 3535
Email: info@chinazenith.com.hk

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Ms. Chan Yuk Foebe (陳昱), aged 45, is the chairman and chief executive officer of the Group and joined the Group in January 2004. Ms. Chan is responsible for the overall management and business development of the Group. Ms. Chan holds a bachelor's degree in Accountancy from the Queensland University of Technology in Australia. Ms. Chan has more than 10 years' experience in the areas of corporate finance and management. Ms. Chan is a non-executive director of Heng Tai Consumables Group Limited ("Heng Tai") (Stock Code: 197), whose shares are listed on the main board of the Stock Exchange. Save as disclosed herein, Ms. Chan did not hold any other directorships in listed public companies in the last three years. Ms. Chan Yuk Foebe was appointed as the Chairman and a member of nomination committee with effect from 2 February 2012.

Mr. Peng Zhanrong (彭展榮), aged 44, is an executive director of the Company and joined the Group in February 2004. Mr. Peng is responsible for overseeing the operation of the Group's investment in Mudanjiang, Heilongjiang Province, the PRC. Mr. Peng obtained a certificate from South China Advanced English College (華南高等英語專修院) in July 1994. Mr. Peng has more than 10 years' experience in the automobile and petroleum industries in the PRC prior to joining the Group in February 2004. Mr. Peng did not hold any other directorships in listed public companies in the last three years. Mr. Peng Zhanrong was appointed as a member of remuneration committee with effect from 2 February 2012 and resigned from his office with effect from 8 July 2014.

Mr. Chiau Che Kong (周志剛), aged 46, is an executive director and a member of the Nomination Committee of the Company. Mr. Chiau is specialised, and has more than 10 years' experience, in the trading industry of consumer products in Hong Kong and the PRC prior to joining the Group in February 2004 as a marketing manager. Mr. Chiau was appointed as an executive director on 14 December 2005 and is responsible for the Group's administration and business development. Mr. Chiau did not hold any other directorships in listed public companies in the last three years.

Mr. Wu Jianwei (武建偉), aged 60, is an executive director and the chief operation officer of the Company. He is mainly responsible for overseeing the sale, marketing, administration and production of vinyl acetate, polyvinyl-chloride, glucose and starch, heat and power. He joined the Company in September 2004. Mr. Wu has more than 30 years' extensive experience in the operation and production management of coal-related petrochemical enterprises. He was the Chairman and Party secretary general manager of Mudanjiang Association of Petrochemical Industry (formerly known as Mudanjiang Petrochemical Industry Group Company) before serving the Group. He graduated from Mudanjiang Education College, majoring in economic management. Mr. Wu is a qualified senior economist in the PRC. Save as disclosed herein, he did not hold any other directorships in listed public companies in the last three years. Mr. Wu is appointed as an executive director of the Company with effect from 15 October 2007 and resigned from his office with effect from 5 May 2014.

Mr. Yu Defa (于德發), aged 47, is an executive director of the Company. He is currently acted as the chief operation director of Heihe LongJiang Chemical Co. Ltd., a subsidiary of the Company. Mr. Yu had been the sales and operating general manager of medium-sized enterprises with more than ten years of extensive experiences in sales operation and management. He joined the Group in October 2011 and promoted to be the deputy general manager of Heihe LongJiang Chemical Co. Ltd. in October 2013. Mr. Yu majored in civil work engineering in Harbin University of Science and Technology in 1988 to 1990. Mr. Yu did not hold any other directorships in listed public companies in the last three years. Mr. Yu Defa was appointed as the executive director with effect from 5 May 2014.

Directors (continued)

Independent Non-executive Directors

Mr. Ma Wing Yun Bryan (馬榮欣), aged 48, is an independent non-executive director and is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Ma is the finance director of Union Sun International Group Limited, a non-listed company with affiliates dealing in property development and the building and operation of hydro-electric plants in the PRC. He was an independent director of Celestial Nutrifoods Limited (the shares of which are listed on the main board of Singapore Exchange Securities Trade Limited (the "Singapore Exchange")) until 18 July 2011. Moreover, Mr. Ma was an independent director of China Oilfield Technology Services Group Limited (the shares of which are listed on the main board of the Singapore Exchange) until 30 May 2010. He has approximately 20 years of experience in the areas of audit, financial management and operational management. Mr. Ma is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ma was appointed as an independent non-executive director in February 2001.

Mr. Tam Ching Ho (譚政豪), aged 43, appointed on 30 June 2007, is an independent non-executive director and is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Tam is a certified public accountant (practising) registered with the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Tam has worked in a reputable international accounting firm, where he specialised in providing assurance services for pre-listing, listed and multinational companies, for about eight years. He has also held senior positions in several companies, including mainly the financial controller of a company listed on the main board of the Stock Exchange and another company listed on the Main Board of the Singapore Exchange Limited for a total of about eight years. Mr. Tam has accumulated extensive experience in corporate finance and administration, listing compliance, investor relations, accounting and auditing. Mr. Tam holds a bachelor's degree in accountancy. He is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants. Mr. Tam is also an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited (Stock Code: 682), the shares of which are listed on the main board of the Stock Exchange. Mr. Tam was a Supervisory Board member of CBF China Bio-Fertilizer AG, the shares of which were listed in the Entry Standard of Frankfurt Stock Exchange from 8 December 2010 to 31 January 2013. Save as disclosed herein, Mr. Tam did not hold any other directorships in listed companies in the last three years.

Dato' Wong Sin Just (黃森捷), aged 47, is an independent non-executive director of the Company. Dato' Wong is also an independent non-executive director of CSI Properties Limited (formerly known as Capital Strategic Investment Limited) (Stock Code: 497), the shares of which are listed on the Stock Exchange. Dato' Wong is the non-executive chairman of Westminster Travel Limited, the shares of which are listed on the Catalist board of the Singapore Exchange.

Dato' Wong was the non-executive director of SunCorp Technologies Limited (Stock Code: 1063), the shares of which are listed on the Stock Exchange, until his resignation with effect from 27 October 2009. Moreover, Dato' Wong was a non-executive director of the China Renji Medical Group Limited (formerly known as Softbank Investment International (Strategic) Limited) (Stock Code: 648), the shares of which are listed on the Stock Exchange, until his resignation with effect from 8 December 2009. Furthermore, Dato' Wong was a non-executive director of Intelligent Edge Technologies Berhad, the shares of which are listed on the ACE Market of Bursa Malaysia Securities Berhad until his vacation of office, with effect from 1 January 2010. Dato' Wong was an independent non-executive director of China.com Inc. (Stock Code: 8006), the shares of which are listed on the Stock Exchange, until his resignation on 23 March 2011. Dato' Wong was an independent non-executive director of CDC Software Corporation Inc, the shares of which are listed on the NASDAQ market in the United States, until his resignation on 11 April 2012.

Dato' Wong possesses more than 20 years of accounting, venture capital, fund management and investment banking experience and has held senior positions in investment banks and asset management companies. Dato' Wong holds a bachelor's degree in Engineering (First Class Honours) from the Imperial College of Science, Technology and Medicine in London. Dato' Wong was qualified as an associate of the Institute of Chartered Accountants, England and Wales in 1992 and during his service as a public accountant.

In addition, Dato' Wong has been actively involved in various charitable and social organisations. This includes his role as a former member of the Campaign Committee, former Chairman of General Donations and Special Events Organising Committee of the Community Chest of Hong Kong, a fund dedicated to the underprivileged in Hong Kong. Dato' Wong was appointed as an independent non-executive director of the Company on 27 December 2007 and resigned from his office with effect from 18 December 2013.

Directors (continued)

Independent Non-executive Directors (continued)

Mr. Wong Sin Lai (王善豐), aged 57, has been a professional financial advisor since 2001. He obtained a bachelor's degree with honours in social sciences from the University of Hong Kong in November 1982. From 1992 to 1997, he had worked as a financial controller and senior executive in various manufacturing companies (including a garments manufacturer, a food and beverage supplier and a leather products manufacturer) in Hong Kong after obtaining the qualification as a practising accountant. Prior to obtaining the professional qualification, he had worked in the audit department of Banque Nationale de Paris. Currently, he is a member of the Australian Society of Certified Practising Accountants and associate member of Hong Kong Institute of Certified Public Accountants. He has extensive experience in financial, strategic management and debt and equity financing for both listed companies and private enterprises. Since 3 January 2011, Mr. Wong was an independent non-executive director of National Investments Fund Limited (stock code: 1227), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Wong was appointed as an independent non-executive director on 29 April 2011 and resigned from his office with effect from 10 October 2013.

Mr. Hau Chi Kit (侯志傑), aged 42, is an independent non-executive director of the Company. He was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, Mr Hau worked at the Securities and Futures Commission. Mr. Hau is currently a solicitor in private practice and is an independent non-executive director of both CNC Holdings Limited (Stock Code: 8356), a company listed on the Growth Enterprises Market of the Stock Exchange and eForce Holdings Limited (Stock Code: 943), a company listed on the main board of the Stock Exchange. Save as disclosed herein, Mr. Hau did not hold any other directorships in listed companies in the last three years. Mr. Hau was appointed as the independent non-executive director and a member of each of the audit committee, remuneration committee and nomination committee with effect from 18 December 2013.

Senior Management

Mr. Tsang Chiu Hung Victor (曾超鴻), aged 43, was the company secretary and the chief financial officer of the Group and resigned from his office with effect from 21 May 2014. Mr. Tsang was responsible for the company's secretarial functions and financial reporting of the Group. Mr. Tsang holds a bachelor's degree in Accountancy from the Hong Kong Polytechnic. Prior to joining the Group in May 2004, Mr. Tsang had more than 11 years of experience in auditing and accounting. Mr. Tsang is an associate member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

Mr. Mak Wing Chun (麥永津), aged 33, was appointed as the chief financial officer of the Group with effect from 21 May 2014. Mr. Mak is responsible for the financial reporting of the Group. Mr. Mak graduated from City University of Hong Kong with a bachelor's degree in Accountancy. Mr. Mak joined the Group in April 2010 as an accounting manager. Prior to the joining of the Group, he worked in various reputable international accounting firms and has over 9 years of experience in auditing and accounting.

Mr. Wu Huamin (吳化民), aged 51, is the Vice General Manager of the Mudanjiang Gaoke Bio-Chem Company Limited and is mainly responsible for the daily production of the Vitamin C division. Mr. Wu has over 15 years' experience in production management of the medicine manufacturing enterprises. He joined the Group on May 2009. He studied mechanical development in Jiamusi Technical College (佳木斯工學院) from 1981 to 1985.

Senior Management (continued)

Mr. Tian Yu (田雨), aged 57, is the Vice General Manager of the Mudanjiang Better Day Power Limited of the Group, and is mainly responsible for the production technology of power and steam. He joined the Group in December 2006. Mr. Tian has over 20 years' extensive experience in the production, management and project construction aspects of enterprises which generate and supply power and steam. He further studied and graduated from Heilongjiang Province Economic Cadre Institute (黑龍江省經濟幹部學院) in 2000, majoring in economic management.

Mr. Sun Jianfei (孫劍飛), aged 42, is the Vice General Manager of the Heihe Longjiang Chemical Company Limited. Mr. Sun has over 10 years' experience in the production management of chemical enterprises. He joined the Group in September 2005 and was promoted to Vice General Manager of the Mudanjiang Daytech Chemical Ltd. Mr. Sun completed a program of chemical technology from Mudanjiang Vocational University (牡丹江職工大學) in July 1995.

Senior Management Remuneration System

The remuneration system of the senior management of the Group is a combination of the economic benefit of the senior management (including executive directors) and the operational results and share performance of the Group. Most of the members of the senior management have signed result examination contracts' with the Company. In this system, the remuneration of the senior management comprises three parts, namely, basic salary, bonus and share options. The floating remuneration of the senior management represents approximately 70% to 75% of their total potential remuneration, which includes result bonuses and share options representing approximately 15% to 25% and 50% to 60% respectively of their total potential remuneration. Floating remuneration is linked with the specific business performance indicators, for example, the net profit, capital return and cost reduction indicator.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group for the year ended 30 June 2014.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 24 to the financial statements.

An analysis of the Group's performance for the year by business segments is set out in note 10 to the financial statements.

Results and Dividends

The Group's profit for the year ended 30 June 2014 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 33 to 92 of this annual report.

The directors do not recommend the payment of dividend for the year ended 30 June 2014.

Summary Financial Information

The following is a summary of the published consolidated results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate:

Results

	Year ended 30 June				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**163,477**	297,446	213,791	1,415,414	1,381,342
(LOSS)/PROFIT FROM OPERATIONS	**(637,667)**	(323,324)	(440,933)	153,314	304,390
Finance costs	**(32,667)**	(14,309)	(7,841)	(4,274)	(6,325)
(LOSS)/PROFIT BEFORE TAX	**(670,334)**	(337,633)	(448,774)	149,040	298,065
Income tax credit/(expense)	**79,697**	12,736	42,610	(33,675)	(35,089)
(LOSS)/PROFIT FOR THE YEAR	**(590,637)**	(324,897)	(406,164)	115,365	262,976
Attributable to:					
Owners of the Company	**(559,532)**	(310,652)	(390,112)	95,517	217,618
Non-controlling interests	**(31,105)**	(14,245)	(16,052)	19,848	45,358
	(590,637)	(324,897)	(406,164)	115,365	262,976

Summary Financial Information (continued)

Assets, liabilities and equity

	At 30 June				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**3,364,546**	3,808,089	3,686,862	3,624,693	3,076,911
Current assets	**302,961**	268,754	294,671	826,515	683,305
TOTAL ASSETS	**3,667,507**	4,076,843	3,981,533	4,451,208	3,760,216
Non-current liabilities	**299,289**	153,286	164,149	203,789	198,973
Current liabilities	**861,474**	811,191	719,532	710,126	541,624
TOTAL LIABILITIES	**1,160,763**	964,477	883,681	913,915	740,597
TOTAL EQUITY	**2,506,744**	3,112,366	3,097,852	3,537,293	3,019,619
Attributable to:					
Owners of the Company	**2,297,894**	2,871,933	2,858,572	3,274,747	2,793,461
Non-controlling interests	**208,850**	240,433	239,280	262,546	226,158
	2,506,744	3,112,366	3,097,852	3,537,293	3,019,619

Note: The results of the Group for the year ended 30 June 2014 and the assets, liabilities and equity of the Group as at 30 June 2014 are those set out in the audited financial statements on pages 33 to 34 and pages 35 to 36 of this annual report, respectively.

The results of the Group for the years ended 30 June 2010, 2011, 2012 and 2013 have been extracted from the audited financial statements of the Company for the respective years.

The assets, liabilities and equity of the Group as at 30 June 2010, 2011, 2012 and 2013 have been extracted from the audited financial statements of the Company for the respective years and have been restated as appropriate.

Fixed Assets

Details of movements in the Group's fixed assets and land held under finance leases are set out in notes 19 and 20 to the financial statements respectively.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 31 and 32 to the financial statements, respectively.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles or the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Islands Companies Law"), being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

Confirmation of Independence of Independent Non-executive Directors

The Company has received from each of Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho, Dato' Wong Sin Just, Mr. Wong Sin Lai and Mr. Hau Chi Kit an annual confirmation of their independence pursuant to the Rule 3.13 of the Listing Rules and the Company are of the view that all independent non-executive directors of the Company have met the independent guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Group and of the Company during the year under review are set out in the consolidated statement of changes in equity on page 37 of this annual report and note 33(b) to the financial statements as set out on page 87 of this annual report, respectively.

Major Customers and Suppliers

During the year, the sales to the Group's five largest customers accounted for approximately 72.9% of the Group's total sales for the year and the sales to the largest customer included therein amounted to approximately 52.0%.

Purchases from the Group's five largest suppliers accounted for approximately 82.9% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 38.0%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Directors

The directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Ms. Chan Yuk Foebe
Mr. Peng Zhanrong (resigned on 8 July 2014)
Mr. Chiau Che Kong
Mr. Wu Jianwei (resigned on 5 May 2014)
Mr. Yu Defa (appointed on 5 May 2014)
Ms. Wong Pa Ka Mary (appointed on 8 July 2014)

Independent Non-executive Directors:

Mr. Ma Wing Yun Bryan
Mr. Tam Ching Ho
Dato' Wong Sin Just (resigned on 18 December 2013)
Mr. Wong Sin Lai (resigned on 10 October 2013)
Mr. Hau Chi Kit (appointed on 18 December 2013)

In accordance with articles 108 and 112 of the Articles, Mr. Yu Defa, Ms. Wong Pa Ka Mary, Mr. Ma Wing Yun Bryan and Mr. Hau Chi Kit will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Biographical Details of the Directors and Senior Management

Biographical details of the directors of the Company and senior management of the Group are set out on pages 19 to 22 of this annual report.

Directors' Service Contracts

Each of Ms. Chan Yuk Foebe and Mr. Peng Zhanrong has entered into a service contract with the Company commencing from 22 November 2004, which shall, subject to the re-appointment as a director of the Company in accordance with the Company's Articles, continue until terminated by either party giving not less than three months' notice in writing to the other. Mr. Chiau Che Kong has entered into a service contract with the Company commencing from 14 December 2005, which shall, subject to his re-appointment as a director of the Company in accordance with the Company's Articles, continue until terminated by either party giving not less than three months' notice in writing to the other. The service contract of Mr. Peng Zhanrong was terminated with effect from 8 July 2014. Moreover, Mr. Wu Jianwei has entered into a service contract with the Company commencing from 15 October 2007 and, which shall, subject to the re-appointment as a director of the Company in accordance with the Company's Articles, continue until terminated by either party giving not less than three months' notice in writing to the other, and will be automatically terminated after three years from the commencing date. The service contract of Mr. Wu Jianwei was terminated with effect from 5 May 2014. Mr. Yu Defa and Ms. Wong Pa Ka Mary have entered into a letter of appointment with the Company for an initial term of two years commencing from 5 May 2014 and 8 July 2014 respectively, which shall, subject to the re-appointment as a director of the Company in accordance with the Company's Articles, continue until terminated by either party giving not less than three months' notice in writing to the other.

Mr. Ma Wing Yun Bryan was appointed for a term of two years as an independent non-executive director of the Company commencing from 28 February 2001. The term of his appointment was renewed for a further two-year term commencing from 28 February 2003. Upon expiry of his appointment on 27 February 2005, the Company did not renew the service contract with Mr. Ma Wing Yun Bryan until 24 March 2006. The Company renewed the service contract with Mr. Ma Wing Yun, Bryan for a further term of three years, commencing from 1 April 2006. The term of his appointment was since renewed for a further term of two years commencing from 1 April 2009, 1 April 2011 and 1 April 2013, respectively.

Directors' Service Contracts (continued)

The Company entered into a service contract with Mr. Tam Ching Ho commencing from 30 June 2007 to the then following annual general meeting (i.e. 6 December 2007) of the Company. On 7 December 2007, the Company renewed the service contract with Mr. Tam Ching Ho for a term of two years as an independent non-executive director of the Company commencing from 7 December 2007. Moreover, the term of his appointment was renewed for a further term of two years commencing from 7 December 2009, 7 December 2011 and 7 December 2013, respectively.

The Company entered into a service contract with Dato' Wong Sin Just for a term commencing from 27 December 2007 to the then following annual general meeting (i.e. 31 December 2008) of the Company. On 31 December 2008, the Company renewed the service contract with Dato' Wong Sin Just for a term of two years as an independent non-executive director of the Company commencing from 31 December 2008. Moreover, the term of his appointment was renewed for a further term of two years commencing from 31 December 2010 and 31 December 2012, respectively. The service contract of Dato' Wong Sin Just was terminated with effect from 18 December 2013.

The Company entered into a service contract with Mr. Wong Sin Lai for a term commencing from 29 April 2011 to the last annual general meeting (i.e. 19 December 2011) of the Company. On 20 December 2011, the Company renewed the service contract with Mr. Wong Sin Lai for a term of two years as an independent non-executive director of the Company commencing from 20 December 2011. The service contract of Mr. Wong Sin Lai was terminated with effect from 10 October 2013.

The Company entered into a service contract with Mr. Hau Chi Kit for a term of two years commencing from 18 December 2013 as an independent non-executive director.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

Directors' and Chief Executive's Interests or Short Positions in Shares and Underlying Shares

As at 30 June 2014, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules were as follows:

Interests in the Shares and Underlying Shares

Name of director	Name of company	Type of interest	Number of Shares held (long position) (% of issued capital of the Company)		Share options held
Ms. Chan Yuk Foebe	The Company	Beneficial Interest	163,977,000	7.05%	22,000,000
Mr. Peng Zhanrong	The Company	Beneficial Interest	22,000,000	0.95%	Nil

Save as disclosed herein, as at 30 June 2014, none of the Directors and chief executives of the Company and their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Interests of Shareholders Discloseable under the SFO

As far as the directors of the Company are aware, as at 30 June 2014, the following persons, other than a director or chief executive of the Company had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

Name	Number of Ordinary shares	Capacity (subject to the notes below)	Approximate percentage interest
Mr. Chan Yuen Tung	Long position 674,207,629	Beneficial owner	29.00%
Heng Tai Consumables Group Limited	Long position 342,309,991 (note 1)	Interest of controlled corporation	14.72% (note 1)
Master Oriental Limited	Long position 342,309,991 (note 1)	Beneficial owner	14.72% (note 1)

Note:

1. Heng Tai Consumables Group Limited is deemed to be interested in the shares of the Company through its controlled corporation, Master Oriental Limited. In accordance with the SFO, the interests of Master Oriental Limited are deemed to be, and have therefore been included in the interests of Heng Tai Consumables Group Limited.

Save as disclosed above, as far as the directors of the Company are aware, as at 30 June 2014, no other person had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

Emolument Policy and Long-term Incentive Scheme of the Group

Compensation for the Group is made reference to the prevailing market conditions, individual performance, contributions as well as duties and responsibilities.

A share option scheme is in place to provide appropriate long-term incentive to key staff of the Group including Executive Directors. Details of the share option scheme of the Company are set out in note 32 to the financial statements in this annual report.

Basis of Determining Emolument to Directors

The same remuneration philosophy is applicable to the Directors of the Company. Apart from benchmarking against the prevailing market condition, the Company will assess individual performance, contributions, duties and responsibilities in determining the remuneration for each Director.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, there is sufficient public float of more than 25% of the Company's shares in the market as required under the Listing Rules.

Directors' Interests in a Competing Business

During the year under review and up to the date of this report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

Audit Committee

The Audit Committee has reviewed the audited financial statements and results of the Group for the year ended 30 June 2014 and is of the view such financial statements are in compliance with applicable accounting standards and requirements.

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 ended 30 June 2014.

Auditor

A resolution to re-appoint the retiring auditor, RSM Nelson Wheeler, will be put to a vote at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Chan Yuk Foebe
Chairman and Executive Director

Hong Kong
30 September 2014

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
CHINA ZENITH CHEMICAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Zenith Chemical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 92, which comprise the consolidated and Company statements of financial position as at 30 June 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2014, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Relating to the Going Concern Basis

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss of approximately HK$590,637,000 for the year ended 30 June 2014 and as at 30 June 2014 the Group had net current liabilities of approximately HK$558,513,000. 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.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

30 September 2014

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2014

	Note	2014 HK$'000	2013 HK$'000
Turnover	8	**163,477**	297,446
Cost of sales		**(191,024)**	(327,392)
Gross loss		**(27,547)**	(29,946)
Other income	9	**21,436**	29,618
Selling and distribution costs		**(9,099)**	(9,884)
Administrative expenses		**(120,205)**	(114,487)
Other operating expenses		**(157,244)**	(198,625)
Impairment of fixed assets		**(345,008)**	–
Loss from operations		**(637,667)**	(323,324)
Finance costs	11	**(32,667)**	(14,309)
Loss before tax		**(670,334)**	(337,633)
Income tax credit	12	**79,697**	12,736
Loss for the year	13	**(590,637)**	(324,897)
Attributable to:			
Owners of the Company	15	**(559,532)**	(310,652)
Non-controlling interests		**(31,105)**	(14,245)
		(590,637)	(324,897)
Loss per share			
– Basic	17	**(HK24.07 cents)**	(HK14.33 cents)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Note	2014 HK$'000	2013 HK$'000
Loss for the year		**(590,637)**	(324,897)
Other comprehensive income after tax:			
Item that will not be reclassified to profit or loss:			
Gains on property revaluation		**7,489**	18,567
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(22,474)**	78,578
Other comprehensive income for the year, net of tax	18	**(14,985)**	97,145
Total comprehensive income for the year		**(605,622)**	(227,752)
Attributable to:			
Owners of the Company		**(574,039)**	(228,905)
Non-controlling interests		**(31,583)**	1,153
		(605,622)	(227,752)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Fixed assets	19	**2,845,458**	3,232,205
Land held under finance leases	20	**67,132**	67,814
Prepaid land lease payments	21	**410,589**	464,756
Goodwill	22	**37,904**	37,904
Other intangible assets	23	**3,463**	5,410
		3,364,546	3,808,089
Current assets			
Inventories	26	**40,490**	34,046
Trade receivables	27	**76,114**	96,385
Other loan receivables	28	**700**	31,773
Prepayments, deposits and other receivables		**97,357**	84,804
Financial assets at fair value through profit or loss	29	**2,721**	4,707
Bank and cash balances	30	**85,579**	17,039
		302,961	268,754
TOTAL ASSETS		**3,667,507**	4,076,843
Capital and reserves			
Share capital	31	**232,490**	232,490
Reserves	33	**2,065,404**	2,639,443
Equity attributable to owners of the Company		**2,297,894**	2,871,933
Non-controlling interests		**208,850**	240,433
Total equity		**2,506,744**	3,112,366

Consolidated Statement of Financial Position

at 30 June 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Bank loans	38	**34,157**	36,504
Bonds payable	39	**224,000**	–
Deferred tax liabilities	34	**41,132**	116,782
		299,289	153,286
Current liabilities			
Trade payables	35	**85,531**	63,076
Bond interest payable		**2,612**	–
Other payables and accruals		**512,998**	436,045
Other loan	36	**24,837**	25,051
Due to a non-controlling shareholder of a subsidiary	37	**43,453**	43,453
Bank loans	38	**192,043**	243,566
		861,474	811,191
Total liabilities		**1,160,763**	964,477
TOTAL EQUITY AND LIABILITIES		**3,667,507**	4,076,843
Net current liabilities		**(558,513)**	(542,437)
Total assets less current liabilities		**2,806,033**	3,265,652

Chan Yuk Foebe
Chairman

Chiau Che Kong
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Attributable to owners of the Company									
	Issued share capital HK$'000	Share premium account HK$'000	Fixed asset revaluation reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Warrant reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2012	74,563	1,620,847	27,779	5,461	259,570	–	870,352	2,858,572	239,280	3,097,852
Total comprehensive income for the year	–	–	13,167	–	68,580	–	(310,652)	(228,905)	1,153	(227,752)
Issue of shares on open offer (note 31)	149,127	69,977	–	–	–	–	–	219,104	–	219,104
Share option benefits										
– Grant of share options (note 32)	–	–	–	4,762	–	–	–	4,762	–	4,762
– Exercise of share options (note 31)	8,800	12,962	–	(3,810)	–	–	–	17,952	–	17,952
– Transfer to share premium	–	5,461	–	(5,461)	–	–	–	–	–	–
Issue of warrants (note 31)	–	–	–	–	–	448	–	448	–	448
Changes in equity for the year	157,927	88,400	13,167	(4,509)	68,580	448	(310,652)	13,361	1,153	14,514
At 30 June 2013 and 1 July 2013	232,490	1,709,247	40,946	952	328,150	448	559,700	2,871,933	240,433	3,112,366
Total comprehensive income for the year	–	–	5,995	–	(20,502)	–	(559,532)	(574,039)	(31,583)	(605,622)
Expiry of warrants	–	–	–	–	–	(448)	448	–	–	–
Disposal of fixed assets	–	–	(834)	–	–	–	834	–	–	–
Changes in equity for the year	–	–	5,161	–	(20,502)	(448)	(558,250)	(574,039)	(31,583)	(605,622)
At 30 June 2014	232,490	1,709,247	46,107	952	307,648	–	1,450	2,297,894	208,850	2,506,744

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(670,334)**	(337,633)
Adjustments for:		
Finance costs	**32,667**	14,309
Interest income	**(106)**	(1,841)
Dividend income	**(62)**	(553)
Depreciation	**140,056**	118,809
Amortisation of prepaid land lease payments	**11,272**	10,638
Amortisation of other intangible assets	**1,936**	1,923
Allowance for receivables	**58,374**	71,963
Loss on disposal of fixed assets	**582**	–
Gain on disposal of prepaid land lease payments	**(10,604)**	–
Write off of fixed assets	**–**	25,021
Fair value gain on financial assets at fair value through profit or loss	**(89)**	(508)
Gain on disposal of financial assets at fair value through profit or loss	**(9)**	(2,565)
Revaluation deficits/(reversal of revaluation deficits) on buildings	**4,300**	(5,047)
Impairment of fixed assets	**345,008**	–
Share option benefits	**–**	4,762
Operating loss before working capital changes	**(87,009)**	(100,722)
(Increase)/decrease in inventories	**(6,444)**	22,125
Increase in trade receivables	**(36,164)**	(11,909)
Decrease/(increase) in other loans receivable	**31,485**	(31,273)
Increase in prepayments, deposits and other receivables	**(14,492)**	(30,320)
Increase in trade payables	**22,455**	14,955
Increase in other payables and accruals	**76,953**	177,783
Decrease in financial assets at fair value through profit or loss	**2,084**	20,110
Cash (used in)/generated from operations	**(11,132)**	60,749
Interest received	**106**	1,841
Dividend received	**62**	553
Interest paid	**(24,701)**	(22,153)
Income taxes refunded/(paid)	**1,617**	(10)
Net cash (used in)/generated from operating activities	**(34,048)**	40,980

Consolidated Statement of Cash Flows

for the year ended 30 June 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	**(110,109)**	(165,642)
Proceeds from disposal of fixed assets	**946**	26
Proceeds from disposal of prepaid land lease payments	**51,929**	–
Net cash used in investing activities	**(57,234)**	(165,616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares on open offer	**–**	219,104
Exercise of share options	**–**	17,952
Issue of warrants	**–**	448
Issue of bonds	**218,647**	–
Repayment of other loans	**–**	(50,000)
Repayment to a non-controlling shareholder of a subsidiary	**–**	(15,311)
Bank loans raised	**–**	25,136
Repayment of bank loans	**(52,903)**	(72,005)
Net cash generated from financing activities	**165,744**	125,324
NET INCREASE IN CASH AND CASH EQUIVALENTS	**74,462**	688
Effect of foreign exchange rate changes	**(5,922)**	11,018
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**17,039**	5,333
CASH AND CASH EQUIVALENTS AT END OF YEAR	**85,579**	17,039
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**85,579**	17,039

STATEMENT OF FINANCIAL POSITION

at 30 June 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	24	**222,405**	511,921
Current assets			
Due from subsidiaries	25	**1,893,026**	1,776,608
Other receivables		**15,000**	–
Bank and cash balances		**73,432**	490
		1,981,458	1,777,098
TOTAL ASSETS		**2,203,863**	2,289,019
Capital and reserves			
Share capital	31	**232,490**	232,490
Reserves	33	**1,518,698**	1,835,044
Total equity		**1,751,188**	2,067,534
Non-current liabilities			
Bonds payable	39	**224,000**	–
Current liabilities			
Due to subsidiaries	25	**219,484**	219,654
Bond interest payable		**2,612**	–
Other payables and accruals		**6,579**	1,831
		228,675	221,485
TOTAL EQUITY AND LIABILITIES		**2,203,863**	2,289,019
Net current assets		**1,752,783**	1,555,613
Total assets less current liabilities		**1,975,188**	2,067,534

Chan Yuk Foebe
Chairman

Chiau Che Kong
Executive Director

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

1. General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 4007, 40th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 24 to the financial statements.

2. Going Concern Basis

The Group incurred a loss of approximately HK$590,637,000 for the year ended 30 June 2014 and as at 30 June 2014 the Group had net current liabilities of approximately HK$558,513,000. 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$189,696,000 which are subject to a repayment on demand clause and therefore are classified as current liabilities as at 30 June 2014. According to the scheduled repayments, an amount of approximately HK$164,736,000 is payable 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 some 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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (continued)

(a) HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affected the disclosures relating to the Group's subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

(b) HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affected disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position. The Group does not plan to adopt these standards prior to their mandatory effective date.

4. Significant Accounting Policies

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by 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.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

4. Significant Accounting Policies (continued)

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. Significant Accounting Policies (continued)

(b) Business combinations and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (u) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

4. Significant Accounting Policies (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each income statement are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in statement of comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. Significant Accounting Policies (continued)

(d) Fixed assets

Buildings comprise mainly factories and offices. Buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the fixed asset revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the fixed asset revaluation reserve are charged against the fixed asset revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building, the attributable revaluation increase remaining in the fixed asset revaluation reserve is transferred directly to retained profits.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land held under finance leases	Over the lease terms
Buildings	The shorter of the lease terms and 30 to 50 years
Leasehold improvements	10 years
Pipelines and trench	30 years
Plant and machinery	10 to 30 years
Furniture, office equipment and motor vehicles	5 to 10 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. Significant Accounting Policies (continued)

(e) Operating leases

(i) The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(f) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs are capitalised only if all of the following conditions are met:

– An asset is created that can be identified (such as new products);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Deferred development costs are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives of 5 years.

(g) Other intangible assets

(i) Technical know-how

Technical know-how is measured initially at purchase cost and is amortised on a straight-line basis over its estimated useful life of 10 years.

(ii) Trade name and exclusive right

Trade name and exclusive right are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of 25 years.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. Significant Accounting Policies (continued)

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

4. Significant Accounting Policies (continued)

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iv) Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The net proceed received from the issue of warrants is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium account upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to retained profits.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

4. Significant Accounting Policies (continued)

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "Ordinance") for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount specified in the Ordinance per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the People's Republic of China (the "PRC") are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

4. Significant Accounting Policies (continued)

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(s) Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. Significant Accounting Policies (continued)

(s) Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, as the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

4. Significant Accounting Policies (continued)

(t) Related parties (continued)

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(u) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

4. Significant Accounting Policies (continued)

(u) Impairment of assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon whether the banks will exercise their discretion to demand immediate repayment of bank loans which are subject to a repayment on demand clause. Details are explained in note 2 to the financial statements.

(b) Legal titles of certain buildings

As stated in note 19 to the financial statements, the legal titles of certain buildings were not yet obtained as at 30 June 2014. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those buildings as fixed assets on the grounds that they expect the legal titles should be obtained in future with no major difficulties and the Group is in substance controlling those buildings.

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Fixed assets and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment test of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period were approximately HK$37,904,000. Details of the impairment loss calculation are provided in note 22 to the financial statements.

(d) Useful lives of other intangible assets

The Group determines the estimated useful lives and related amortisation charges for the Group's other intangible assets. This estimate is based on the expected pattern of consumption of the future economic benefits embodied in the asset or, where appropriate, the contractual or other legal rights associated with the assets. The Group will revise the amortisation period and the amortisation method for an intangible asset where the useful life is different to that previously estimated.

(e) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi ("RMB") which are the functional currencies of the principal operating entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

At 30 June 2014, if the prices of the Group's investments increase/decrease by 10%, loss after tax for the year would have been approximately HK$272,000 (2013: HK$471,000) lower/higher.

(c) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables, other loans receivable and investments included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has concentrations of credit risk as approximate 99% (2013: 38%) of the total trade receivables was due from a major customer as at 30 June 2014.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparties are well-established securities broker firms in Hong Kong.

6. Financial Risk Management (continued)

(c) Credit risk (continued)

The Group's credit risk is primarily attributable to its trade and other receivables and other loans receivable. It has policies in place to ensure that sales are made to customers with an appropriate credit history. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

For term loans which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank loans is prepared based on the scheduled repayment dates.

The maturity analysis of the Group's financial liabilities is as follows:

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 30 June 2014					
Term loans subject to a repayment on demand clause	189,696	–	–	–	–
Other bank loans	–	3,092	3,092	9,274	26,533
Bonds payable	–	4,500	4,500	13,500	479,750
Trade payables	–	85,531	–	–	–
Bond interest payable	–	2,612	–	–	–
Other payables and accruals	–	398,296	–	–	–
Other loan	24,837	–	–	–	–
Due to a non-controlling shareholder of a subsidiary	–	43,453	–	–	–
At 30 June 2013					
Term loans subject to a repayment on demand clause	241,267	–	–	–	–
Other bank loans	–	3,092	3,092	9,274	29,624
Trade payables	–	63,076	–	–	–
Other payables and accruals	–	340,919	–	–	–
Other loan	25,051	–	–	–	–
Due to a non-controlling shareholder of a subsidiary	–	43,453	–	–	–

6. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

	Contractual undiscounted cashflow		
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 30 June 2014	36,829	72,836	104,506
At 30 June 2013	41,586	15,573	232,152

(e) Interest rate risk

Bonds payable and other loans were arranged at fixed interest rates and therefore were subject to fair value interest rate risk.

Bank loans were arranged at floating rates varied with the then prevailing market condition.

At 30 June 2014, if interest rates at that date had been 1% lower/higher with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$2,262,000 (2013: HK$2,801,000) lower/higher, arising mainly as a result of lower/higher interest expense on bank loans.

(f) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets:		
Financial assets at fair value through profit or loss:		
Held for trading	**2,721**	4,707
Loans and receivables (including cash and cash equivalents)	**173,657**	155,016
Financial liabilities:		
Financial liabilities at amortised cost	**1,004,928**	752,569

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June:

Description	Fair value measurements using: Level 1 HK$	Level 3 HK$	Total 2014 HK$
Recurring fair value measurements:			
Financial assets at fair value through profit or loss			
Listed securities in Hong Kong	2,721	–	**2,721**
Fixed assets			
Properties in Hong Kong	–	5,638	**5,638**
Properties in the PRC	–	675,955	**675,955**
	–	681,593	**681,593**
Total recurring fair value measurements	2,721	681,593	**684,314**

7. Fair Value Measurements (continued)

(a) Disclosures of level in fair value hierarchy at 30 June: (continued)

Description	Fair value measurements using: Level 1 HK$	Level 3 HK$	Total 2013 HK$
Recurring fair value measurements:			
Financial assets at fair value through profit or loss			
Listed securities in Hong Kong	4,707	–	4,707
Fixed assets			
Properties in Hong Kong	–	4,638	4,638
Properties in the PRC	–	702,974	702,974
	–	707,612	707,612
Total recurring fair value measurements	4,707	707,612	712,319

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: Nil).

(b) Reconciliation of assets measured at fair value based on level 3:

The movements of the properties under Level 3 fair value measurements during the year are presented in note 19 to the financial statements under the heading of "Buildings". Fair value adjustments on properties are recognised in the line item "gains on property revaluation" in the consolidated statement of comprehensive income of approximately HK$9,621,000 (2013: HK$24,651,000) (Note 18) and in the line item "other operating expenses" as revaluation deficits on buildings in the consolidated income statement of approximately HK$4,300,000 (2013: other income as reversal of revaluation deficits: HK$5,047,000).

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at annual basis.

7. Fair Value Measurements (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June: (continued)

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value
					HK$'000
At 30 June 2014					
Fixed assets					
Properties in Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	HK$25,800/ square feet	Increase	5,638
Properties in the PRC	Depreciated replacement cost	Replacement cost (RMB/square feet)	RMB643 – RMB58,905/ square feet	Increase	675,955
		Depreciated replacement cost (RMB/square feet)	RMB4 – RMB31,564/ square feet	Decrease	
		Building/ Structure life	15–40 years	Increase	
At 30 June 2013					
Fixed assets					
Properties in Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	HK$26,000/ square feet	Increase	4,638
Properties in the PRC	Depreciated replacement cost	Replacement cost (RMB/square feet)	RMB630 – RMB57,750/ square feet	Increase	702,974
		Depreciated replacement cost (RMB/square feet)	RMB77 – RMB32,499/ square feet	Decrease	
		Building/ Structure life	15–40 years	Increase	

During the two years, there were no changes in the valuation techniques used.

8. Turnover

Turnover 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.

9. Other Income

	Group	
	2014	2013
	HK$'000	HK$'000
Dividend income from listed investments	**62**	553
Gain on disposal of prepaid land lease payments	**10,604**	–
Sales of scrap materials	**507**	505
Fair value gain on financial assets at fair value through profit or loss	**89**	508
Gain on disposal of financial assets at fair value through profit or loss	**9**	2,565
Government grants (note)	**9,602**	17,105
Bank interest income	**12**	26
Other interest income	**94**	1,815
Rental income	**457**	–
Reversal of revaluation deficits on buildings	**–**	5,047
Sundry income	**–**	1,494
	21,436	29,618

Note: Government grants for the years ended 30 June 2014 and 2013 were received as incentive for capital expenditure and subsidy for operating costs. There are no unfulfilled conditions or contingencies attached to the grants.

10. 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.

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. 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 expense. Segment assets do not include goodwill, bank and cash balances, other loans receivable, 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 loan, amount due to a non-controlling shareholder of a subsidiary and other payables and accruals for general administrative use.

10. Segment Information (continued)

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 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

10. Segment Information (continued)

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

	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 2013						
Revenue from external customers	121,477	–	59,495	–	116,474	297,446
Intersegment revenue	–	–	8,400	–	51,759	60,159
Segment loss	(76,827)	(27,814)	(104,292)	(53,216)	(42,363)	(304,512)
Interest revenue	1,785	2	–	–	18	1,805
Interest expense	–	2,375	3,091	–	7,844	13,310
Depreciation and amortisation	16,402	14,243	9,670	34,105	55,359	129,779
Other material items of income and expense:						
Government grants	–	–	3,029	1,257	12,819	17,105
Income tax expense/(credit)	4,512	1,251	(4,717)	(7,340)	(6,442)	(12,736)
Other material non-cash items:						
Allowance/(reversal of allowance) for receivables						
– trade receivables	48,347	(3,903)	2,463	24,978	(404)	71,481
– other receivables	–	–	482	–	–	482
Additions to segment non-current assets	–	–	7,764	509	165,213	173,486
As at 30 June 2013						
Segment assets	387,518	309,241	316,624	604,429	2,316,779	3,934,591
Segment liabilities	17,936	34,413	101,407	177,360	281,834	612,950

10. Segment Information (continued)

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

	2014 HK$'000	2013 HK$'000
Profit or loss		
Total profit or loss of reportable segments	(562,885)	(304,512)
Fair value gain on financial assets at fair value through profit or loss	89	508
Gain on disposal of financial assets at fair value through profit or loss	9	2,565
Dividend income from listed investments	62	553
Corporate administrative expenses	(27,912)	(24,011)
Consolidated loss for the year	(590,637)	(324,897)
Assets		
Total assets of reportable segments	3,449,159	3,934,591
Goodwill	37,904	37,904
Bank and cash balances	85,579	17,039
Financial assets at fair value through profit or loss	2,721	4,707
Other loan receivables	700	31,773
Other assets	91,444	50,829
Consolidated total assets	3,667,507	4,076,843
Liabilities		
Total liabilities of reportable segments	621,421	612,950
Bonds payable	224,000	–
Bond interest payable	2,612	–
Bank loans	226,200	280,070
Other loan	24,837	25,051
Due to a non-controlling shareholder of a subsidiary	43,453	43,453
Other payables and accruals for general administrative use	18,240	2,953
Consolidated total liabilities	1,160,763	964,477

The Group's revenue is derived from customers based in the PRC and accordingly, no geographical information is presented.

Revenue from a major customer of the Group's calcium carbide segment represents approximately HK$84,940,000 (2013: HK$108,080,000) of the Group's total revenue.

11. Finance Costs

	Group	
	2014	2013
	HK$'000	HK$'000
Interest on bank loans	**17,745**	18,901
Interest on other loans – wholly repayable within five years	**3,200**	3,252
Interest on bonds payable – not wholly repayable in five years	**7,966**	–
Interest on trade payables	**3,756**	–
Total borrowing costs	**32,667**	22,153
Amount capitalised	**–**	(7,844)
	32,667	14,309

12. Income Tax Credit

	Group	
	2014	2013
	HK$'000	HK$'000
Current tax – Overseas		
Overprovision in prior years	**(1,617)**	–
Deferred tax (note 34)	**(78,080)**	(12,736)
	(79,697)	(12,736)

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 (2013: 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.

Mudanjiang Dongbei Gaoxin Chemical Co., Ltd. ("Mudanjiang Dongbei Gaoxin"), Mudanjiang Dongbei Chemical Engineering Company Limited ("Mudanjiang Dongbei Chemical") and Heihe LongJiang Chemical Company Limited ("Heihe LongJiang Chemical"), subsidiaries of the Company, are subject to PRC enterprise income tax at the rate of 25% (2013: 25%). No provision for PRC enterprise income tax has been made as Mudanjiang Dongbei Gaoxin, Mudanjiang Dongbei Chemical and Heihe LongJiang Chemical have no assessable profit for the year (2013: Nil).

12. Income Tax Credit (continued)

Mudanjiang Better Day Power Limited ("Mudanjiang BD Power"), Mudanjiang Gaoke Bio-Chem Company Limited ("Mudanjiang Gaoke") and Mudanjiang Daytech Chemical Ltd. ("Mudanjiang Daytech Chemical"), subsidiaries of the Company, are subject to PRC enterprise income tax at rate of 25%. During the period from 1 January 2010 to 31 December 2012, they were entitled to a 50% relief from PRC enterprise income tax. No provision for PRC enterprise income tax has been made as Mudanjiang BD Power, Mudanjiang Gaoke and Mudanjiang Daytech Chemical have no assessable profit for the year (2013: Nil).

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 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)

12. Income Tax Credit (continued)

Group (continued)

For the year ended 30 June 2013

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(51,275)		(286,358)		(337,633)	
Tax at the statutory tax rate	(8,460)	(16.5)	(71,590)	(25.0)	(80,050)	(23.7)
Income tax exempted	(93)	(0.1)	(3,218)	(1.1)	(3,311)	(1.0)
Expenses not deductible for tax	7,144	13.9	291	0.1	7,435	2.1
Unrecognised temporary differences	210	0.4	3,727	1.3	3,937	1.2
Tax losses not recognised	1,199	2.3	58,054	20.3	59,253	17.6
Tax credit at the Group's effective tax rate	–	–	(12,736)	(4.4)	(12,736)	(3.8)

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$50,735,000 (2013: HK$54,096,000). 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.

13. Loss for the Year

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

	2014 HK$'000	2013 HK$'000
Auditor's remuneration	**1,330**	1,270
Allowance for receivables		
– trade receivables	**56,435**	71,481
– other receivables	**1,939**	482
Write off of fixed assets	**–**	25,021
Amortisation of other intangible assets (included in administrative expenses)	**1,936**	1,923
Cost of inventories sold	**191,024**	327,392
Depreciation	**140,056**	118,809
Loss on disposal of fixed assets	**582**	–
Minimum lease payments under operating leases for land and buildings	**14,222**	13,705
Factory overhead incurred during suspension of production (note)	**85,338**	52,158
Revaluation deficits/(reversal of revaluation deficits) on buildings	**4,300**	(5,047)
Staff costs (excluding directors' emoluments – note 14):		
Wages, salaries and benefits in kind	**34,465**	43,802
Employee share option benefits	**–**	1,906
Retirement benefits scheme contributions	**4,154**	5,869

Cost of inventories sold includes staff costs and depreciation of approximately HK$13,980,000 (2013: HK$15,240,000) and HK$27,666,000 (2013: HK$27,973,000), respectively, which are included in the amounts disclosed separately above.

Note: During the years ended 30 June 2013 and 2014, factory overhead was incurred during the temporary suspension of the production line of coal-related division and bio-chemical division due to a substantial decrease in profit margin.

14. Directors' and Employees' Emoluments

The emoluments of each director were as follows:

	Basic salaries, housing benefits, other allowances and benefits in kind		Employee share option benefits		Retirement benefits scheme contributions		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Executive directors								
Ms. Chan Yuk Foebe	**120**	1,200	**–**	952	**–**	–	**120**	2,152
Mr. Chiau Che Kong	**363**	363	**–**	952	**15**	15	**378**	1,330
Mr. Yu Defa (note (a))	**131**	–	**–**	–	**–**	–	**131**	–
Mr. Wu Jianwei (note (b))	**389**	557	**–**	–	**–**	–	**389**	557
Mr. Peng Zhanrong (note (c))	**240**	220	**–**	952	**–**	–	**240**	1,172
Independent non-executive directors								
Mr. Ma Wing Yun Bryan	**120**	120	**–**	–	**–**	–	**120**	120
Mr. Tam Ching Ho	**120**	120	**–**	–	**–**	–	**120**	120
Mr. Hau Chi Kit (note (d))	**65**	–	**–**	–	**–**	–	**65**	–
Mr. Wong Sin Lai (note (e))	**33**	120	**–**	–	**–**	–	**33**	120
Dato' Dr. Wong Sin Just (note (f))	**56**	120	**–**	–	**–**	–	**56**	120
	1,637	2,820	**–**	2,856	**15**	15	**1,652**	5,691

Notes:

(a) Appointed on 5 May 2014
(b) Resigned on 5 May 2014
(c) Resigned on 8 July 2014
(d) Appointed on 18 December 2013
(e) Resigned on 10 October 2013
(f) Resigned on 18 December 2013

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2013: Nil).

14. Directors' and Employees' Emoluments (continued)

The five highest paid individuals in the Group during the year included 3 (2013: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 2 (2013: 2) individuals are set out below:

	Group	
	2014	2013
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**778**	123
Employee share option benefits	**–**	1,906
	778	2,029

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1
	2	2

During the year ended 30 June 2013, share options were granted to certain employees in respect of their services to the Group. The fair value of such options, which was recognised to profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements was included in the above five highest paid individuals' emoluments disclosures.

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

15. Loss for the Year Attributable to Owners of the Company

The loss for the year attributable to owners of the Company included a loss of approximately HK$316,346,000 (2013: HK$18,918,000) which has been dealt with in the financial statements of the Company.

16. Dividend

The directors do not recommend the payment of dividend for the year ended 30 June 2014 (2013: Nil).

17. 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$559,532,000 (2013: HK$310,652,000) and the weighted average number of ordinary shares of 2,324,899,519 (2013: 2,167,581,273) in issue during the year.

Diluted loss per share

The exercise of the Group's outstanding warrants for the year ended 30 June 2013 would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options during the years ended 30 June 2013 and 2014, therefore no diluted loss per share information is presented for the years ended 30 June 2013 and 2014.

18. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income for the year:

	2014			2013		
	Amount before tax HK$'000	**Tax HK$'000**	**Amount after tax HK$'000**	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000
Exchange differences on translating foreign operations	**(22,474)**	**–**	**(22,474)**	78,578	–	78,578
Gains on property revaluation	**9,621**	**(2,132)**	**7,489**	24,651	(6,084)	18,567
Other comprehensive income	**(12,853)**	**(2,132)**	**(14,985)**	103,229	(6,084)	97,145

19. Fixed Assets

Group

	Buildings	Construction in progress	Plant and machinery	Leasehold improvements	Furniture, office equipment and motor vehicles	Pipelines and trench	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation							
At 1 July 2012	431,746	1,299,040	1,593,752	3,038	29,104	61,566	3,418,246
Additions	–	168,862	4,185	–	75	364	173,486
Disposal/write off	–	(25,000)	(64)	–	(399)	–	(25,463)
Transfer	258,071	(973,114)	715,043	–	–	–	–
Revaluation	7,933	–	–	–	–	–	7,933
Exchange differences	9,862	36,865	31,290	–	683	1,063	79,763
At 30 June 2013 and 1 July 2013	707,612	506,653	2,344,206	3,038	29,463	62,993	3,653,965
Additions	–	98,712	7,536	637	2,812	412	110,109
Disposal/write off	(1,138)	(30)	(5)	–	(1,927)	–	(3,100)
Revaluation	(20,913)	–	–	–	–	–	(20,913)
Exchange differences	(3,968)	(3,297)	(12,947)	–	(166)	(257)	(20,635)
At 30 June 2014	681,593	602,038	2,338,790	3,675	30,182	63,148	3,719,426
Accumulated depreciation							
At 1 July 2012	–	–	284,122	1,389	18,552	13,548	317,611
Charge for the year	21,226	–	90,648	304	2,709	3,241	118,128
Disposal/write off	–	–	(37)	–	(379)	–	(416)
Write back on revaluation	(21,765)	–	–	–	–	–	(21,765)
Exchange differences	539	–	6,621	–	511	531	8,202
At 30 June 2013 and 1 July 2013	–	–	381,354	1,693	21,393	17,320	421,760
Charge for the year	26,439	–	107,444	325	1,866	3,300	139,374
Disposal/write off	–	–	(4)	–	(1,568)	–	(1,572)
Impairment loss	–	–	345,008	–	–	–	345,008
Write back on revaluation	(26,234)	–	–	–	–	–	(26,234)
Exchange differences	(205)	–	(3,812)	–	(139)	(212)	(4,368)
At 30 June 2014	–	–	829,990	2,018	21,552	20,408	873,968

19. Fixed Assets (continued)

Group (continued)

	Buildings	Construction in progress	Plant and machinery	Leasehold improvements	Furniture, office equipment and motor vehicles	Pipelines and trench	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount							
At 30 June 2014	681,593	602,038	1,508,800	1,657	8,630	42,740	2,845,458
At 30 June 2013	707,612	506,653	1,962,852	1,345	8,070	45,673	3,232,205
Analysis of cost or valuation at 30 June 2014							
At cost	–	602,038	2,338,790	3,675	30,182	63,148	3,037,833
At valuation 2014	681,593	–	–	–	–	–	681,593
	681,593	602,038	2,338,790	3,675	30,182	63,148	3,719,426
Analysis of cost or valuation at 30 June 2013							
At cost	–	506,653	2,344,206	3,038	29,463	62,993	2,946,353
At valuation 2013	707,612	–	–	–	–	–	707,612
	707,612	506,653	2,344,206	3,038	29,463	62,993	3,653,965

At 30 June 2014, the carrying amount of certain buildings amounted to approximately HK$262,762,000 (2013: HK$268,651,000) for which relevant legal titles have not yet been obtained. At the date of approval of these consolidated financial statements, the application for obtaining the aforesaid legal titles is still in progress.

At 30 June 2014, the carrying amount of fixed assets pledged as security for the Group's bank loans and other loan amounted to approximately HK$1,389,794,000 (2013: HK$1,438,421,000).

At 30 June 2014, the Group's buildings were revalued on the depreciated replacement cost basis/direct comparison approach by International Valuation Limited, independent firm of chartered surveyors, at approximately HK$681,593,000 (2013: HK$707,612,000). For the year ended 30 June 2014, the resulting revaluation surpluses of approximately HK$9,621,000 was credited to fixed asset revaluation reserve and revaluation deficits of approximately HK$4,300,000 was charged in profit or loss. For the year ended 30 June 2013, the resulting revaluation surpluses of approximately HK$24,651,000 and HK$5,047,000 were credited to fixed asset revaluation reserve and credited to profit or loss to reverse revaluation deficits previously recognised in profit or loss, respectively.

The carrying amount of the Group's buildings would have been approximately HK$622,801,000 (2013: HK$652,648,000) had they been stated at cost less accumulated depreciation and impairment losses.

19. Fixed Assets (continued)

Group (continued)

For the year ended 30 June 2014, the Group carried out reviews of the recoverable amount of plant and machinery used in the Vitamin C, glucose and starch segment, having regard to the condition of product lines and the market conditions of the products. The reviews led to the recognition of an impairment loss of approximately HK$345,008,000 that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 11.99%.

20. Land Held Under Finance Leases

	Group	
	2014	2013
	HK$'000	HK$'000
Cost		
At beginning and end of year	**71,562**	71,562
Accumulated depreciation		
At beginning of year	**3,748**	3,067
Charge for the year	**682**	681
At end of year	**4,430**	3,748
Carrying amount		
At end of year	**67,132**	67,814
At beginning of year	**67,814**	68,495

The Group's land held under finance leases are located in Hong Kong and held under long leases.

The Group's land held under finance leases were pledged as security for the Group's bank loans at 30 June 2014 and 2013.

21. Prepaid Land Lease Payments

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium-term leases.

At 30 June 2014 the carrying amount of prepaid land lease payments pledged as security for the Group's bank loans and other loan amounted to approximately HK$293,873,000 (2013: HK$302,184,000).

22. Goodwill

	Group	
	2014	2013
	HK$'000	HK$'000
Cost		
At beginning and end of year	**123,589**	123,589
Accumulated impairment losses		
At beginning and end of year	**85,685**	85,685
Carrying amount		
At end of year	**37,904**	37,904
At beginning of year	**37,904**	37,904

Goodwill acquired in business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Calcium carbide		
Mudanjiang Daytech Chemical	**26,050**	26,050
Heihe LongJiang Chemical	**11,854**	11,854
	37,904	37,904

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

22. Goodwill (continued)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five (2013: five) years for Calcium carbide CGU, with the residual period using the growth rate of 3.50% (2013: 3.77%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's manufacture and sale of calcium carbide activities is 11.92% to 12.20% (2013: 12.15% to 12.42%).

23. Other Intangible Assets

	Group			
	Exclusive right HK$'000	Trade name HK$'000	Technical know-how HK$'000	Total HK$'000
Cost				
At 1 July 2012	72,347	33,459	18,676	124,482
Exchange differences	–	–	550	550
At 30 June 2013 and 1 July 2013	72,347	33,459	19,226	125,032
Exchange differences	–	–	(132)	(132)
At 30 June 2014	72,347	33,459	19,094	124,900
Accumulated amortisation and impairment losses				
At 1 July 2012	72,347	33,459	11,553	117,359
Amortisation for the year	–	–	1,923	1,923
Exchange differences	–	–	340	340
At 30 June 2013 and 1 July 2013	72,347	33,459	13,816	119,622
Amortisation for the year	–	–	1,936	1,936
Exchange differences	–	–	(121)	(121)
At 30 June 2014	72,347	33,459	15,631	121,437
Carrying amount				
At 30 June 2014	–	–	3,463	3,463
At 30 June 2013	–	–	5,410	5,410
Remaining amortisation period:	–	–	1.25 to 3.17 years	

24. Investments in Subsidiaries

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost	**511,921**	511,921
Less: impairment losses	**(289,516)**	–
	222,405	511,921

Particulars of the subsidiaries as at 30 June 2014 are as follows:

Name	Place of incorporation/ registration and operation*	Issued and paid up/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dragon Boom Investments Limited	British Virgin Islands ("BVI")	Ordinary US$1	100%	–	Investment holding
Ever Strength Investments Limited	BVI	Ordinary US$1	100%	–	Inactive
Gold Capture Investments Inc.	BVI	Ordinary US$1	100%	–	Investment holding
Prosper Path Limited	BVI	Ordinary US$1	100%	–	Investment holding
Quality Gain Investments Ltd.	BVI	Ordinary US$1	100%	–	Investment holding
Better Day Bio-Chem Technology Ltd.	BVI	Ordinary US$2	100%	–	Investment holding
Better Day Power Ltd.	BVI	Ordinary US$2	100%	–	Investment holding
Master King Group Limited	Hong Kong	Ordinary HK$1	100%	–	Inactive
Better Lion Holdings Limited	BVI	Ordinary US$2	–	100%	Investment holding
Daytech Group Limited	BVI	Ordinary US$2	–	100%	Investment holding

24. Investments in Subsidiaries (continued)

Name	Place of incorporation/ registration and operation*	Issued and paid up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Powerful Rise Group Limited	BVI	Ordinary US$1	–	100%	Inactive
Racing Dragon Group Limited ("Racing Dragon")	BVI	Ordinary US$100	–	67%	Investment holding
Mudanjiang BD Power	PRC (note (a))	RMB110,000,000	–	100%	Generation and supply of heat and power
Mudanjiang Daytech Chemical	PRC (note (b))	RMB558,844,178	–	100%	Manufacture and sale of calcium carbide
Mudanjiang Dongbei Chemical	PRC (note (c))	RMB110,910,000	–	63.11%	Manufacture and sale of vinyl acetate
Mudanjiang Dongbei Gaoxin	PRC (note (d))	HK$230,000,000	–	100%	Manufacture and sale of polyvinyl-chloride
Mudanjiang Gaoke	PRC (note (e))	RMB100,000,000	–	100%	Manufacture and sale of Vitamin C, glucose and starch
Heihe LongJiang Chemical	PRC (note (f))	RMB265,000,000	–	67%	Manufacture and sale of calcium carbide, polyvinyl-alcohol and vinyl acetate
大慶高新區東北化工銷售有限公司	PRC (note (g))	RMB500,000	–	63.11%	Sale of vinyl acetate

24. Investments in Subsidiaries (continued)

Name	Place of incorporation/ registration and operation*	Issued and paid up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Zenith Construction Materials Limited	Cayman Islands	Ordinary HK$0.01	–	100%	Inactive
STB Company Limited	Hong Kong	Ordinary HK$2	–	100%	Inactive
Success Eagle Investment Limited	Hong Kong	Ordinary HK$1	–	100%	Provision of administrative and consultancy services

* Where different

Notes:

(a) Mudanjiang BD Power is a wholly foreign-owned enterprise registered in the PRC for an operating period of 50 years commencing from the approval date of 9 June 2006.

(b) Mudanjiang Daytech Chemical is a wholly foreign-owned enterprise registered in the PRC for an operating period of 50 years commencing from the approval date of 30 December 2006.

(c) Mudanjiang Dongbei Chemical is a Sino-foreign equity joint venture established in the PRC for an operating period of 50 years commencing from the approval date of 27 May 2004.

(d) Mudanjiang Dongbei Gaoxin is a wholly foreign-owned enterprise registered in the PRC for an operating period of 50 years commencing from the approval date of 26 April 2005.

(e) Mudanjiang Gaoke is a wholly foreign-owned enterprise established in the PRC for an operating period of 50 years commencing from the approval date of 1 March 2006.

(f) Heihe LongJiang Chemical is a wholly foreign-owned enterprise established in the PRC for an operating period of 20 years commencing from the approval date of 5 June 2008.

(g) 大慶高新區東北化工銷售有限公司 is a limited liability company established in the PRC with indefinite operating period.

24. Investments in Subsidiaries (continued)

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Mudanjiang Dongbei Chemical		Racing Dragon	
	2014	2013	**2014**	2013
Principal place of business/ country of incorporation	**PRC/PRC**	PRC/PRC	**PRC/BVI**	PRC/BVI
% of ownership interests/voting rights held by NCI	**36.89%**	36.89%	**33%**	33%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 30 June:				
Non-current assets	**273,553**	290,640	**1,440,622**	1,480,275
Current assets	**377,053**	386,553	**428,276**	349,667
Non-current liabilities	**–**	–	**(26,528)**	(35,120)
Current liabilities	**(132,380)**	(130,941)	**(1,788,806)**	(1,676,879)
Net assets	**518,226**	546,252	**53,564**	117,943
Accumulated NCI	**191,174**	201,512	**17,676**	38,921
Year ended 30 June:				
Revenue	**–**	–	**90,791**	101,900
Loss	**(24,620)**	(27,814)	**(66,734)**	(12,077)
Total comprehensive income	**(28,026)**	(11,409)	**(64,379)**	16,253
Loss allocated to NCI	**(9,082)**	(10,260)	**(22,023)**	(3,985)
Dividends paid to NCI	**–**	–	**–**	–
Net cash (used in)/generated from operating activities	**(206)**	23,572	**46,985**	195,200
Net cash used in investing activities	**–**	–	**(8,899)**	(163,344)
Net cash used in financing activities	**–**	(25,136)	**(50,604)**	(19,480)
Effect of foreign exchange rate changes	**243**	1,460	**773**	(647)
Net increase/(decrease) in cash and cash equivalents	**37**	(104)	**(11,745)**	11,729

25. Due From/(To) Subsidiaries – Company

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

26. Inventories

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**40,106**	31,399
Work in progress	**217**	804
Finished goods	**167**	1,843
	40,490	34,046

27 Trade Receivables

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 60 to 180 days (2013: 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	
	2014	2013
	HK$'000	HK$'000
Within 30 days	**46**	3,381
31 to 60 days	**–**	18,013
61 to 90 days	**300**	19,565
91 to 120 days	**10,610**	231
121 to 150 days	**10,456**	308
151 to 180 days	**9,947**	7,166
181 to 240 days	**23,435**	23,446
241 to 330 days	**21,302**	21,505
331 to 365 days	**18**	2,770
	76,114	96,385

As at 30 June 2014, an allowance of approximately HK$164,375,000 (2013: HK$109,452,000) was made for estimated irrecoverable trade receivables.

27 Trade Receivables (continued)

The reconciliation of allowance for trade receivables is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**109,452**	36,896
Allowance made for the year	**56,435**	71,481
Exchange differences	**(1,512)**	1,075
At end of year	**164,375**	109,452

As of 30 June 2014, trade receivables of approximately HK$45,247,000 (2013: HK$56,200,000) 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	
	2014	2013
	HK$'000	HK$'000
Up to 90 days	**300**	773
91 to 180 days	**193**	7,706
181 to 365 days	**44,754**	47,721
	45,247	56,200

The Group's trade receivables are denominated in RMB.

28. Other Loan Receivables

A loan of HK$500,000 (2013: HK$500,000) granted to an independent third party was unsecured, interest bearing at 6% (2013: 6%) p.a. and repayable on 31 October 2014 (2013: 31 October 2013).

A loan of HK$200,000 (2013: HK$Nil) granted to an independent third party was unsecured, interest bearing at 6% p.a. and repayable on 28 June 2015.

As at 30 June 2013, a loan of approximately HK$31,273,000 granted to an independent third party was unsecured, interest bearing at 6% p.a. and repaid on 29 June 2014.

29. Financial Assets at Fair Value Through Profit or Loss

	2014 HK$'000	2013 HK$'000
Equity securities listed in Hong Kong, at market value	**2,721**	4,707

The Group's financial assets at fair value through profit or loss are classified as held for trading.

30. Bank and Cash Balances

As at 30 June 2014, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$7,222,000 (2013: HK$13,968,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

31. Share Capital

	2014 HK$'000	2013 HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
2,324,899,519 ordinary shares of HK$0.10 each	**232,490**	232,490

A summary of the movements in the issued share capital of the Company during the two years ended 30 June 2013 and 2014 is as follows:

	Number of ordinary shares issued '000	Par value HK$'000
At 1 July 2012	745,633	74,563
Issue of shares on open offer (note (a))	1,491,266	149,127
Exercise of share options (note (b))	88,000	8,800
At 30 June 2013, 1 July 2013 and 30 June 2014	2,324,899	232,490

31. Share Capital (continued)

Notes:

(a) On 20 July 2012, 1,491,266,346 ordinary shares of HK$0.10 each were issued at HK$0.15 per share by way of an open offer on the basis of two offer shares for every one share held. The net proceed of approximately HK$219,104,000 was used to finance the construction of production facilities and as general working capital of the Group. The shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

(b) During the year ended 30 June 2013, the subscription rights attaching to 88,000,000 shares options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.204 per share, resulting in the issue of 88,000,000 shares of HK$0.10 each for the total cash consideration of approximately HK$17,952,000.

Warrants

On 12 March 2013, the Company issued warrants at a placing price of HK$0.002 conferring rights to subscribe for 224,000,000 shares of the Company at a subscription price of HK$0.19 per share from the date of issue to 11 June 2014.

No warrants were exercised during the year and all warrants with subscription price of HK$0.19 per share expired on 11 June 2014.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes had been made in the objectives, policies and processes during the two years ended 30 June 2013 and 2014.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group received a report from the share registrars on substantial share interests showing the non-public float and it demonstrated continuing compliance with the 25% limit throughout the year.

32. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted on 20 December 2012 for a period of 10 years. The purpose of the Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group. Under the Scheme, the directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. The offer for a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and in any event not later than 10 years from the date of grant of share options, subject to the provisions for early termination thereof.

32. Share Option Scheme (continued)

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of shares of the Company in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the extraordinary general meeting held on 20 December 2012.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

Grant date	4 April 2011	12 May 2011	18 April 2013
Vesting period (note (a))	4 April 2011	12 May 2011	18 April 2013
Exercise period	4 April 2011 to 3 April 2013	12 May 2011 to 11 May 2013	18 April 2013 to 17 April 2016
Exercise price			
– at date of grant (note (b))	0.153	0.154	0.204
– adjustment upon the completion of the share consolidation on 20 June 2011	1.530	1.540	N/A
– adjustment upon the completion of the open offer on 20 July 2012	1.510	1.520	N/A
Price of the Company's shares at the date of grant (note (c))	0.153	0.153	0.204

Notes:

(a) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company's share capital.

(c) The price of the Company's shares disclosed as at the date of the grant of the share options is the higher of the closing price of the shares of the Company on the date of grant of the share options and the average Stock Exchange closing price for the five business days immediately preceding the date of the grant of the share options.

32. Share Option Scheme (continued)

Details of the grantees are as follows:

	Employees	
	Number of share options	Weighted average exercise price
Outstanding at 1 July 2012	18,750,000	1.533
Granted during the year	110,000,000	0.204
Exercised during the year	(88,000,000)	(0.204)
Expired during the year	(18,998,343)	1.513
Adjustment upon the completion of the open offer	248,343	(0.020)
Outstanding at 30 June 2013, 1 July 2013 and 30 June 2014	22,000,000	0.204
Exercisable at 30 June 2014	22,000,000	0.204
Exercisable at 30 June 2013	22,000,000	0.204

No share options were exercised during the year ended 30 June 2014.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2013 was HK$0.36. The options outstanding at the end of the year have a weighted average remaining contractual life of 1.80 (2013: 2.80) years and the exercise price of HK$0.204 (2013: HK$0.204).

33. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

33. Reserves (continued)

(b) Company

	Share premium account HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 July 2012	1,698,881	5,461	–	65,281	1,769,623
Loss for the year	–	–	–	(18,918)	(18,918)
Issue of shares on open offer	69,977	–	–	–	69,977
Share option benefits					
– Grant of share options	–	4,762	–	–	4,762
– Exercise of share options	12,962	(3,810)	–	–	9,152
– Transfer to share premium	5,461	(5,461)	–	–	–
Issue of warrants	–	–	448	–	448
At 30 June 2013 and 1 July 2013	1,787,281	952	448	46,363	1,835,044
Loss for the year	–	–	–	(316,346)	(316,346)
Expiry of warrants	–	–	(448)	448	–
At 30 June 2014	1,787,281	952	–	(269,535)	1,518,698

(c) Nature and purpose of reserves of the Group

(i) Share premium account

The share premium account includes (i) the premium arising from the issue of shares; and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation for the purpose of the listing of the Company's shares on the Stock Exchange, over the nominal value of the shares of the Company issued in exchange therefor.

(ii) Fixed asset revaluation reserve

Fixed asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings in note 4(d) to the financial statements.

(iii) Share option reserve

Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and business associates of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(p) to the financial statements.

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the financial statements.

33. Reserves (continued)

(c) Nature and purpose of reserves of the Group (continued)

(v) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. Warrant reserve will be transferred to share premium account upon the exercise of the warrants or released to retained profits if the warrants remain unexercised at the expiry date.

34. Deferred Tax

The movement in deferred tax assets/(liabilities) account is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**(116,782)**	(120,846)
Credit to profit or loss (note 12)	**78,080**	12,736
Charge to equity (note 18)	**(2,132)**	(6,084)
Exchange differences	**(298)**	(2,588)
At end of year	**(41,132)**	(116,782)

The following are the major deferred tax assets/(liabilities) recognised by the Group, and the movements thereon, during the current and prior reporting periods:

Deferred tax assets	**Decelerated tax depreciation**	**Other temporary differences**	**Revaluation of buildings and prepaid land lease payments**	**Total**
	HK$'000	HK$'000	HK$'000	HK$000
At 1 July 2012	3,646	5,750	(4,899)	4,497
Credit/(charge) to profit or loss	1,492	(7,254)	–	(5,762)
Credit to equity	–	–	1,133	1,133
Exchange differences	412	(136)	(144)	132
At 30 June 2013 and 1 July 2013	5,550	(1,640)	(3,910)	–
Credit/(charge) to profit or loss	430	(386)	–	44
Charge to equity	–	–	(44)	(44)
Exchange differences	(45)	18	27	–
At 30 June 2014	5,935	(2,008)	(3,927)	–

34. Deferred Tax (continued)

Deferred tax liabilities	Decelerated tax depreciation	Other temporary differences	Revaluation of buildings and prepaid land lease payments	Total
	HK$'000	HK$'000	HK$'000	HK$000
At 1 July 2012	13,872	19,732	(158,947)	(125,343)
Credit/(charge) to profit or loss	1,940	16,665	(107)	18,498
Charge to equity	–	–	(7,217)	(7,217)
Exchange differences	407	578	(3,705)	(2,720)
At 30 June 2013 and 1 July 2013	16,219	36,975	(169,976)	(116,782)
Credit/(charge) to profit or loss	15,527	(2,247)	64,756	78,036
Charge to equity	–	–	(2,088)	(2,088)
Exchange differences	(291)	(253)	246	(298)
At 30 June 2014	31,455	34,475	(107,062)	(41,132)

The deferred tax liabilities in relation to revaluation of buildings have been charged to equity directly.

35. Trade Payables

The Group normally obtains credit terms ranging from 30 to 120 days (2013: 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	
	2014	2013
	HK$'000	HK$'000
Within 30 days	**5,150**	19,443
31 to 60 days	**6,545**	1,530
61 to 90 days	**5,991**	1,018
91 to 120 days	**17,088**	3,027
121 to 365 days	**12,879**	6,974
Over 365 days	**37,878**	31,084
	85,531	63,076

The Group's trade payables are denominated in RMB.

36. Other Loan

A loan of the Group of approximately HK$24,837,000 (2013: HK$25,051,000) granted from an independent third party is interest bearing at 12% (2013: 12%) p.a., secured by the pledge of the Group's fixed assets and prepaid land lease payments and is repayable on demand. During the year ended 30 June 2013, the Group received a verdict from the Intermediate People's Court of Heilongjiang Province in the PRC in relation to the repayment of the other loan. According to the verdict, the other loan should be repaid before 20 March 2013.

37. Due to a Non-Controlling Shareholder of a Subsidiary

The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

38. Bank Loans

The Group's bank loans are repayable as follows:

	2014 HK$'000	2013 HK$'000
Term loans subject to a repayment on demand clause	**189,696**	241,267
Within one year	**2,347**	2,299
In the second year	**2,396**	2,347
In the third to fifth years inclusive	**7,502**	7,345
After five years	**24,259**	26,812
	226,200	280,070
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(192,043)**	(243,566)
	34,157	36,504

The carrying amounts of the Group's bank loans are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000
Hong Kong dollars	**36,504**	38,803
RMB	**189,696**	241,267
	226,200	280,070

At 30 June 2014, bank loans were arranged at floating rates ranging from 2.10% to 10.80% (2013: 2.10% to 7.21%) p.a., thus exposed the Group to cash flow interest rate risk.

Bank loans are secured by the pledge of the Group's fixed assets, land held under finance leases and prepaid land lease payments.

During the year ended 30 June 2014, the Group received a verdict from the Intermediate People's Court of Heilongjiang Province in the PRC in the relation to the repayment of a bank loan amounting approximately HK$24,960,000. According to the verdict, the bank loan should be repaid before 8 May 2014.

39. Bonds Payable

The movement of the bonds payable is as follows:

	2014 HK$'000
Issuance of bonds	**218,647**
Interest charge for the year	**5,353**
Carrying amount at the end of year	**224,000**

During the period from October 2013 to June 2014, the Group and the Company issued fixed rate corporate bonds with total principal amount of approximately HK$466,250,000. The bonds were repayable as follows:

	2014 HK$'000
Bonds repayable after five years	**466,250**

The bonds payables are unsecured and interest bearing at coupon rates of 3% to 7.5%.

Interest on bond payables at par value of HK$110,000,000 is payable annually and the principal is repayable in full upon maturity. Interest on bond payables at par value of HK$356,250,000 was fully paid on issue date and the principal is repayable in full upon maturity.

The bonds payable are measured at amortised cost, using the effective interest method, and the effective rates are ranging from 3.0% to 15.7% p.a. after taking into account the transaction costs directly attributable to the issuance of the bonds.

40. 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 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, the 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. The management believes that sufficient provision for this legal claim was made at this stage.

40. Contingent Liabilities (continued)

(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 for 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.

41. Capital Commitments

The Group's capital commitments at the end of the reporting period are as follows:

	2014 HK$'000	2013 HK$'000
Contracted but not provided for Buildings and construction in progress	**664,955**	577,197

The Company did not have any capital commitments as at 30 June 2014 (2013: Nil).

42. Lease Commitments

At 30 June 2014 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Within one year	**1,816**	2,028
In the second to fifth years inclusive	**2,814**	–
	4,630	2,028

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for a lease term of 3 years (2013: 2 years) and rentals are fixed over the lease terms and do not include contingent rentals.

The Company did not have any operating lease arrangements as at 30 June 2014 (2013: Nil).

43. Related Party Transactions

Except as disclosed in note 14 to the financial statements, the Group did not have any related party transaction during the years ended 30 June 2013 and 2014.

44. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 September 2014.